

National Testing Agency

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Management Accounting for Decision Making

Group Number :	1
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Management Accounting for Decision Making

Section Id :	899514144
Section Number :	1
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Section Marks :	100
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Sub-Section Number :	1
Sub-Section Id :	899514185
Question Shuffling Allowed :	Yes

Question Number : 1 Question Id : 8995149885 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Robinson & Co, a manufacturer of chemicals used in household cleaning received the following data compiled by his accounting department for the month of June 2016: Material Cost \$ 200,000; Labour Cost \$ 20,000; Power and other Utilities \$ 30,000; Repairs and Maintenance \$ 10,000; Depreciation expenses related to machines used in the production \$ 2,000; Administrative Expenses \$ 6,000 and Selling and Distribution Expenses \$ 10000. During the month 100,000 Kilograms of chemicals are produced by the production shop. What is the cost of goods manufactured per unit?

1. \$ 2.00
2. \$ 2.20
3. \$ 2.42
4. \$ 2.62

Options :

- 89951438822. 1
- 89951438823. 2
- 89951438824. 3
- 89951438825. 4

Question Number : 2 Question Id : 8995149886 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

An insurance company wants to work out Administrative Overhead Rate. The most appropriate basis of working out the administrative overhead rate is _____.

1. Value of Insurance Policy (Administrative Overhead Rate per \$ 100 of policy)
2. Number of policies (Administrative Overhead Rate per policy)
3. Number of riders (Administrative Overhead Rate per rider)
4. Policy Years (Administrative overhead rate per year)

Options :

89951438826. 1
89951438827. 2
89951438828. 3
89951438829. 4

Question Number : 3 Question Id : 8995149887 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No
Correct Marks : 2 Wrong Marks : 0

Which one of the following is generally not included in computing production overhead?

1. Material used for quality control testing
2. Machine operator's salary
3. Lubricants used while operating machines
4. Rent paid for factory premises

Options :

89951438830. 1
89951438831. 2
89951438832. 3
89951438833. 4

Question Number : 4 Question Id : 8995149888 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No
Correct Marks : 2 Wrong Marks : 0

Which one of the following firm is NOT likely to use process costing?

1. Courier Firm
2. Banking Company
3. Tour Operator
4. Airline

Options :

89951438834. 1
89951438835. 2
89951438836. 3
89951438837. 4

Question Number : 5 Question Id : 8995149889 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

Alco Products manufactures customized doors and windows. Currently it has two cost pools namely (a) Material and (b) Production Overhead. The overhead is charged on the basis of square feet. The estimated overhead for the month is \$ 500,000 and estimated volume is 100,000 sq. ft. Recently, the company hired a Consultant to implement Activity Based Costing (ABC) and he estimates the following activities, cost drivers and activity cost:

Activity	Cost Driver	Activity Volume	Activity Cost
Assembly	Assembly Hours	5000 hours	\$ 300,000
Material Handling	Number of batches	100 batches	\$ 50,000
Set-up cost	Number of set ups	200 set-ups	\$ 80,000
Order Processing	Number of orders	50 orders	\$ 20,000
Designing	Number of Designs	20 designs	\$ 50,000

Eastern Group, a construction company placed order for 200 units of windows and doors of different sizes and total sq. ft of the order is 5000 sq. ft. The Production manager estimates the order would require 200 assembly hours, 4 batches, 6 set-ups, 6 designs and 2 delivery (2 orders). If the company follows ABC, how much is charged towards total activity cost?

1. \$ 25,000
2. \$ 32,200
3. \$ 45,000
4. \$ 52,000

Options :

89951438838. 1
89951438839. 2
89951438840. 3
89951438841. 4

Question Number : 6 Question Id : 8995149890 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

Which one of the following will be affected when a firm launches several new products?

