

Nov 24 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 1 (2-mark questions)

2 questions – students to be given 1 random question from this bank of questions.

Question 1 (2 marks)

Which one of the following statements is true regarding direct costs?

	✓
Direct costs are deemed to be constant per unit of output	[✓]
When the units of output changes, direct costs will be constant in total	
Direct costs will vary per unit when the level of activity changes	
The total direct cost will vary when activity levels remain constant	

MCQ

Question 2 (2 marks)

BuildIt incurs a total cost of \$21000 for producing 4500 units.

If 5000 units are produced, the total cost is \$22500.

Which type of cost behaviour does this cost demonstrate?

	✓
Semi-variable cost	[✓]
Fixed cost	
Stepped cost	
Variable cost	

MCQ

Nov 24 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 1 (4-mark questions)

6 questions – students to be given 4 random questions from this bank of questions.

Question 1 (4 marks – 1 mark for each correct answer)

Identify whether each of the following features relates to financial accounting or cost accounting by using the drop-down options provided below.

Features	Type of accounting
This type of accounting is produced using accounting standards.	[Financial accounting]
Information from this type of accounting helps managers run the business on a day-to-day basis.	[Cost accounting]
The results of this type of accounting have to be produced annually.	[Financial Accounting]
Work activities in this area includes analysing historic events to help produce forecasts.	[Cost Accounting]

Drop-down options to be provided in all answer boxes:

Cost accounting

Financial accounting

DROP-DOWN OPTIONS

Question 2 (4 marks – 1 mark for each correct answer shown in blue text)

Structure Systems Ltd is a company that provides architectural services.

Classify each of the following costs by element using the drop-down options provided below.

Cost	Classification
Wages of the architects producing structural drawings	[Labour]
Rent of the office	[Overheads]
Salary of the office manager	[Labour]
Presentation folders for drawings presented to clients.	[Materials]

Drop-down options to be provided in all answer boxes:

Materials

Labour

Overheads

DROP-DOWN OPTIONS

Question 3 (4 marks)

TP Ltd manufactures a product called TP01.

You have been provided with the following cost card for one unit of TP01:

	Quantity		Total
Direct materials	4 kg	\$18 per kg	\$72
Direct labour	5.5 hours	\$12 per hour	\$66
Overheads	5.5 hours	\$4 per hour	\$22

What is the prime cost of making one unit of TP01?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

[\$138]

INSERT VALUE

Question 4 (4 marks)

KL Co manufactures a product called KLC01 in batches of 100.

You have been provided with the following information for one batch of KLC01.

Direct materials	230kg at \$1.40 per kg
Direct labour	60 hours at \$12 per hour
Overheads	60 hours at \$2 per hour

What is the total cost of making **one unit** of KLC01?

Enter your answer to 2 decimal places, for example \$5 would be entered as 5.00

[\$**11.62**]

INSERT VALUE

Question 5 (4 marks – 1 mark for each correct answer shown in blue text)

Jay runs a small book printing business.

Classify the following costs by nature using the drop-down options provided below.

Cost	Nature
Paper used to print the books	[Direct]
Heat and light for the printing office	[Indirect]
Advertising expenses	[Indirect]
Ink used in the printers to print books	[Direct]

Drop-down options to be provided in all answer boxes:

Direct

Indirect

DROP-DOWN OPTIONS

Question 6 (4 marks – 1 mark for each correct answer shown in blue text)

Complete the following sentences relating to cost behaviours by filling in the blanks using the drag and drop options provided below.

Businesses incur a range of costs that have many different patterns of behaviour.

Costs that vary in relation to the level of activity are called [variable] costs.

Those which remain constant at all levels of activity are called [fixed] costs and may often be referred to as period costs.

Costs that stay constant within a certain range of output are called [stepped] costs.

Some costs may have a combination of cost behaviours, for example, a salesperson may be paid a basic wage and then receive commission on top of this for each product sold. This is a [semi-variable] cost.

