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TOP SECRET

Student Name: .....
(Block letters)

Student Number: .....

HA2011 MANAGEMENT ACCOUNTING
TRIMESTER 2, 2010
CLASS TEST TWO (SYDNEY CAMPUS)

Assessment Value: 20%

Time Allowed: 1 hour + 10 minutes perusal time

Instructions:

1. This paper consists of 2 parts. The first part consists of 10 multiple-choice questions, one mark each. The second part consists of 5 multiple-choice questions, two marks each.
2. Circle the letter in the **ANSWER SHEET** corresponding to the one alternative that best completes the statement or answers the question.
3. Maximum marks available: 20
4. This is a closed book examination.
5. A non-programmable electronic calculator is allowed.
6. A non-electronic dictionary is allowed.
7. This paper must be returned at the end of the class test.

FIRST PART (10 Marks)

1. Service cost information may be used by managers to:

i. set prices.
ii. control costs.
iii. market new products.
iv. design new products.

A. ii
B. i and ii
C. iii and iv
D. i, ii, iii and iv

2. Upstream costs for a merchandising entity include:

i. design.
ii. research and development.
iii. distribution.
iv. customer support.

A. iii and iv
B. i and iii
C. i, ii and iii
D. None of the given answers

3. The most widely used methods of support department cost allocations are the:

A. direct method and cost application.
B. cost distribution and step-down method.
C. direct method and step-down method.
D. step-down method and cost application.

4. Assume a firm uses job costing. Which of the following is NOT a good reason to use departmental overhead rates rather than a single plant wide rate?

A. Total overhead costs amount to about 10 per cent of total prime costs.
B. The various products made by the firm follow different sequences of manufacturing activities.
C. Overhead costs in some departments are a very large proportion of total department cost, but are a very small proportion in other departments.
D. The firm makes multiple products using common equipment and employees.

5. Activity-based costing has most to offer where:

A. overhead is high and volume driven.
B. overhead is high and non-volume driven.
C. overhead is low and non-volume driven.
D. direct labour is a major proportion of total costs.

6. In a simple activity-based product costing system:

A. Direct material, direct labour, manufacturing overhead and non-manufacturing overhead are assigned to products on an activity basis.
B. Direct material is traced using a conventional approach, while direct labour, manufacturing overhead and non-manufacturing overhead are assigned to products on an activity basis.
C. Direct material and direct labour are traced using a conventional approach, manufacturing overhead is assigned on an activity basis and non-manufacturing overhead is expensed as it is incurred.
D. Direct material, direct labour and manufacturing overhead are traced using a conventional approach, and non-manufacturing overhead is assigned on an activity basis.

7. A control system comprises:

A. a predetermined or standard performance level.
B. a measure of actual performance.
C. a comparison between standard and actual performance.
D. All of the given answers

8. A standard that assumes a production process is as efficient as practical under normal operating conditions is:

A. a perfection standard.
B. an attainable standard.
C. an average standard.
D. an operating standard.

9. If the engineer worked for 20 hours on a job, Z, and the rates were overhead 125 per cent on direct labour cost and the direct labour rate was $25 per hour, what is the total cost of the job?

A. $1,125
B. $1,000
C. $625
D. $500

10. Which of the following would NOT be a volume-based cost driver in a conventional costing system?

A. Quantity of direct material
B. Factory floor area in square metres
C. Direct labour hours
D. Machine hours

SECOND PART (10 Marks)

11. The Lots More Store has a Janitorial Department and a Personnel Department that provide services to three Sales Departments. The Janitorial Department cost is allocated based on space and the Personnel Department cost is allocated based on employees. The following information is available.

	Personnel Dept	Janitorial Dept	Sales #1	Sales #2	Sales #3
Budget	$45,000	$30,000			
Space (sq m)	4,000	1,000	20,000	30,000	50,000
No. of Employees	5	10	15	45	30

Using the step-down method, calculate the amount of Janitorial Department cost allocated to Sales Department #2, if the Personnel Department is allocated first.

A. $10,350
B. $8,571
C. $9,857
D. $10,247

12. Calculate the cost of processing one sales order if the total activity cost is $1720 000 p.a., the activity driver is the number of orders received and the annual quantity of the activity driver is 43 000 orders.

A. $20 per order
B. $25 per order
C. $40 per order
D. $50 per order

13. Given the following information, calculate the materials price variance:

Direct material purchased and used	**30,000 kg**
Cost of direct material	**$84,000**
Unfavourable direct materials usage variance	**$3,000**
Standard quantity of direct materials allowed for May production	**29,000 kg**

A. $2,800 (F)
B. $2,800 (U)
C. $6,000 (U)
D. $6,000 (F)

14. The following data relates to QA firm:

Cost standards:

Direct material	**3 kg @ $2.50 per kg**	**$7.50**
Direct labour	**5 hours @ $7.50 per hour**	**$37.50**

Actual results:

7,800 units were produced

$\odot_A = P_A - P_S$ $= 23100\,(2.6 - 2.5)$ $= 23100 \times 0.1$

Direct material purchased	**25,000 kg @ $2.60**	**$65,000**
Direct material used	**23,100 kg**	
Direct labour	**40,100 hours @ $7.30**	**$292,730**

Calculate the direct material price variance, based on the quantity of materials purchased.

A. $2,310 (U)
B. $2,500 (U)
C. $2,500 (F)
D. $2,000 (U)

15. Cultco Company Ltd has set the following direct material standards per unit of product: 2.5 kg @ $3.00 per kg; $7.50 per unit. During April, actual direct material purchased and used amounted to 8 000 kg at a cost of $3.10 per kg. Actual production amounted to 3 000 units. Determine Cultco's direct material price variance.

A. $1,500 (U)
B. $800 (U)
C. $750 (U)
D. $500 (U)