1. Assembly hours
2. Training sales and service personnel
3. Set up cost
4. All the three items listed

Options :

89951438842. 1
89951438843. 2

89951438844. 3

89951438845. 4

Question Number : 7 Question Id : 8995149891 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Andrew System produces sensors which are used in different applications. The material cost is \$16 and direct labour cost is \$ 9. The fixed cost for the year is \$ 15000. The selling price is \$ 40 per unit. How many units the company should produce and sell to achieve break-even?

1. 500 units
2. 1000 units
3. 2000 units
4. 641 units

Options :

89951438846. 1

89951438847. 2

89951438848. 3

89951438849. 4

Question Number : 8 Question Id : 8995149892 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Andrew System produces sensors which are used in different applications. The material cost is \$16 and direct labour cost is \$ 9. The fixed cost for the year is \$ 15000. The selling price is \$ 40 per unit. The firm is currently selling 1500 units. The CEO of the company wants to increase the selling price from \$ 40 to \$ 44. The marketing managers wants additional promotion budget of \$ 4000. If sales are not going to be affected due to increase in the price provided additional promotion expenses is incurred, compute the revised profit.

1. Loss of \$ 3000
2. Profit of \$ 6000
3. Profit of \$ 9500
4. Profit of \$ 15000

Options :

89951438850. 1

89951438851. 2

89951438852. 3

89951438853. 4

Question Number : 9 Question Id : 8995149893 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

Kochi Naturals extracts essence (oleoresin) a from various plantation items. It expects 120 grams of oleoresin from 1000 grams of pepper (1 KG of pepper). The standard Price per KG of pepper is \$ 6. In the month of May, the company used 5000 KG of pepper and extracted 480 KG of oleoresin. The average procurement cost of pepper is \$ 5 per KG. What is the Material Price variance?

1. 5000 Favorable
2. 6000 Adverse
3. 4000 Favorable
4. 5000 Adverse

Options :

89951438854. 1

89951438855. 2

89951438856. 3

89951438857. 4

Question Number : 10 Question Id : 8995149894 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

Jupiter Bio has three products with sales volume of 1000 units of Product Ace, 3000 units of Product Ace Pro and 6000 units of Ace Classic. The contribution from the three products are as follows. Ace: \$ 3; Ace Pro: \$ 4 and Ace Classic: \$ 10. If the total fixed cost for the period is \$ 15000, how many units the firm should produce to earn a profit of \$ 60,000?

1. 1000 units of ACE; 3000 units of ACE PRO; 6000 units of ACE CLASSIC
2. 3000 units of ACE; 1000 units of ACE PRO; 6000 units of ACE CLASSIC
3. 6000 units of ACE; 1000 units of ACE PRO; 3000 units of ACE CLASSIC
4. 3000 units of ACE; 6000 units of ACE PRO; 1000 units of ACE CLASSIC

Options :

89951438858. 1

89951438859. 2

89951438860. 3

89951438861. 4

Question Number : 11 Question Id : 8995149895 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

The term 'flexible budget' refers to

1. Preparation of budget with the assumption of different selling prices
2. Preparation of budget under different cost structure
3. Preparation of budget with zero fixed cost (by converting all fixed costs to variable cost)
4. Preparation of budget with different production volume

Options :

89951438862. 1

89951438863. 2

89951438864. 3

89951438865. 4

Question Number : 12 Question Id : 8995149896 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Diamond Abrasives sells 70% of its sales on cash basis and balance on credit basis. Of the credit sales, 60% of credit sales are collected in the same month, 30% in the month following the sale, and 10% is collected two months following the sales. Budgeted sales data is as follows: April: \$10,000; May: \$20,000; June: \$30,000. How much is total 'Accounts Receivable' at the end of June?