Drag and drop options:

stepped

semi-variable

fixed

variable

DRAG AND DROP

Nov 24 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 2 (2-mark questions)

4 questions – students to be given 2 random questions from this bank of questions.

Question 1 (2 marks)

PK Ltd is a manufacturing company.

The budgeted overheads for a production department were \$40800 for the month based on budgeted machine hours of 2400 hours.

The actual machine hours were 2650 for the month and the actual overheads were \$41500.

What was the under or over absorption of overheads for the month?

	✓
Over absorbed by \$3550	[✓]
Under absorbed by \$700	
Under absorbed by \$3215	
Over absorbed by \$150	

MCQ

Question 2 (2 marks)

Which one of the following is true regarding the piecework rate method for remuneration?

	✓
It may require additional quality control inspection to maintain the level of quality required.	[✓]
Piecework rate is paid according to hours worked.	
Employees will be paid extra if an agreed level of output is exceeded.	
Piecework rate provides an assured level of remuneration for the employee as it is usually agreed for the year.	

MCQ

Question 3 (2 marks)

Which one of the following is the most appropriate description of the term reorder level?

	✓
The level of inventory at which a business will place an order with their supplier to replenish their stock.	[✓]
The quantity of inventory ordered from a supplier to replenish the stock.	
The maximum inventory level the business will hold subject to capacity constraints.	
The quantity of stock to be held to satisfy seasonal demand.	

MCQ

Question 4 (2 marks)

Which one of the following apportionment methods would be the most suitable for the apportionment of plant insurance costs?

	✓
Carrying value of plant	[✓]
Floor area	
Volume of factory	
Machine hours	

MCQ

Nov 24 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 2 (4-mark questions)

8 questions – students to be given 6 random questions from this bank of questions.

Question 1 (4 marks)

JP Ltd uses the first in first out (FIFO) method to price issues of inventory.

During the current month, JP Ltd made the following purchases from suppliers.

Date	Transaction
2 June	Purchased 400 units at \$3.80 per unit
12 June	Purchased 350 units at \$4.10 per unit
19 June	Purchased 400 units at \$4.15 per unit

On 1 June there were 150 units in inventory valued at a cost of \$3.75 per unit.

During the month there were two issues from inventory to production:

Date	Transaction
8 June	450 units
16 June	250 units

What was the value of closing stock at the end of June?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

\$[2480]

INSERT VALUE

Question 2 (4 marks – 1 mark for each correct answer shown in blue text)

Use the drop-down options provided below to complete the following table regarding the different methods of inventory valuation.

Description	Method
In periods of rising prices, this method provides a lower valuation of closing inventory.	[LIFO]

This method of valuation means inventory does not need to be kept in separate batches.	[AVCO]
This method values closing inventory at the latest purchase price.	[FIFO]
In periods of rising prices, this method provides a lower issue price for goods issued from inventory.	[FIFO]

Drop-down options to be available in all answer boxes:

FIFO

AVCO

LIFO

DROP-DOWN OPTIONS

Question 3 (4 marks – 1 mark for each correct answer shown in blue text)

GCC Co uses a single raw material in the manufacture of its products.

At the start of June, the opening inventory was 2000 units at \$3.50 per unit.

On 5th June, 3000 units were purchased at a cost of \$3.80 per unit.

On 12th June, 3500 units were issued to production.

No further goods were purchased or issued during the month of June.

Complete the following sentences using the drop-down options provided below.

The value of closing inventory is \$5700 if the [FIFO] valuation method is used.

The issue of inventory is valued at \$12880 if the [AVCO] valuation method is used.

If GCC CO uses [LIFO], the closing inventory value at the end of June would be \$5250.

The issue of inventory is valued at \$12700 if the [FIFO] valuation method is used.

Drop-down options to be provided in all gaps:

FIFO

AVCO

LIFO

DROP-DOWN OPTIONS

Question 4 (4 marks – 2 marks for each correct answer shown in blue text)

JM Co pays its employees \$14 per hour and expects them to produce 90 units per hour.

