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CPA MA

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QUESTION NO: 1

The Getwellquick Hospital has total costs of \$1m for 20X1. During 20X1, 200,000 patients were treated and doctors were paid \$500,000.

What is the most appropriate cost per unit for the hospital to use?

- A. \$0.20
- B. \$2.50
- C. \$5.00
- D. \$7.50

ANSWER: C

QUESTION NO: 2

PAQ Plc makes three products in a period.

Quantity (units) Labor hours per unit

Product P 1,000 4

Product A 2,000 6

Product Q 3,000 3

Total 6,000

Overheads for the period are \$30,000 and they are absorbed on the basis of labor hours. What is the fixed overhead cost absorbed by a unit of Product A?

- A. \$30.00
- B. \$5.00
- C. \$7.20
- D. \$1.20

ANSWER: D

QUESTION NO: 3

Which of the following statements about transfer pricing is/are correct?

- i) Using transfer pricing allows divisional managers to act with total autonomy in setting prices.
- ii) Market based transfer prices are always the most appropriate basis for setting transfer prices.
- A. neither (i) nor (ii)
- B. both (i) and (ii)
- C. (i) only
- D. (ii) only

ANSWER: A

QUESTION NO: 4

Henlow plc manufactures two products, Click and Flick. It intends to produce 2,000 units of each product in the next year to meet the sales budget.

Each Click requires 2 kg of material Z and 1 kg of material Y and each Flick requires 3 kg of material Z and 4 kg of material Y. At present there are 200 kg of Z and 500 kg of Y in inventory.

Henlow plc intends to increase the inventory levels of these materials by the end of the year to 600 kg of Z and 800 kg of Y.

Material Z costs \$4 per kg and material Y costs \$5 per kg.

What is the total materials purchase for the next year?

- A. \$86,900
- B. \$90,000
- C. \$93,100
- D. \$96,400

ANSWER: C

QUESTION NO: 5

Coolbreeze Co manufactures refrigerators. The company is organized on a divisionalised basis and has two divisions (compressor and cabinet). The compressor division transfers 65% of its output to the cabinet division for \$85 per unit, and sells the rest of its output to external companies for \$92 per unit.

The cabinet division sells the final product at an average selling price of \$495 per unit. In the next month, it expected that the compressor division will produce 27,000 units. The variable cost of manufacturing compressors is \$62 per unit.

What contribution will the compressor division generate in the next month?

- A. \$621,000
- B. \$687,150

C. \$743,850

D. \$810,000

ANSWER: B

QUESTION NO: 6

Which of the following statements about accounting concepts and the characteristics of financial information is correct?

A. The concept of substance over form means that the legal interpretation of a transaction must be reflected in financial statements, regardless of the economic substance.

B. The historical cost concept means that only items capable of being measured in monetary terms can be recognized in financial statements.

C. It may sometimes be necessary to exclude information that is relevant and reliable from financial statements because it is too difficult for some users to understand.

D. A specific disclosure requirement of an IAS does not need to be satisfied if the information is immaterial.

ANSWER: D

QUESTION NO: 7

Dalf Co calculates the margin of safety for each of its products separately. Data for one product are shown below:

Selling price per unit \$85

Variable cost per unit \$53

Budgeted sales volume 80,000 units

Margin of safety 22%

What is the value of fixed costs attributed to the product?

A. \$3,307,200

B. \$1,996,800

C. \$2,560,000

D. \$616,000

ANSWER: B

QUESTION NO: 8

Which of the following statements about accounting concepts are correct?

- (1) The money measurement concept is that only items capable of being measured in monetary terms can be recognized in financial statements.
- (2) The prudence concept means that understating of assets and overstating of liabilities is desirable in preparing financial statements.
- (3) The historical cost concept is that assets are initially recognized at their transaction cost.
- (4) The substance over form convention is that, whenever legally possible, the economic substance of a transaction should be reflected in financial statements rather than simply its legal form.

- A. 1, 2 and 3
- B. 1, 2 and 4
- C. 1, 3 and 4
- D. 2, 3 and 4

ANSWER: C

QUESTION NO: 9

Okram Co produces four products. Data for these are:

Product A B C D

Selling price (\$) 210 156 322 98

Variable cost per unit (\$) 136 108 187 51

Fixed costs per unit (\$) 47 36 75 19

Machine hours per unit 6 3.5 12 2.75

Due to a breakdown, machine hours will be limited in the next few weeks, and Okram will only be able to meet market demand for three products.

Based on the decision solely on financial factors, which products should be manufactured?

- A. A, B and C
- B. A, B and D
- C. A, C and D
- D. B, C and D

ANSWER: B

QUESTION NO: 10

In the three months to 31 March 2013, Pegem Co paid labor costs of \$62,597.60 for 6,760 labor hours. This included 182 hours of non-productive labor. The standard labor cost of the product produced is \$21.96, based on a standard time of 2.4 hours per unit.

What was the labor rate variance for the three months to 31 March 2013?

- A. \$2,408.90 Favorable
- B. \$2,408.90 Adverse
- C. \$743.60 Favorable
- D. \$743.60 Adverse

ANSWER: D