1. \$ 37,000
2. \$ 11,400
3. \$ 4,200
4. \$ 9,000

Options :

89951438866. 1

89951438867. 2

89951438868. 3

89951438869. 4

Question Number : 13 Question Id : 8995149897 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Andrew System produces sensors which are used in different applications. The material cost is \$16 and direct labour cost is \$ 9. The fixed cost for the year is \$ 15000. The selling price is \$ 40 per unit. The current volume is 1500 units. A customer who buys 500 units asked the Andrew to add an additional feature in the product and supply the same. Andrew estimates that it would have to spend another \$ 5 towards variable cost and another \$ 3000 towards fixed cost. What should be the minimum price that Andrew should charge the customer to supply the new product to protect the existing profit? Note, there is no change in the total volume of the sales.

1. The minimum revised price should be \$ 43
2. The minimum revised price should be \$ 46
3. The minimum revised price should be \$ 49
4. The minimum revised price should be \$ 51

Options :

89951438870. 1
89951438871. 2
89951438872. 3
89951438873. 4

Question Number : 14 Question Id : 8995149898 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Leo Toys has reported the following data for two quarters: Quarter 1: Sales \$ 500 & Profit \$ 60; Quarter 2: Sales \$ 800 & Profit \$ 120. Find the Break-even Sales.

1. \$ 100
2. \$ 200
3. \$ 300
4. Information is not adequate to compute Break-even Sales

Options :

89951438874. 1
89951438875. 2
89951438876. 3
89951438877. 4

Question Number : 15 Question Id : 8995149899 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

An Engineering component manufacturing company started the month with 500 units in opening inventory. Material was drawn in full for these units. The work was completed to an extent of 40%. During the month, the production shop drawn additional material for 4000 units and started working on the same. At the end of the month, the production shop finds 300 units are in closing stock and balance items are transferred to finished goods. The closing stock has drawn 100% of the material. The production shop estimates that it has spent 60% worth of efforts on closing work-in-progress inventory. How many units are completed during the month?

1. 4000
2. 4200
3. 3800
4. 4180

Options :

89951438878. 1
89951438879. 2
89951438880. 3
89951438881. 4

Question Number : 16 Question Id : 8995149900 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

An Engineering component manufacturing company started the month with 500 units in opening inventory. Material was drawn in full for these units. The work was completed to an extent of 40%. During the month, the production shop drawn additional material for 4000 units and started working on the same. At the end of the month, the production shop finds 300 units are in closing stock and balance items are transferred to finished goods. The closing stock has drawn 100% of the material. The production shop estimates that it has spent 60% worth of efforts on closing work-in-progress inventory. An estimate shows conversion cost of opening inventory is \$ 200 and during the month, the production shop incurred additional conversion cost of \$4180. Find the conversion cost per EU.

1. \$ 1.05
2. \$ 1.00
3. \$ 1.09
4. \$ 0.96.

Options :

89951438882. 1
89951438883. 2

89951438884. 3

89951438885. 4

Question Number : 17 Question Id : 8995149901 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Alco Products manufactures customized doors and windows. Currently it has two cost pools namely (a) Material and (b) Production Overhead. The overhead is charged on the basis of square feet. The estimated overhead for the month is \$ 500,000 and estimated volume is 100,000 sq. ft. Recently, the company hired a Consultant to implement Activity Based Costing (ABC) and he estimates the following activities, cost drivers and activity cost:

Activity	Cost Driver	Activity Volume	Activity Cost
Assembly	Assembly Hours	5000 hours	\$ 300,000
Material Handling	Number of batches	100 batches	\$ 50,000
Set-up cost	Number of set ups	200 set-ups	\$ 80,000
Order Processing	Number of orders	50 orders	\$ 20,000
Designing	Number of Designs	20 designs	\$ 50,000

Eastern Group, a construction company placed order for 200 units of windows and doors of different sizes and total sq. ft of the order is 5000 sq. ft. The Production manager estimates the order would require 200 assembly hours, 4 batches, 6 set-ups, 6 designs and 2 delivery (2 orders).

If the overhead is charged on the basis of sq. Ft. how much should be charged to the order as production overhead?