A bonus of \$18 is payable for each hour saved for units produced in excess of 90 units per hour.

Calculate the total gross pay for each of the following employees.

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

Employee	Hours worked	Units produced	Gross pay
M Westwood	38 hours	3600	\$[568]
S Kitching	42 hours	3750	\$[588]

INSERT VALUE

Question 5 (4 marks)

GR8 Co wishes to calculate the unit cost of one of the products it makes.

The following data relates to making one unit of the product.

Materials	6kg at \$3.25 per kg
Labour	15 minutes at \$16 per hour
Overheads	\$12 per direct labour hour

What is the cost of making one unit?

Enter your answer to 2 decimal places, for example, cost of \$2 should be entered as 2.00

[\$**26.50**]

INSERT VALUE

Question 6 (4 marks – 1 mark for each answer shown in blue text)

Identify the method of labour payment being used in each of the following scenarios using the drop-down options provided below.

Scenario	Method
A method used for paying employees which provides a consistent amount each month.	[Salary]
An employee's earnings are linked to the hours they work. Any units made in excess of the expected output receive an amount payable per unit.	[Time rate plus bonus]
A method of labour payment which varies according to the number of units produced.	[Piecework]
Any hours worked in excess of the contracted hours are paid at the normal hourly rate.	[Time rate]

Drop-down options to be provided in all answer boxes:

Time rate

Time rate plus bonus

Salary

Piecework

DROP-DOWN OPTIONS

Question 7 (4 marks)

BH Co absorbs production overheads on the basis of machine hours.

The budgeted overheads for May were \$55860 for the month, and the actual overheads were \$56800.

Budgeted machine hours were 2660 hours and actual machine hours were 2610 for the month.

Budgeted labour hours were 1840 hours and the actual labour hours were 1820 for the month.

What amount was under absorbed for overheads for the month of May?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

[\$**1990**]

INSERT VALUE**Question 8 (4 marks – 1 mark for each correct answer shown in blue)**

Makelt Ltd is a manufacturing company. Identify the most suitable basis for apportioning the following overheads of Makelt Ltd using the drop-down options provided below.

Overhead	Basis
Rent and rates	[Floor area]
Light and heat	[Floor area]
Supervisor's wages	[Number of employees]
Depreciation of machinery	[Carrying value of machinery]

Drop down options to be available in all answer boxes:

Number of employees

Materials cost

Floor area

Carrying value of machinery

DROP-DOWN OPTIONS

Nov 24 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 3 (2-mark questions)

4 questions – students to be given 2 random questions from this bank of questions.

Question 1 (2 marks)

Which one of the following statements is true regarding marginal costing?

	✓
The contribution per unit will remain constant even if the sales volume increases.	[✓]
The marginal cost per unit of a product takes into account the fixed and variable costs of production.	
Marginal costing is not a suitable basis for decision making when deciding whether to accept or reject an order.	
If the inventory increases over the year, the profits under marginal costing will be higher than with absorption costing.	

MCQ**Question 2 (2 marks)**

FG Co is currently preparing a quote for a special job for a customer.

The estimated costs are shown below:

Direct materials	80kg at \$6.50 per kg
Direct labour	24 hours at \$12 per hour
Overheads	\$4 per direct labour hour.

FG Co has a policy of applying a 20% mark up on all jobs.

What would be the selling price for this job?

	✓
\$1084.80	[✓]
\$904.00	
\$808.00	
\$1130.00	

MCQ

Question 3 (2 marks)

JN Co manufactures one product – the JN1.

The break-even point and the margin of safety have been calculated for the forthcoming period, however the owner of JN Co wishes to understand what would happen if they decided to lower the selling price.

What would be the impact on the break-even point and the margin of safety, assuming no change in the number of units sold?

	✓
The break-even point will increase, and the margin of safety will decrease.	[✓]
The break-even point will stay the same and the margin of safety will increase.	
The break-even point will increase, and the margin of safety will stay the same.	
The break-even point will decrease, and the margin of safety will increase.	

