

DUMPS ARENA

Management Accounting

Cima P1

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QUESTION NO: 1

EFG is a small business making raspberry jam to sell at local markets. It has recently been approached by a major supermarket to produce a special order for the supply of lemon curd.

Two of the ingredients required are sugar and preservatives, both of which are in inventory.

The sugar has a historic cost of \$4 per kg and a replacement cost of \$5. It is in regular use for the production of the raspberry jam.

The factory has switched to organic processes and the preservatives are no longer required.

The historic cost of the preservatives was \$3 per kg and the replacement cost is \$2.50 per kg.

The preservatives can be re-sold to a local competitor for \$1 per kg if they are not used in this order.

Which TWO of the following should be included in determining the relevant cost of the special order?

- A. Sugar at \$4 per kg
- B. Sugar at \$5 per kg
- C. Preservatives at \$3 per kg
- D. Preservatives at \$1 per kg
- E. Preservatives at \$2.50 per kg

ANSWER: B D

QUESTION NO: 2 - (DRAG DROP)

A company is choosing between three projects, Project P, Project Q and Project R using minimax regret as the criterion for the decision. The outcome from each project is dependent on future economic growth. If this is strong, returns will be P \$5,000, Q \$6,500 and R \$7,200. If it is weak, returns will be P \$3,500, Q \$4,800 and R \$4,200.

Place the correct figures into the table to show the maximum regret for each project.

Project P	<input type="text"/>	0
Project Q	<input type="text"/>	700
Project R	<input type="text"/>	600
		2,200
		1,300

ANSWER:

Project P	2,200	0
Project Q	700	700
Project R	600	600
		2,200
		1,300

Explanation:

Project P	2,200
Project Q	700
Project R	600

QUESTION NO: 3

A manager in your organisation says, "I have spare capacity and I need a unit cost as a basis for pricing a special one-off contract. You have provided me with a relevant cost of \$6.50 per unit and a full production cost of \$8.00 per unit. Please explain which unit cost I should use."

Which cost should be used in this decision and why?

- A. The relevant cost because it is the lower unit cost.
- B. The full production cost because it will be used in the financial accounting reporting system.
- C. The relevant cost because it represents the cash flows that will be affected if the contract is accepted.
- D. The full production cost because it is important to ensure that all costs are covered by the selling price.

ANSWER: C**QUESTION NO: 4**

A company develops computer software programs to meet each client's specific requirements. The management accountant is considering introducing a standard costing system.

Which THREE of the following are reasons that support the case for the company's introduction of a standard costing system?

- A. It will enable the company to make a direct comparison of costs for each program developed.
- B. It will enable the company to better focus on the quality of its service.
- C. It will provide a system of control.
- D. It will aid the budget setting process.
- E. It will simplify the work-in-progress valuation.

ANSWER: C D E

QUESTION NO: 5

A company makes and sells three products A, B and C.

The selling prices and costs of the three products, using a traditional absorption costing system, are shown in the table below.

	A	B	C
	\$	\$	\$
Selling Price	40	60	100
Direct Material	10	12	13
Direct labour	22	13	34
Overheads	16	28	35
Profit	(8)	7	18

The company has undertaken an analysis of overhead costs using activity-based costing (ABC).

The revised overhead costs for products A, B and C are \$6, \$32 and \$55 respectively.

When comparing the figures obtained under the two costing methods, which of the following statements are true?

Select ALL that apply.

- A. Product B makes a profit under both methods, but the profit is lower using ABC.
- B. The product that is the most profitable under traditional absorption costing makes a loss under the ABC methodology.
- C. Product C is currently overpriced based on cost plus pricing and the selling price should be reduced.
- D. Activity-based costing results in a lower level of overhead costs for the company.
- E. Product A shows a profit under ABC but had appeared loss making under traditional absorption costing.

ANSWER: A B E

QUESTION NO: 6

The breakeven point in units, in a multiple product context, is calculated using which of the following formulae?

- A. Fixed costs / weighted average contribution to sales ratio
- B. Fixed costs / weighted average profit per unit
- C. Fixed costs / weighted average contribution per unit
- D. Fixed costs / weighted average revenue per unit

ANSWER: C

QUESTION NO: 7 - (DRAG DROP)

A company makes Product A and Product B. The production process for both products uses one type of material, one type of labour, and utilises one machine. All three of these resources will be limited in November. The company has performed a linear programming model and the constraints and optimal solution, to maximise contribution, are as follows:

Constraints:

Material $2A + 3B \leq 1,800$
Labour hours $4A + 2B \leq 2,000$
Machine hours $3A + 2B \leq 2,000$
Optimal Solution:
Product A: 300 units
Product B: 400 units

For November, which of the above constraints are binding, and which are non-binding?

Material Constraint	<input type="text"/>	Binding
Labour Hours Constraint	<input type="text"/>	Non-Binding
Machine Hours Constraint	<input type="text"/>	

ANSWER:

Material Constraint

Binding

Binding

Labour Hours Constraint

Binding

Non-Binding

Machine Hours Constraint

Non-Binding

Explanation:

Material Constraint

Binding

Binding

Labour Hours Constraint

Binding

Non-Binding

Machine Hours Constraint

Non-Binding

QUESTION NO: 8

The simplex method has been used to determine the optimum output of products P, Q, R and S with constraints on resources J, K and L.

In the final simplex tableau, the figure in the product R row and the column for slack variable K is 80.

Which of the following statements is correct?

- A. For each additional unit of resource K available, the contribution would increase by \$80.
- B. For each additional unit of resource K available, the output of product R would increase by 80 units.
- C. For each additional unit of product R produced, 80 additional units of resource K would be required.
- D. In the optimum solution, 80 units of resource K are unused.

ANSWER: B

QUESTION NO: 9

A time series (TS) is made up of two main components i.e. trend (T) and the seasonal variation (SV).

Which TWO of the following could be used to find the seasonal component of a trend?

- A. $SV = TS - T$

- B. $SV = TS / T$
- C. $SV = TS + T$
- D. $SV = T / TS$
- E. $SV = T - TS$

ANSWER: A B

QUESTION NO: 10

A museum charges a reduced entrance fee for students in full-time education. The budgeted cost per customer is the same regardless of the entrance fee paid.

4,000 customers were budgeted to visit the museum during period 6, with 25% of customers paying the reduced fee.

3,000 customers visited the museum during period 6 and 1,000 of these paid the reduced entrance fee. Costs were as budgeted but the actual full-priced entrance fee was \$2 higher than budgeted.

Which of the following statements is true?

- A. The sales mix variance is adverse and the sales quantity variance is adverse.
- B. The sales mix variance is zero and the sales quantity variance is favourable.
- C. The sales mix variance is adverse and the sales quantity variance is favourable.
- D. The sales mix variance is zero and the sales quantity variance is adverse.

ANSWER: A