1. \$ 5000
2. \$ 10000
3. \$ 25000
4. \$ 50000

Options :

89951438886. 1

89951438887. 2

89951438888. 3

89951438889. 4

Question Number : 18 Question Id : 8995149902 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Queen Cosmetics currently has 8 products used. It currently allocates the fixed cost on the basis of Revenue. The company is planning to discontinue one of its products whose details are below: Sales: \$50,000; Variable Cost: \$ 40000; Fixed Cost: \$ 20,000. Accountant estimates that on discontinuing the product, the company is expected save \$ 2000 fixed cost. The impact of discontinuing the product on the profitability of the company is:

1. Profit will increase by \$ 10000
2. Profit will increase by \$ 8000
3. Profit will decline by \$ 8000
4. Profit will not be affected and will remain same

Options :

- 89951438890. 1
- 89951438891. 2
- 89951438892. 3
- 89951438893. 4

Question Number : 19 Question Id : 8995149903 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Dolphin Publisher has acquired right to publish the translated version of an Indian work. The publisher agreed to pay a lump sum of \$10000 plus \$ 1 per copy sold. The publishing cost consists of variable cost of \$ 2 per copy and \$20000 fixed cost. If 10000 copies are planned for the first run, how much the publisher should price the book if the expected profit is \$ 3?

1. \$ 6
2. \$ 9
3. \$ 12
4. \$ 14.3

Options :

- 89951438894. 1
- 89951438895. 2
- 89951438896. 3
- 89951438897. 4

Question Number : 20 Question Id : 8995149904 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

Everest Traders is a wholesale paper dealer and the firm maintain a minimum cash balance of \$ 20,000 for its working capital needs. At the beginning of January, the company's cash balance was \$24,000. Budgeted cash receipts for January are \$ 200,000 and budgeted cash disbursements are \$ 240,000. The firm is expected to report a net income of \$ 23,000. For the month of January, how much Everest Traders should raise additional funds to run the operations?

1. \$ 90,000
2. \$ 36,000
3. \$ 60,000
4. \$ 13,000

Options :

89951438898. 1
89951438899. 2
89951438900. 3
89951438901. 4

Question Number : 21 Question Id : 8995149905 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Hi-volt manufacturers power control equipment and insulators. The firm estimates a production variable overhead for August at \$ 120000 and 2000 machine hours while preparing budget. Actual machine hours for August was 2000 hours. Actual production overhead was \$ 124000. How much the variance report related to production overhead will show?

1. Under-absorption of \$ 4,000
2. Under-absorption of \$ 2,000
3. Over-absorption of \$ 4,000
4. Zero variance

Options :

89951438902. 1
89951438903. 2
89951438904. 3
89951438905. 4

Question Number : 22 Question Id : 8995149906 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

Hi-volt manufactures switchgears. The budgeted volume of production is 25000. Budgeted material cost is \$ 300 per unit or \$ 7,500,000. Due to sluggish demand and labour strike, the Hi-volt is able to achieve production volume of 20000 units. It incurred material cost of \$ 6,700,000. The material cost variance is

1. \$ 700,000 Adverse
2. \$ 800,000 Favorable
3. \$ 700,000 Favorable
4. \$ 800,000 Adverse

Options :

89951438906. 1
89951438907. 2
89951438908. 3
89951438909. 4

Question Number : 23 Question Id : 8995149907 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

Softpro budgeted 20000 employees hours at the rate of \$ 4 per hour to complete a project. It ended up using 24000 employees hours and paid an average salary of \$ 4.20 per hour to complete the project. What is the total Labour cost Rate Variance?