MCQ

Question 4 (2 marks)

Which one of the following points on a traditional break-even chart would indicate the point at which the business would break-even?

	✓
Where the total revenue line and total cost line intersect	[✓]
Where the fixed cost line and total revenue line intersect	
The point at which the fixed cost line crosses the horizontal axis	
Where the fixed cost and total variable cost lines intersect	

MCQ

Nov 24 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 3 (4-mark questions)

7 questions – students to be given 5 random questions from this bank of questions.

Question 1 (4 marks)

SW Co is preparing plans for the forthcoming period and is looking at setting targets for its sales team.

SW Co sells a single product for \$140. The marginal cost of the product is \$48 and the absorption cost is \$60.

The fixed costs for the period are \$117760.

What is the break-even point in sales revenue for SW Co?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

[\$179200]

INSERT VALUE

Question 2 (4 marks)

Kip Co manufactures a single product which has a selling price of \$68 and a contribution of \$24. At this sales price, the expected sales level is 900 units.

Fixed costs are \$15360.

What is the margin of safety in units?

Enter your answer in whole units only and do not use any commas (,) or full stops(.).

[260] units

INSERT VALUE

Question 3 (4 marks)

Day & Co makes a single product which has a selling price of \$680.

The variable cost of production is \$190, and the absorption cost of production is \$260.

The fixed costs are \$120280.

The management of Day & Co have decided they wish to make a target profit of \$160000.

How many units does Day & Co need to sell in order to generate the target profit?

Enter your answer in whole units only and do not use any commas (,) or full stops(.).

[572] units

INSERT VALUE

Question 4 (4 marks)

Wells Co manufactures a single product, the W100.

The selling price of W100 is \$350 and it has the following costs:

Direct materials	12 kg at \$8 per kg
Direct labour	6 hours at a total cost of \$120
Overheads	\$4.25 per direct labour hour

What is the contribution to sales ratio shown as a % of product W100?

Enter your answer to the nearest whole % and do not use any commas (,) or full stops(.).

[31]%

INSERT VALUE

Question 5 (4 marks – 1 mark for each correct answer shown in blue text)

Complete the following sentences regarding marginal and absorption costing by using the drag and drop options provided below:

TG Co absorbs overheads on the basis of machine hours. At the end of the current period, overheads were [**under**]-absorbed by \$1500 resulting in a debit entry in the Statement of Profit or Loss.

The new management accountant at TG Co feels a marginal costing system would suit the business better as it prepares a lot of cost estimates for bespoke designs for customers. Marginal costing focuses on the [**variable**] production costs when compared to absorption costing.

PT Ltd uses absorption costing. They are gradually decreasing the inventory they hold at each year end in an effort to free up working capital. As a result, the opening inventory is usually higher than the closing inventory. This means the reported profit is usually [**lower**] using absorption costing than it would be using marginal costing.

PT Ltd only makes one standard product, so its production costs are fairly stable. If the sales demand for PT Ltd's product increases, the contribution per unit will [**remain the same**].

Drag and drop options to choose from:

lower
over
remain the same
higher
variable
full
under
increase

Question 6 (4 marks)

A school clothing manufacturer is preparing a quote to supply a local school with 250 new school uniforms.

The following cost estimates have been prepared for the batch of 250 uniforms:

Direct materials	A total of 1120 metres at \$8.25 per metre
Direct labour	Sewing the uniforms will take approximately 45 minutes per uniform. Labour is paid at a rate of \$12 per hour.
Overheads	\$6 per direct labour hour

What is the total cost of producing one school uniform?

Enter your answer to 2 decimal places.

[\$**50.46**]

INSERT VALUE

Question 7 (4 marks)

JT Co is planning to launch a new product which will be manufactured in batches of 50.

