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Fundamentals of Management Accounting

Cima BA2

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QUESTION NO: 1

Which of the following statements regarding variances is valid?

- A. Using higher quality material than standard could explain an adverse labour efficiency variance.
- B. Improved maintenance of production machinery could explain an adverse material usage variance.
- C. An adverse labour rate variance could explain a favourable labour efficiency variance.
- D. Poor supervision could explain a favourable labour rate variance.

ANSWER: C

Explanation:

Reference: <https://accounting-simplified.com/management/variance-analysis/labor/rate.html>

QUESTION NO: 2

An organisation produces and sells a single product. The organisation's management accountant has reported the following information for the most recent period.

Sales volume	200,000 units
Selling price per unit	\$24
Variable cost per unit	\$18
Contribution to sales ratio	25%
Fixed cost	\$400,000

Which TWO of the following statements are valid? (Choose two.)

- A. If the contribution to sales ratio changed to 30%, the breakeven point would become higher.
- B. If the fixed cost changed to \$445,000, the breakeven point would not change.
- C. If the sales volume changed to 220,000 units, the breakeven point would not change.
- D. If the selling price changed to \$22 per unit, the breakeven point would become lower.
- E. If the variable cost changed to \$16 per unit, the breakeven point would become lower.

ANSWER: A C

QUESTION NO: 3

The year-to-date results at the end of month 9 included sales revenue of \$3,600,000 and variable costs of \$2,100,000.

During month 10, sales revenue was \$450,000 and variable costs were \$270,000.

What year-to-date contribution to sales ratio (C/S ratio) would be reported at the end of month 10?

- A. 58,5%
- B. 70,9%
- C. 41,5%
- D. 40,0%

ANSWER: A

QUESTION NO: 4

Which THREE of the following are included in the Global Management Accounting Principles? (Choose three.)

- A. Accountability
- B. Influence
- C. Value
- D. Professional behaviour
- E. Relevance
- F. Integrity

ANSWER: B C E

Explanation:

Reference: <https://www.cgma.org/resources/reports/globalmanagementaccountingprinciples/about-the-principles.html#?tab-1=3>

QUESTION NO: 5

A company operates an integrated standard cost accounting system. The standard price of raw material A is \$20 per litre. At the start of period 1, the inventory of 500 litres of raw material A was valued at \$20 per litre. During period 1, 100 litres of raw material A were purchased at an actual price of \$21 per litre. During period 2, 550 litres of raw material A were issued to Job 789. In respect of the above events, which TWO of the following statements are correct? (Choose two.)

- A. The raw material inventory at the end of period 1 should include 100 litres valued at \$21 per litre.

- B. An adverse material price variance should be recorded in the statement of profit or loss for period 1.
- C. The raw material inventory at the end of period 2 should be valued at \$20 per litre.
- D. An adverse material price variance should be recorded in the statement of profit or loss for period 2.
- E. The first 500 litres of raw material A issued should be debited to the Job 789 account at \$20 per litre, and the remaining 50 litres at \$21 per litre.

ANSWER: D E

QUESTION NO: 6

A sales manager has analysed a sample of 350 sales transactions from the latest period. The manager wishes to investigate:

- how many customers made their purchase online using the internet and how many purchased by telephone.
- how many were new customers and how many were placing repeat orders.

The following table shows the results of the analysis.

	Online	Telephone	Total
New customer	210	25	235
Repeat order	40	75	115
Total customers	250	100	350

If the pattern of sales occurs next period, the probability of a particular sale being a repeat order placed online is closest to:

- A. 0.11
- B. 0.40
- C. 0.16
- D. 0.35

ANSWER: B

QUESTION NO: 7

A small airport's management accountant has prepared the following management report on the performance of its four retail outlets.

	Outlet A	Outlet B	Outlet C	Outlet D
Sales revenue (\$000)	\$540	\$620	\$740	\$1,380
Variable costs (\$000)	\$184	\$270	\$308	\$480
Fixed costs (\$000)	\$139	\$148	\$50	\$320
Profit (\$000)	\$217	\$202	\$382	\$580
Return on sales ratio (%)	40%	33%	52%	42%
Area occupied (square metres)	200	120	160	340

Which retail outlet has the highest contribution per square metre?

- A. Outlet A
- B. Outlet B
- C. Outlet C
- D. Outlet D

ANSWER: C

QUESTION NO: 8

Which of the following is NOT a valid purpose of budgeting?

- A. To communicate targets to managers.
- B. To comply with financial reporting requirements.
- C. To coordinate the different activities of an organisation.
- D. To authorise managers to incur expenditure.

ANSWER: D

Explanation:

Reference: <https://www.acowtancy.com/textbook/acca-pm/budgetary-systems/budgetary-systems/notes>

QUESTION NO: 9

The possible returns and associated probabilities of two independent projects are as follows:

	Return \$	Probability
Project 1	10,000 loss	0.1
	20,000 gain	0.5
	30,000 gain	0.4
Project 2	15,000 gain	0.2
	20,000 gain	0.7
	35,000 gain	0.1

It has been decided that both projects are to be launched.

Which TWO of the following statements are correct? (Choose two.)

- A. The expected value of the total return is \$41,500 gain.
- B. The probability of the total return being a loss is 0.10.
- C. The probability of making a total return of exactly \$5,000 gain is 0.02.
- D. The probability of the total return being a gain is less than 1.00.
- E. The expected value of the total return is \$40,000 gain.

ANSWER: B D

QUESTION NO: 10

Which TWO of the following are characteristics of Management Accounts? (Choose two.)

- A. Governed by rules and regulations
- B. Provide information to managers
- C. Provide information needed by shareholders
- D. Internally focused
- E. Statutory requirement

ANSWER: B E