1. \$ 16800 Adverse
2. \$ 4800 Adverse
3. \$ 16000 Adverse
4. \$ 4000 Adverse

Options :

89951438910. 1
89951438911. 2
89951438912. 3
89951438913. 4

Question Number : 24 Question Id : 8995149908 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No

Correct Marks : 2 Wrong Marks : 0

Trident Chemicals manufactures stain remover which requires mixing of two chemicals X (30 ml) and Y (70 ml) to make 100 ml bottle. The mix in the ratio of 3:7 is approximate and in actual manufacturing, the mix deviate to an extent depending on the quality and reaction of the chemicals. The standard cost for 100 ml of Chemical X is \$ 4.00 and for material Y \$ 6.00. During January, Trident produced of 5000 bottles of stain remover and consumed 142 liters of Chemical X and 360 liters of Chemical Y. The average procurement cost per liter of Chemicals are: \$ 39 for Chemical X and \$ 62 for Chemical Y. Calculate the material mix variance for the month of January? Note: 1 liter = 1000 ml.

1. 578 Adverse
2. 172 Adverse
3. 108 Adverse
4. 858 Adverse

Options :

89951438914. 1
89951438915. 2
89951438916. 3
89951438917. 4

Question Number : 25 Question Id : 8995149909 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Sona Motors currently manufactures two scooters with the brand names of Zoom and Pride targeted for two different sections. The budgeted sales quantity for November is 30000 Zoom and 12000 Pride. The contribution from each Unit of Zoom is budgeted at \$ 120 and for Pride, \$ 80. As the market was good, the firm sold 35000 Zoom and 15000 Pride but realized lower contribution margin of \$ 110 from Zoom and \$ 75 from Pride. How much of difference in contribution is related to changes in contribution margin (contribution margin rate variance)?

1. 425000.00 Adverse
2. 28571.43 Adverse
3. 868571.43 Favorable
4. 415000.00 Adverse

Options :

89951438918. 1
89951438919. 2
89951438920. 3
89951438921. 4

Question Number : 26 Question Id : 8995149910 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Robinson & Co, a manufacturer of chemicals used in household cleaning received the following data compiled by his accounting department for the month of June 2016: Material Cost \$ 200,000; Labour Cost \$ 20,000; Power and other Utilities \$ 30,000; Repairs and Maintenance \$ 10,000; Depreciation expenses related to machines used in the production \$ 2,000; Administrative Expenses \$ 6,000 and Selling and Distribution Expenses \$ 10000. During the month 100,000 Kilograms of chemicals are produced by the production shop. What is the conversion cost?

1. \$ 62000
2. \$ 220000
3. \$ 50000
4. \$ 42000

Options :

89951438922. 1
89951438923. 2
89951438924. 3
89951438925. 4

Question Number : 27 Question Id : 8995149911 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

An Advertising Consultant has got a media job to promote a high-end jewelry. Two senior consultant and 8 junior consultants worked on the job for nearly 20 days to complete the film. Each Senior consultant was paid a salary of \$ 100 per day whereas each Junior Consultant was paid at \$ 40 per day. The lead artist who acted on the film was paid \$ 30,000. The firm charges \$ 60 per consultant day as overhead. What is the cost at which the job was completed?

1. 10400
2. 30000
3. 12000
4. 52400

Options :

89951438926. 1
89951438927. 2

89951438928. 3

89951438929. 4

Question Number : 28 Question Id : 8995149912 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Digby is manufacturing two models of same product. Model A requires 2 hours and Model B requires 5 hours. Contribution per unit of Model A is \$ 30 and Model B is \$ 60. After fulfilling the orders of existing customers, the firm finds a surplus machine hour of 350 hours. If both Models have sufficient demand in the market, which of the two models that Digby should produce to maximize profit?

1. Model A
2. Model B
3. 50% for Model A and 50% Model B
4. 25 units of Model A and 60 units of Model B

Options :

89951438930. 1

89951438931. 2

89951438932. 3

89951438933. 4

Question Number : 29 Question Id : 8995149913 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Fastreach is an air-cargo firm which operates its own air-craft to deliver parcels of various courier companies and postal department. Its current sales per year is \$ 2,000,000. Variable cost is \$ 600,000 and fixed cost is \$ 1,000,000. What is the degree of operating leverage?