The following cost estimates have been produced per batch:

Direct materials	\$7500
Direct labour	\$1750
Variable production overheads	\$850
Fixed production overheads	\$1800
Administration, selling and distribution costs	\$2200

What is the estimated full absorption cost of a batch of 50 units of the new product?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

[\$11900]

INSERT VALUE

Nov 24 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 4 (2-mark questions)

4 questions – students to be given 2 random questions from this bank of questions.

Question 1 (2 marks)

Which one of the following statements about variances is true?

	✓
A cost variance will be adverse when actual costs are higher than budgeted costs.	[✓]
An income variance will be favourable when actual income is higher than budgeted income.	
Only adverse variance results need to be investigated further.	
The total fixed overhead production variance compares the budgeted fixed overhead expenditure with the actual fixed overhead expenditure.	

MCQ

Question 2 (2 marks)

PD Co has prepared a budget for 5000 units of output which shows a fixed overhead cost of \$50500. Actual output for the period was 6000 units and the actual cost of fixed overheads was \$52500. PD Co is now preparing a flexed budget.

Which one of the following statements about PD Co is true?

	✓
Budgeted fixed overheads are shown in the flexed budget as \$50500.	[✓]
The total fixed overhead variance will be \$2000 adverse.	
There is no fixed overhead variance in this situation.	
The flexed budget will show budgeted fixed overheads as \$60600.	

MCQ

Question 3 (2 marks)

Which one of the following best describes a flexible budget?

	✓
A budget which shows the costs and revenues at different levels of activity.	[✓]
A budget which is prepared at the start of the forthcoming production period that should not be changed.	
A budget which is updated with actual costs and revenues as they occur during the budget period.	
A budget which is prepared based on the budget for the previous year, with slight adjustments to consider inflationary changes.	

MCQ

Question 4 (2 marks)

Which one of the following correctly identifies when an adverse labour rate variance occurs?

	✓
The actual labour cost per hour is higher than the standard labour cost per hour.	[✓]
The actual labour hours worked are higher than the standard labour hours for the number of units produced.	
The standard labour cost per hour is higher than the actual labour cost per hour.	
The standard labour hours are higher than the actual labour hours worked for the number of units produced.	

MCQ

Nov 24 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 4 (4-mark questions)

4 questions – students to be given 2 random questions from this bank of questions.

Question 1 (4 marks – 1 mark for each correct answer shown in blue)

A company uses standard costing and variance analysis to interpret the results at the end of each budget period.

Identify whether each of the following variances would be adverse or favourable using the drop-down options provided below. Please note not all variances for the period have been provided.

	Flexed budget \$	Actual results \$	Variance \$	Adverse or favourable?
Sales revenue	28500	27300	1200	[Adverse]
Direct materials	6850	7215	365	[Adverse]
Direct labour	4260	4190	70	[Favourable]
Operating profit	7390	6895	495	[Adverse]

Drop-down options to be provided in all answer boxes:

Adverse

Favourable

DROP-DOWN OPTIONS

Question 2 (4 marks)

LKL Co manufactures one product using a single raw material.

The standard material cost for one product is:

Direct materials - 4kg at a standard cost of \$8 per kg.

During June, 850 units were produced using 3910 kg of materials in total at a cost of \$30498.

What is the material price variance?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

To indicate an adverse variance, please use a minus sign at the start of your answer. For example, to enter a favourable variance of \$100, please enter 100 and to enter an adverse variance of \$100 please enter -100

[\$782]

INSERT VALUE

Question 3 (4 marks)

JV Co produces a product using a single grade of labour.

The standard labour rate is \$12 but the actual rate paid for the latest period was \$14.

The actual labour hours worked were 124 hours, however the standard hours for the output achieved were 118 hours.

What was the labour rate variance?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

To indicate an adverse variance, please use a minus sign at the start of your answer. For example, to enter a favourable variance of \$100, please enter 100 and to enter an adverse variance of \$100 please enter -100

[\$-248]

INSERT VALUE

Question 4 (4 marks – 1 mark for each correct answer shown in blue)

Indicate whether each of the following items should or should not appear in a cash budget using the drop-down options provided below.

