DUMPSQUEEN

Management Accounting

Cima P1

Version Demo

Total Demo Questions: 10

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QUESTION NO: 1

Which THREE of the following statements about different costing systems are correct?

A. Contribution per unit is the selling price per unit minus the variable costs per unit.

B. In a period during which finished goods inventory levels fall, profit using marginal costing will be higher than if absorption costing is used.

C. When valuing inventory using throughput costing, the direct labour cost is excluded.

D. Over-absorption of fixed production overhead is caused by actual sales exceeding budgeted sales.

E. Finished goods inventory will be assigned a higher value using throughput costing than absorption costing.

ANSWER: A B C

QUESTION NO: 2

MDS is facing a temporary shortage of Material H which is used to produce all three of its products.

In order to maximise its profitability, which product should be manufactured first?

A. The product using the least amount of Material H per unit.

B. The product with the highest contribution per kg of Material H.

C. The product with the highest contribution per unit.

D. The product with the highest profit per unit.

ANSWER: B

QUESTION NO: 3

In a manufacturing company, breakeven occurs at which TWO of the following?

A. When contribution is equal to zero

B. When profit is equal to zero

C. When revenue is equal to contribution

D. When revenue is equal to fixed costs

E. When fixed costs are equal to contribution

ANSWER: B E

QUESTION NO: 4 - (DRAG DROP)

A company is choosing between three projects, Project L, Project M and Project N using minimax regret. The outcome from each project is dependent on competitor reaction. If this is passive returns will be L $4,000, M $3,500 and N $5,200. If it is aggressive returns will be L $3,200, M $2,800 and N $2,950. Place the tokens into the table to show the maximum regret for each project and whether the project would be undertaken using minimax regret.

	Maximum Regret	Project undertaken
Project L		
Project M		
Project N		

Maximum Regret
$1,200
$400
$250
$1,700

Project undertaken
Yes
No

ANSWER:

	Maximum Regret	Project undertaken
Project L	$1,200	No
Project M	$1,700	No
Project N	$250	Yes

Maximum Regret	Project undertaken
$1,200	Yes
$400	No
$250	
$1,700	

Explanation:

	Maximum Regret	Project undertaken
Project L	$1,200	No
Project M	$1,700	No
Project N	$250	Yes

QUESTION NO: 5

Which THREE of the following are never relevant costs for short-term decision making?

A. Depreciation costs

B. Incremental costs

C. Sunk costs

D. Variable overhead costs

E. Committed costs

ANSWER: A C E

QUESTION NO: 6

A small manufacturing company makes a single product. Direct labour costs and factory rent account for 80% and 15% of total cost respectively. Activity levels have not varied by more than 5% for a number of years and there is no evidence of operational inefficiency.

Which of the following is the most appropriate approach to budgeting for this company?

A. Incremental budgeting

B. Zero based budgeting (ZBB)

C. Activity based budgeting (ABB)

D. Rolling budgeting

ANSWER: A

QUESTION NO: 7

N prepares budgets on an annual basis by using the budget from the previous year, and then adjusting it for growth and inflation.

This is an example of:

A. An incremental budget

B. A rolling budget

C. A flexed budget

D. Zero based budgeting

ANSWER: A

QUESTION NO: 8 - (DRAG DROP)

A company is forecasting its revenue for May and has established that sales will be either high, medium or low. The expected value of sales revenue for May has been calculated as $160,000. The following table includes data which relate to the potential sales in May.

Revenue Probability Expected Value

High $250,000 0.2 C

Medium A 0.5 D

Low $100,000 B $30,000

Place the figures given in to the spaces marked with the letters A, B, C and D, to complete the above table.

C [   ] $50,00

A [   ] $100,000

D [   ] $160,000

B [   ]   0.3

                          0.7

                          $80,000

ANSWER:

C [$50,00] $50,00

A [$160,000] $100,000

D [$80,000] $160,000

B [0.3]   0.3

                          0.7

                          $80,000

Explanation:

C [$50,00]

A [$160,000]

D [$80,000]

B [0.3]

QUESTION NO: 9

Two products being produced by a company require the same material which is limited to 2,600 kgs.

Product	S	T
Selling price ($ per unit)	40	60
Variable cost ($ per unit)	32	50
Fixed cost ($ per unit)	4	5
Profit ($ per unit)	4	5
Material required per unit (kgs)	4	6
Maximum demand	500 units	400 units

What is the optimal production plan?

A. 500 units of S & 100 units of T

B. 50 units of S & 400 units of T

C. 400 units of S & 167 units of T

D. 500 units of S & 400 units of T

ANSWER: A

QUESTION NO: 10

A time series (TS) is made up of two main components i.e. trend (T) and the seasonal variation (SV).

Which TWO of the following could be used to find the seasonal component of a trend?

A. SV = TS - T

B. SV = TS / T

C. SV = TS + T

D. SV = T / TS

E. SV = T - TS

ANSWER: A B