1. 0.50
2. 1.40
3. 2.33
4. 3.50

Options :

89951438934. 1

89951438935. 2

89951438936. 3

89951438937. 4

Question Number : 30 Question Id : 8995149914 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

In preparing budgets, managers follow a sequence. Which one of the following is most common sequence?

1. Sales budget, production budget, material purchases budget, labour budget, other expenses budget, capex budget, cash budget, budgeted income statement, budgeted balance sheet
2. Capex budget, cash budget, sales budget, production budget, material purchases budget, Labour budget, other expenses budget, budgeted income statement, budgeted balance sheet
3. Production budget, material purchases budget, sales budget, capex budget, cash budget, labour budget, other expenses budget, budgeted income statement, budgeted balance sheet
4. Capex budget, cash budget, budgeted income statement, budgeted balance sheet

Options :

89951438938. 1
89951438939. 2
89951438940. 3
89951438941. 4

Question Number : 31 Question Id : 8995149915 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Which one of the following firm is likely to use process costing?

1. Management Consultant
2. Sugar manufacturer
3. IT service provider
4. Automobile Service Station

Options :

89951438942. 1
89951438943. 2
89951438944. 3
89951438945. 4

Question Number : 32 Question Id : 8995149916 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

A carpenter received an enquiry to furnish an apartment and asked to produce estimation. He estimates that material would cost \$ 5000. The job would require 500 labour hours at the rate of \$ 4 per labour hour. He estimates monthly overhead amount of \$10,000 and expected to work for 10000 labour hours. He normally adds 20% of the total cost towards profit. How much the carpenter should quote for this order?

1. \$ 8000
2. \$ 9000
3. \$ 8500
4. \$ 8200

Options :

89951438946. 1
89951438947. 2
89951438948. 3
89951438949. 4

Question Number : 33 Question Id : 8995149917 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

A company manufacturing electrical goods finds 200 unit are in Work in Process on 1st of the month and 300 units at the end of the month. If 5,000 units were completed during the period, how many units were started during the month?

1. 5200
2. 5300
3. 4900
4. 5100

Options :

89951438950. 1
89951438951. 2
89951438952. 3
89951438953. 4

Question Number : 34 Question Id : 8995149918 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Which one of the following strategies will reduce cost incurred in set-up?

1. Increase Volume
2. Increase volume per batch
3. Reduce product range
4. Increase product range

Options :

89951438954. 1
89951438955. 2
89951438956. 3
89951438957. 4

Question Number : 35 Question Id : 8995149919 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Alco Products manufactures customized doors and windows. Currently it has two cost pools namely (a) Material and (b) Production Overhead. The overhead is charged on the basis of square feet. The estimated overhead for the month is \$ 500,000 and estimated volume is 100,000 sq. ft. Recently, the company hired a Consultant to implement Activity Based Costing (ABC) and he estimates the following activities, cost drivers and activity cost:

Activity	Cost Driver	Activity Volume	Activity Cost
Assembly	Assembly Hours	5000 hours	\$ 300,000
Material Handling	Number of batches	100 batches	\$ 50,000
Set-up cost	Number of set ups	200 set-ups	\$ 80,000
Order Processing	Number of orders	50 orders	\$ 20,000
Designing	Number of Designs	20 designs	\$ 50,000

Eastern Group, a construction company placed order for 200 units of windows and doors of different sizes and total sq. ft of the order is 5000 sq. ft. The Production manager estimates the order would require 200 assembly hours, 4 batches, 6 set-ups, 6 designs and 2 delivery (2 orders). If the company follows ABC, how much is charged towards designing cost of the product?

1. \$ 2500
2. \$ 6000
3. \$ 12000
4. \$ 15000

Options :

89951438958. 1

89951438959. 2

89951438960. 3

89951438961. 4

Question Number : 36 Question Id : 8995149920 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Andrew System produces sensors which are used in different applications. The material cost is \$16 and direct labour cost is \$ 9. The fixed cost for the year is \$ 15000. The selling price is \$ 40 per unit. What should be the dollar value of sales that the company should achieve to break-even?