Items	Should or should not
Purchase of new delivery van	[Should]
Depreciation of delivery van	[Should not]
Receipt of bank loan	[Should]
Receipts from cash sales	[Should]

Drop-down options to appear in all answer boxes:

Should
Should not

DROP-DOWN OPTIONS

Nov 24 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 5 (2-mark questions)

2 questions – students to be given 1 random question from this bank of questions.

Question 1 (2 marks)

IK Ltd is experiencing a long working capital cycle compared to its competitors and is looking for ways to improve this.

Which one of the following would help IK Ltd shorten its working capital cycle?

	✓
Decrease the length of credit given to its trade receivables	[✓]
Increase the value of inventory held at period end	
Increase production volumes	
Take advantage of prompt payment discounts from suppliers and make payments to trade payables earlier	

MCQ

Question 2 (2 marks)

Which one of the following is the most appropriate definition of working capital management?

	✓
It represents the net current assets available for day-to-day operating activities.	[✓]
It represents the net current assets which are then available for long-term investment in the business.	
It represents the total assets less current liabilities which are available for operational activities.	
It is a measure of the long-term liquidity of the business.	

MCQ

Nov 24 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 5 (4-mark questions)

2 questions – students to be given 1 random question from this bank of questions.

Question 1 (4 marks)

Tiff Co is preparing its cash budget.

Sales to credit customers are expected to be as follows:

	\$
September	18800
October	24600
November	20360
December	21400

Tiff Co expects customers to pay in the following pattern:

60% within one month of sale

40% within two months of sale

What is the total amount of expected receipts from customers which will appear in the cash budget in the month of November?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

[\$22280]

INSERT VALUE

Question 2 (4 marks – 1 mark for each correct answer shown in blue text)

JKN Ltd is looking to improve its working capital position.

Identify whether each of the following should increase or decrease in order to improve working capital using the drop-down options provided below.

Item	Movement
The time given to credit customers to settle their accounts.	[Decrease]
The credit period requested from suppliers to settle their accounts.	[Increase]
The length of time inventory is held in stock.	[Decrease]
The movement in the inventory turnover ratio indicating how many times the inventory is turned over in the period.	[Increase]

Drop-down options to appear in all answer boxes:

Increase

Decrease

DROP-DOWN OPTIONS

Nov 24 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 6 (2-mark questions)

2 questions – students to be given 1 random question from this bank of questions.

Question 1 (2 marks)

Which one of the following statements regarding the payback method of investment appraisal is **not** true?

	✓
The payback method considers the cash flows over the whole life of the project.	[✓]
The payback method is often quick and simple to calculate.	
It can help manage liquidity so is useful as a planning tool.	
It is a useful technique to use when a business wishes to limit its exposure to risk.	

MCQ

Question 2 (2 marks – 1 mark for each correct answer shown in blue)

Identify which method of investment appraisal would be the most appropriate for each of the following scenarios using the drop-down options provided below.

Scenario	Method
HT Co wishes to use investment appraisal to decide between two projects. The objective of HT Co is to maximise profits.	[Accounting rate of return]
JP Ltd is choosing between two investments but is risk averse and wishes to minimise its exposure to risk.	[Payback]

Drop-down options to appear in all answer boxes:

Payback

Accounting rate of return

DROP-DOWN OPTIONS

Nov 24 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 6 (4-mark questions)

4 questions – students to be given 2 random questions from this bank of questions.

Question 1 (4 marks)

Just Co are considering investing in a new asset which is going to cost \$82000. The asset has an expected life of 4 years, at the end of which it will be sold for \$4000.

The annual profits expected to be generated from the asset are as follows:

Year 1	\$30000
Year 2	\$24000
Year 3	\$22000
Year 4	\$18000

Using the average investment, what is the accounting rate of return?

Show your answer to 1 decimal place.

