Management Accounting

CPA MA

Version Demo

Total Demo Questions: 10

Total Premium Questions: 80

Buy Premium PDF

QUESTION NO: 1

Consider the following uses of budgets in planning:

(i) To ascertain the resources needed to achieve corporate objectives, given a specific level of activity;

(ii) To prepare contingency budgets, based on varying levels of activity.

Which type of budget (fixed or flexible) is most appropriate for these uses?

A. Fixed = (i) and (ii), Flexible = neither (i) nor (ii)

B. Fixed = (i) only, Flexible = (ii) only

C. Fixed = (ii) only, Flexible = (i) only

D. Fixed = neither (i) nor (ii), Flexible = (i) and (ii)

ANSWER: B

QUESTION NO: 2

Quastir Co manufactures a single product which sells for $48.80 per unit. At this selling price, the profit per unit is $5.35, after apportionment of the $65,000 of fixed costs. The budgeted production and sales volume is 20,000 units.

What is the margin of safety, expressed in units (to the nearest unit)?

A. 7,559

B. 7,850

C. 12,150

D. 12,441

ANSWER: D

QUESTION NO: 3

Essen Co's policy is to value inventory using the periodic weighted average method. When the financial statements were drafted, First-in, First-out (FIFO) was incorrectly used to value the closing inventory. During the period the cost of items held in inventory has fallen.

What is the effect of this error on the valuation of closing inventory and profit?

A. Inventory value = Understated, Profit = Understated

B. Inventory value = Understated, Profit = Overstated

C. Inventory value = Overstated, Profit = Overstated

D. Inventory value = Overstated, Profit = Understated

ANSWER: A

QUESTION NO: 4

The marketing director of Peek Co has suggested that, despite an anticipated increase in variable cost per unit of $2, the selling price of the product manufactured by one of the divisions should be reduced by 3% to increase sales volume. The product is currently sold for $110 per unit which generates a contribution/sales ratio of 32%. Fixed costs for the next year are estimated to be $1,250,000.

What will be the breakeven sales volume in the next year (to the nearest unit)?

A. 41,806

B. 35,511

C. 39,062

D. 40,323

ANSWER: A

QUESTION NO: 5

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: 6

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: 7

Which of the following statements about target costing is/are correct?

i) The features included in the product are often identified after the target cost has been established.

ii) Target costing will often continue to be used after the product has been launched.

A. Both (i) and (ii)

B. (i) only

C. (ii) only

D. Neither (i) nor (ii)

ANSWER: A

QUESTION NO: 8

Which of the following statements about transfer pricing is correct?

A. Head office managers should never be involved in transfer pricing decisions

B. The market price will always be the most appropriate transfer price

C. The transfer price will not affect divisional profits

D. The transfer price should promote goal congruence

ANSWER: D

QUESTION NO: 9

Hui is responsible for all aspects of performance of the retail outlet which she manages, with the exception of investment.

All investment decisions are made by the head office management team.

What type of responsibility centre is Hui accountable for?

A. Cost centre

B. Revenue centre

C. Profit centre

D. Investment centre

ANSWER: C

QUESTION NO: 10

On the first day of the new financial year, the value of the non-current assets held by Vieta Co increased because the directors implemented a policy of revaluation.

How will the company's return on capital employed (ROCE) and net profit margin ratios for the year be affected?

A. ROCE = Increase, Net profit margin = Increase

B. ROCE = Increase, Net profit margin = Decrease

C. ROCE = Decrease, Net profit margin = Increase

D. ROCE = Decrease, Net profit margin = Decrease

ANSWER: D