1. \$ 20000
2. \$ 40000
3. \$ 80000
4. \$ 25640

Options :

89951438962. 1

89951438963. 2

89951438964. 3

89951438965. 4

Question Number : 37 Question Id : 8995149921 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

An Engineering compon An Engineering component manufacturing company started the month with 500 units in opening inventory. Material was drawn in full for these units. The work was completed to an extent of 40%. During the month, the production shop drawn additional material for 4000 units and started working on the same. At the end of the month, the production shop finds 300 units are in closing stock and balance items are transferred to finished goods. The closing stock has drawn 100% of the material. The production shop estimates that it has spent 60% worth of efforts on closing work-in-progress inventory. Find total equivalent units of the month related to material.

1. 4000
2. 4200
3. 4500
4. 4380

Options :

89951438966. 1
89951438967. 2
89951438968. 3
89951438969. 4

Question Number : 38 Question Id : 8995149922 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Oriental Forging estimates total overhead costs for the next year at \$ 50,000. The Production Manager feels Machine Hours is the most appropriate basis of charging overhead of the department to job performed by the department. Which one of the following statements related to predetermined overhead is true?

1. If the company expects to use 10000 machine hours, the predetermined overhead rate is \$2.00 per machine hour.
2. If the company expects to use 5000 machine hours, the predetermined overhead rate is \$ 0.10 per machine hour.
3. If the company expects to use 2000 machine hours, the predetermined overhead rate is \$ 25.00 per machine hour.
4. If the company expects to use 2500 machine hours, the predetermined overhead rate is \$ 0.05 per machine hour.

Options :

89951438970. 1
89951438971. 2
89951438972. 3
89951438973. 4

Question Number : 39 Question Id : 8995149923 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Andrew System produces sensors which are used in different applications. The material cost is \$16 and direct labour cost is \$ 9. The fixed cost for the year is \$ 15000. The selling price is \$ 40 per unit. If the firm is selling 1500 units, the Margin of Safety in units is equal to _____

1. 200 units
2. 500 units
3. 625 units
4. 728 units

Options :

89951438974. 1
89951438975. 2
89951438976. 3
89951438977. 4

Question Number : 40 Question Id : 8995149924 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Which one of the following statements is true?

1. Fixed per unit will decline with increase in volume
2. Variable cost per unit will remain same with increase in volume
3. Total cost per unit will decline with increase in volume
4. All three statements are true and hold good

Options :

89951438978. 1
89951438979. 2
89951438980. 3
89951438981. 4

Question Number : 41 Question Id : 8995149925 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

TANCO is an assembler of telephone instruments. While most of the components are procured from outside vendors, the company manufactures the speakers used for the phone internally. The company is now considering whether to close down or continue the division. In taking the decision, which one of the following is NOT relevant cost?

1. Material
2. Fixed cost exclusively incurred for the division
3. Corporate Office fixed cost allocated to the division
4. Sale value of the machine used for the division

Options :

- 89951438982. 1
- 89951438983. 2
- 89951438984. 3
- 89951438985. 4

Question Number : 42 Question Id : 8995149926 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Degree of Operating Leverage measures

1. Changes in profit when sales revenue changes
2. Changes in contribution when sales revenue changes
3. Changes in fixed cost when sales revenue changes.
4. Changes in market share when sales revenue changes

Options :

- 89951438986. 1
- 89951438987. 2
- 89951438988. 3
- 89951438989. 4

Question Number : 43 Question Id : 8995149927 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

The cost structure of a soft-drink producer shows the following: Sale \$100,000; Variable cost \$70,000; Fixed cost \$10,000; Profit \$20,000. A new process results in reduction of variable cost by \$ 10,000 but increases the fixed cost by \$ 10,000 and hence no impact on profit. What is the impact of the new process on the operating risk of the firm?

