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# Accountant CIMA-BA2

## Fundamentals of Management Accounting

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## Question: 1

Refer to the exhibit.

	£
Gross wages	123,840
Employees' National Insurance	(9,180)
Income tax (PAYE)	(18,860)
Net wages	95,800

DS is manufacturing company that uses an integrated accounting system. The following payroll data is available for the month of August:

The Employers' National Insurance for the period was \$13,790. An analysis of the wages is as follows:

Which of the following factors affect the budgeted cash flow:

- (a) Funds from the issue of share capital
- (b) Bank Interest on a long term loan
- (c) Depreciation on fixed assets
- (d) Bad debt write off

- A. Factors (a), (b), (c) and (d)
- B. Factors (a) and (b) only
- C. Factor (a) only
- D. Factors (b), (c) and (d) only

**Answer: B**

## Question: 2

Which of the following cannot be used to split costs into fixed and variable elements?

- A. Absorption costing
- B. High-low method
- C. Scattergraph
- D. Line of best fit

**Answer: A**

### Question: 3

In order to provide information that is suitable for control purposes, the budget must be:

- A. Computer generated
- B. Fixed
- C. Flexed
- D. Ideal

**Answer: C**

### Question: 4

Question: 5

If the fixed costs are increased, the point at which the line plotted on a profit/volume (PV) graph cuts the horizontal axis will:

- A. Double
- B. Move to the left
- C. Stay the same
- D. Move to the right

**Answer: D**

### Question: 5

Refer to the Exhibit.

Fabex Ltd manufactures a household detergent called "Clear". The standard data for one of the chemicals used in production (chemical XTC) is as follows:

- (a) 50 litres used per 100 litres of 'Clear' produced
- (b) Budgeted monthly production is 1000 litres of 'Clear'.

The closing inventory of chemical XTC for November valued at standard price was as follows:

Actual results for the period during December were as follows:

(a) 500 litres of chemical XTC was purchased for £1300.  
(b) 550 litres of chemical XTC was used.  
(c) 900 litres of 'Clear' was produced.  
It is company policy to extract the material price variance at the time of purchase.  
What is the total direct material price variance (to the nearest whole number)?

- A. £50 adverse
- B. £50 favourable
- C. £55 adverse
- D. £55 favourable

**Answer: A**

### Question: 6

Within the relevant range, a variable cost is a cost which:

- A. cannot be forecast with any degree of accuracy because of its variability.
- B. varies in total in proportion to the level of activity.
- C. varies per unit in proportion to the level of activity.
- D. varies in total in proportion to the level of inflation.

**Answer: B**

### Question: 7

Fixed costs can best be described as:

- A. Costs which are difficult to budget accurately
- B. Costs which remain constant, within a relevant range, when activity levels change
- C. Costs which never change
- D. Costs which are uncontrollable

**Answer: B**

### Question: 8

Question: 10  
Refer to the Exhibit.

	Production Activity	Fixed production overhead expenditure
A	Lower than budget	Higher than budget
B	Lower than budget	as budgeted
C	Higher than budget	Higher than budget
D	Higher than budget	Lower than budget
E	Higher than budget	As budgeted
F	As budgeted	Lower than budget
G	As budgeted	Higher than budget
H	As budgeted	As budgeted

A company operates an absorption costing system. The management accounts show that fixed production overheads were over-absorbed in the period.

Which FOUR combinations could possibly have resulted in this situation?

- A. Combination A
- B. Combination B
- C. Combination C
- D. Combination D
- E. Combination E
- F. Combination F
- G. Combination G
- H. Combination H

**Answer: C D E F**

### Question: 9

The principal budget factor can be defined as:

- A. The factor which has the highest value in the budget
- B. The factor which limits the activities of the organisation
- C. The factor which is most likely to result in an adverse variance
- D. The factor which is least likely to change in the future

**Answer: B**

### Question: 10

Which of the following statements is correct?

- i. sector bodies use budgetary planning and control systems
- ii. costing cannot be used by public sector bodies because they have no measurable output
- iii. in public sector bodies tend to focus on cost management therefore they have no need for non-financial information

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

**Answer: A**



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