SIR ARTHUR LEWIS COMMUNITY COLLEGE

ACADEMIC YEAR (2024/2025) – SEMESTER ONE

END OF SEMESTER EXAMINATION

ALTERNATE

COURSE CODE	:	**ACC208**
COURSE TITLE	:	**Cost and Management Accounting**
LECTURER(S)	:	
DATE	:	
TIME	:	
DURATION	:	**75 Mins**
STUDENT ID #	:	____________________

GENERAL INFORMATION AND INSTRUCTIONS

- Students must sign **IN** and **OUT** on the examination class list.
- Write your ID number on the question paper.
- This paper has 40 questions.
- Circle the correct answer on the answer sheet provided.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO

Instructions: Circle the letter a, b, c, or d that carries the best response on the answer sheet provided.

1 The costs of a manufacturing firm ae as follows:

Raw materials purchased	$5.000
Direct labour	$3,000
Cost of raw materials consumed	$7,000
Factory overheads	$2,000

What is the prime cost?

A) $12,000
B) $15,000
C) $17,000
D) $10,000

2 While preparing a marginal cost and contribution statement, if any factor of production is a key factor then _____ should be expressed in terms of per unit of the key factor.

A) variable cost
B) contribution
C) fixed cost
D) profit

3 Which of the following statements are true about marginal cost?

i) Marginal costing is not an independent system of costing.
ii) In marginal costing all elements of cost are divided into fixed and variable components.
iii) In marginal costing fixed costs are treated as product cost.
iv) Marginal costing is not a technique of cost analysis.

A) i and ii
B) ii and iv
C) ii and iii
D) i and iv

4 Lennon Construction plans to discontinue its roofing segment. Last year, this segment generated a contribution margin of $65,000 and incurred $70,000 in fixed costs. Discontinuing the segment will allow the company to avoid half of the fixed costs. What effects is expected to occur to the company's overall profit?

A) A decrease of $5,000
B) A decrease of $35,000
C) An increase of $30,000
D) A decrease of $30,000

5 What is an opportunity cost?

A) The cost of choosing one alternative over another
B) The benefit of choosing one alternative over another
C) The cost that has already been incurred
D) The cost that cannot be avoided

6 What is the main challenge in resource allocation under constraints?

A) Maximizing profit without considering constraints
B) Ignoring qualitative factors
C) Allocating resources efficiently given limited availability
D) Ensuring all resources are utilized

7 Which type of incurred costs are not relevant in decision-making (i.e., they have no bearing on future events) and should be excluded in decision-making?

A) Unavoidable cost
B) Sunk costs
C) Avoidable costs
D) Differential costs

8 In Cimpex Company Job no. F6 is completed at a cost of $4,500 and later sold for $7,000 cash. Which of the following would be a correct journal entry to make, if the company uses the job order costing system?

A) Debit finished goods inventory $4,500 and credit work-in-progress inventory$4,500
B) Debit finished goods inventory $7,000, credit work-in-progress inventory $7,000
C) Debit cost of goods sold $4,500, and credit sales $4,500
D) Debit accounts receivable $7,000 and credit sales $7,000

9 Manufacturing overhead is under applied if _______________.

A) actual overhead equals applied overhead
B) actual overhead is greater than applied overhead
C) the predetermined rate equals the actual rate
D) actual overhead is less that applied overhead

10 The initial processing department had a beginning inventory of 750 units and an ending inventory of 1,350, and it started 9,500 units into production. How many were transferred out to the next department?

A) 750
B) 8900
C) 1350
D) 10,250

11 Under the weighted average method, in the production report equivalent units consists of _______________.

A) beginning WIP plus units completed and transferred out plus ending WIP
B) beginning WIP plus units completed and transferred out
C) beginning of WIP only
D) units completed and transferred out plus ending WIP

12 The following are the forecasted sales for a small firm:

January	$120,000
February	$250,000
March	$210,000

Cash collections are expected as follows: 20% are received in the month of sale, 60% in the month following the sale and the balance in the next month. All sales are subject to a 55 cash discount in the month of the sale.

What will be the expected total cash collections for the month of March?

A) $213,900
B) $216,900
C) $210,000
D) $116,000

13 On the cash budget, net cash flow can be calculated as __________.

A) all cash inflows plus all cash outflows
B) profit less all expenses
C) opening cash balance plus all cash inflows
D) all cash inflows less all cash outflows

14 In producing product ZZ, 14,800 direct labour hours were used at a rate of $8.20 per hour. The standard was 15,000 hours at $8.00 per hour, based on these data, the direct labour_____.

A) total variance is $1,360 unfavourable
B) rate variance is $1,600 favourable
C) total variance is $2,960 unfavourable
D) efficiency variance is $3,000 favourable

15 Problem Inc. produces a product known as ‘A’. The company uses a standard costing system and provides the following information:

Standard materials used to produce 1 unit of A: 6 pounds
Budget cost of materials used to produce A: $120
Actual materials used to produce 1 unit of A: 5 pounds
Actual cost of materials used to produce A: $105

16 Standard fixed overhead per unit: $5. Budgeted production: 2,000 units. Actual production: 1,800 units. What is the fixed overhead volume variance?

A) $,00 unfavourable
B) $1,00 favourable
C) $2,00 favourable
D) $2,00 unfavourable

17 In producing product AA, 6,300 pounds of dire materials were used at a cost of $1.10 per pound. The standard was 6,000 pounds at $1.00 per pound. Compute the direct materials price variance.