1. Operating risk has increased
2. Operating risk has declined
3. No change in the operating risk
4. Operating risk can't be measured

Options :

- 89951438990. 1
- 89951438991. 2
- 89951438992. 3
- 89951438993. 4

Question Number : 44 Question Id : 8995149928 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

The term 'variance' refers to

1. the differences between standard and actual costs.
2. the difference between last year cost and current period cost
3. the difference between competitor cost and firm's cost of current year
4. the difference between sales quantity and production quantity

Options :

- 89951438994. 1
- 89951438995. 2
- 89951438996. 3
- 89951438997. 4

Question Number : 45 Question Id : 8995149929 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Micron is a pharmaceutical company specializing diabetic drugs. The company recently diversified into related FMCG sector and launched cookies for diabetic patients. The manufacturing of cookies is outsourced. The firm estimates sales volume of 200000 packets at a price of \$ 1.20 per packet for the first quarter. Actual sales for the quarter are 180000 packets. As the volume was not picking up, it offered additional discount and could realize only \$ 1 per packet. What is the Sales Price variance?

1. \$ 36,000 Adverse
2. \$ 24,000 Adverse
3. \$ 40,000 Adverse
4. \$ 20,000 Adverse

Options :

89951438998. 1
89951438999. 2
89951439000. 3
89951439001. 4

Question Number : 46 Question Id : 8995149930 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

OM Mattresses launched a high-end mattress specially made for patients who are bedridden. The company plan to produce 3000 units per month and the estimated material cost is \$ 200 per unit. As the product was received well in the market, the firm ended the period with a volume of 3600 unit for the month of June. It incurred \$ 680,000 towards material cost. What is the material cost variance?

1. \$ 80,000 Adverse
2. \$ 80,000 Favourable
3. \$ 40,000 Favourable
4. \$ 40,000 Adverse

Options :

89951439002. 1
89951439003. 2
89951439004. 3
89951439005. 4

Question Number : 47 Question Id : 8995149931 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Which of the following input is *not* required in order to calculate the cost of goods sold in the budgeted income statement?

1. Opening and closing value of finished goods
2. Capital Expenditure
3. Policies related to holding inventory
4. Number of units sold.

Options :

89951439006. 1
89951439007. 2
89951439008. 3
89951439009. 4

Question Number : 48 Question Id : 8995149932 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

The term 'budget' refers to

1. formal document that quantifies a company's plans for achieving its goals.
2. improved communication within a company.
3. a basis for evaluating performance.
4. All of the above are true.

Options :

89951439010. 1
89951439011. 2
89951439012. 3
89951439013. 4

Question Number : 49 Question Id : 8995149933 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

Micron is a pharmaceutical company specializing diabetic drugs. The company recently diversified into related FMCG sector and launched cookies for diabetic patients. The manufacturing of cookies is outsourced. The firm estimates sales volume of 200000 packets at a price of \$ 1.20 per packet for the first quarter. Actual sales for the quarter are 180000 packets. As the volume was not picking up, it offered additional discount and could realize only \$ 1 per packet. What is the total sales variance?

1. \$ 60,000 Adverse
2. \$ 36,000 Adverse
3. \$ 24,000 Adverse
4. \$ 40,000 Adverse

Options :

89951439014. 1
89951439015. 2
89951439016. 3
89951439017. 4

Question Number : 50 Question Id : 8995149934 Question Type : MCQ Option Shuffling : No Is Question Mandatory : No Correct Marks : 2 Wrong Marks : 0

A production head desires to know the break-up of variable and fixed component of repairs and maintenance cost. He collected the data related to machine hours and repairs and maintenance cost on monthly basis for one year. He finds the highest volume achieved was 800 hours in November and lowest volume was achieved was 300 hours in February. The Repairs and Maintenance expenses for the corresponding period are \$ 600 and \$ 400. Compute the fixed cost of Repairs and Maintenance.

1. 320
2. 280
3. 120
4. Zero

Options :

89951439018. 1
89951439019. 2
89951439020. 3
89951439021. 4