[54.7] %

INSERT VALUE

Question 2 (4 marks – 2 marks for each answer shown in blue text)

IO Com is considering investing in a project and wishes to use the payback method of investment appraisal.

The following information regarding the project has been provided:

Capital investment required	\$56000
Cash inflows:	
Year 1	\$21000
Year 2	\$18000
Year 3	\$16000
Year 4	\$8000
Year 5	\$4000

What is the payback period in years and months for this project?

Select the answers using the drop-down options provided in the boxes below. Answers should be rounded up to the nearest month where applicable.

[3]	Years	[2]	Months
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Drop-down options to be available in both answer boxes:

- 1
- 2
- 3
- 4
- 5
- 6

DROP-DOWN OPTIONS

Question 3 (4 marks – 1 mark for each correct answer shown in blue text)

BD Ltd is considering investing in a project and has identified two potential projects which meet their current investment criteria.

Investment appraisal has already been carried out on the two projects, the results of which are shown below.

	Project 1	Project 2
Payback	3.2 years	3.6 years
Accounting rate of return	36%	38%

Answer the following questions regarding the two projects using the drop-down options provided below.

Question	Answer
Which project should BD Ltd invest in if it wishes to recover the initial investment as quickly as possible?	[Project 1]
Which project should BD Ltd invest in if it wishes to maximise profits?	[Project 2]

Which of the two methods has the advantage of considering the whole life of the project?	[Accounting rate of return]
If the company decides to set a payback period of 3 years and 6 months as its new policy, which project(s) would be rejected?	[Project 2]

Drop-down options to be provided in each box detailed below:

Question	Answer
Which project should BD Ltd invest in if it wishes to recover the initial investment as quickly as possible?	Project 1 Project 2
Which project should BD Ltd invest in if it wishes to maximise profits?	Project 1 Project 2
Which of the two methods has the advantage of considering the whole life of the project?	Payback Accounting rate of return
If the company decides to set a payback period of 3 years and 6 months as its new policy, which project(s) would be rejected?	Project 1 Project 2 Project 1 and project 2 Neither project would be rejected

DROP-DOWN OPTIONS

Question 4 (4 marks – 1 mark for each correct answer shown in blue text)

CT Ltd has a company policy of undertaking projects which payback in less than 4 years and prioritises the projects according to how quickly they achieve payback.

CT Ltd has \$160000 available to invest in projects in the coming year and the following information has been made available about 4 projects under consideration.

	Project A	Project B	Project C	Project D
Capital investment required	\$40000	\$50000	\$60000	\$50000
Cash inflows				
Year 1	\$18000	\$25000	\$22000	\$16000
Year 2	\$12000	\$20000	\$15000	\$16000
Year 3	\$10000	\$10000	\$9000	\$14000
Year 4	\$8000	\$8000	\$8000	\$8000
Year 5	\$8000	\$6000	\$6000	\$5000

Complete the following table to show how CT Ltd should invest the \$160000. Your answers should be based on the company policy and the payback method of investment appraisal only.

	Answer
The first project CT Ltd should choose is	[Project B]
The second project CT Ltd should choose is	[Project A]
The third project CT Ltd should choose is	[Project D]
The project CT Ltd should not undertake is	[Project C]

Drop-down options to be provided in all answer boxes:

Project A

Project B

Project C

Project D

DROP-DOWN OPTIONS

Nov 24 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 7 (2-mark questions)

2 questions – students to be given 1 random question from this bank of questions.

Question 1 (2 marks)

When evaluating a new information system, which one of the following would not represent a tangible cost?

	✓
Staff uncertainty caused by the change	[✓]
Additional training undertaken by staff	
Heating and lighting where the system is housed	
Time taken on system design	

MCQ

Question 2 (2 marks)

Confidentiality and security are important features when dealing with systems.

Which one of the following is an example of the term hacking?

	✓
Deliberate access to systems by unauthorised persons	[✓]
Unintentional errors from using information systems	
A small program that spreads through a system	
A lack of operating procedures	

MCQ