A) $330 unfavourable
B) $600 unfavourable
C) $300 unfavourable
D) $630 unfavourable

18 Standard labour rate: $25/hour, standard hours: 800. Actual labour rate: $28/hour, actual hours: 900. Calculate labour rate variance and labour time variance.

A) Rate: $2,700 unfavourable; Time: 2,800 unfavourable
B) Rate: $2,700 unfavourable; Time: $2,500 favourable
C) Rate$2,700 favourable; Time$2,500 unfavourable
D) Rate: $2,700 unfavourable; Time: $2,500 unfavourable

19 A factory used cheaper materials but needed 15% more units to meet quality standards. Which variance(s) occurred?

A) Favourable price variance only
B) Neither variance
C) Both favourable price and unfavourable quantity variances
D) Unfavourable quantity variance only

20 Standard: 500 lbs at $2/lb. Actual: 550 lbs purchased at $1.8/lb. Compute the price variance and quantity variance.

A) Price: $100 favourable; Quantity: $110 unfavourable
B) Price: $110 favourable; Quantity:$100 unfavourable
C) Price: $110 unfavourable; Quantity: $100 favourable
D) Price: $100 unfavourable; Quantity: $110 favourable

21 Actual material cost: $11,000. Standard cost for actual output: $10,000. What is the total direct materials cost variance?

A) No variance
B) $1,000 favourable
C) $2,00 favourable
D) $1,000 unfavourable

22 Actual variable overhead cost: $12,000. Standard cost for actual output: $10,000. What is the total variable overhead variance?

A) $2,000 unfavourable
B) $2,000 favourable
C) $1,000 unfavourable
D) $1,000 favourable

23 Standard: 1,000 hours at $20/hour. Actual: 1,100 hours at $22/hour. Calculate the direct labour rate variance.

A) $2,200 favourable
B) $3,200 unfavourable
C) $3,200 favourable
D) $2,200 unfavourable

24 What is the primary purpose of calculating the variable overhead rate variance?

A) To assess the impact of changes in production volume
B) To determine the optimal mix of fixed and variable costs
C) To evaluate the effectiveness of cost control measures for variable overheads
D) To evaluate the efficiency of production processes

25 Firms that use variance analysis include _______.

i) Manufacturing firms
ii) Retail firms
iii) Service firms

A) i only
B) ii only
C) i and ii only
D) i, ii and iii

26 If a company experiences an unfavourable direct materials price variance, what might be an appropriate response?

A) Negotiate better prices with suppliers or explore alternative suppliers
B) Increase production volume to offset higher costs
C) Ignore the variance as it is not significant
D) Reduce the quality of materials used to save costs

27 Why are labour variances important in managerial decision-making?

A) They are used to evaluate employee performance only
B) They are irrelevant to strategic planning
C) They help predict future market trends
D) They provide insights into production efficiency and cost management

28 The materials price variance could be computed as the difference between ______

A) actual price and standard price multiplied by actual quantity
B) actual material quantity and standard material quantity multiplied by standard price
C) standard hours and actual hours multiplied by actual quantity
D) standard price and actual price multiplied by standard quantity

29 If the standard cost is higher than the actual cost then the difference would be known as a/an ______ variance.

A) favourable
B) unfavourable
C) controllable
D) uncontrollable

30 A favourable direct material price variance occurs when the actual rate of direct materials is ________.

A) higher that the standard rate of direct materials
B) equal to standard rate of direct materials
C) less than standard rate of direct materials
D) less than standard previous year rate of direct materials

31 When analyzing the total variable overhead variance, what should managers consider?

A) Both rate and efficiency variances to understand overall variable overhead performance
B) Only the impact of rate changes on variable overheads costs
C) Neither rate not efficiency variance, focusing on total variable overhead cost alone
D) Only the impact of efficiency changes on variable overhead usage

32 The standards that required peak efficiency and do not allow any work interruptions are known as ____ standards.

A) attainable
B) ideal
C) budgeted
D) normal

33 What is a common consequence of an unfavourable variance overhead efficiency variance?

A) Improved product quality due to more time spent on each unit
B) Increased productivity due to better resource allocation
C) Reduce production costs due to efficient use of resources
D) Increased production costs due to inefficient use of resources

34 Which of the following is not considered a product cost?

A) Direct materials
B) Selling experience
C) Direct labour
D) Indirect materials

35 Which component is included in manufacturing cost summary?

A) Advertising expenses
B) Administrative salaries
C) Direct materials
D) Sales revenue

36 Which cost is controllable by a production manager?

A) CEO salary
B) Direct labor wages
C) Corporate office property taxes
D) Depreciation of factory equipment

37 Which functional cost category includes expenses related to maintaining corporate offices and executive salaries?

A) Selling
B) Distributive
C) Administrative
D) Production

38 Choosing to invest in Project A (profit: $50,000) over Project B (profit: $40,000) results in an opportunity cost of:

A) $40,000
B) $50,000
C) $10,000
D) 90,000

39 Study the following information.

Sales	$350,000
Cost of goods sold	$120,000
Total fixed costs	$ 60,000
Total variable costs	$100,000

If a CVP Income Statement were prepared, which of the following would appear on it?

A) Contribution margin of $250,000
B) Gross profit of $1190,000
C) Gross profit of $230,000
D) Contribution margin of $190,000

40 Given selling price is $20 per unit, fixed cost is $# per unit, and profit per unit is $1. What is the contribution per unit?

A) $4
B) $16
C) $17
D) $1.25

END OF EXAMINATION