

Nov 24 LCCI Level 3 Certificate in Cost & Management 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 is not required to carry out the Economic Order Quantity (EOQ) calculation?

	✓
Purchase price of raw materials	[✓]
Annual demand in units	
Holding cost per unit	
Order costs	

MCQ

Question 2 (2 marks)

The annual demand for Makelt Ltd's product is 40000 units per year.

The cost of placing an order is \$12 and the cost of holding one unit in inventory is \$1.50 per year.

The goods cost \$18 per unit to purchase.

What is the Economic Order Quantity for Makelt Ltd?

	✓
800 units	[✓]
1265 units	
100 units	
231 units	

MCQ

Nov 24 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 2 (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 is not a category of relevant costing?

	✓
Absorbed cost	[✓]
Opportunity cost	
Avoidable cost	
Differential cost	

MCQ

Question 2 (2 marks)

Which one of the following is **not** normally represented on a multi-product break-even chart?

	✓
Variable costs	[✓]
A contribution line for each product	
Multiple break-even points	
Profit or loss earned	

MCQ

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

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

Question 1 (4 marks)

A special order has been received by B Ltd which it is considering.

The order requires 1200 kg material X. B Ltd does hold some inventory of material X, 950 kg was purchased at a cost of \$6.50 per kg some time ago. If the inventory is not used for this order, it would be sold for \$2.50 per kg.

The current price of material X is \$6.20 per kg.

What is the relevant cost of material X for this order?

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

\$(3925)

INSERT VALUE

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

Light Ltd manufactures four products, A, B, C and D.

All four products use the same material which is in short supply and only 1500 kg is expected to be available.

Information for the four products has been provided below.

Product	A (\$)	B (\$)	C (\$)	D (\$)
Sales price	120	150	110	95
Variable costs:				
Materials (\$4 per kg)	34	44	20	30
Labour	18	24	10	12
Fixed costs	20	15	15	10
Profit per unit	48	67	65	43

In what order would the products be ranked to maximise contribution due to the limited quantity of materials available? Use the drop-down options to rank the products below.

Ranking	Product (A, B, C or D)
1	[C]
2	[A]
3	[B]
4	[D]

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

- A
- B
- C
- D

DROP-DOWN OPTIONS

Question 3 (4 marks)

A company makes three products, X, Y and Z. The following information is available:

	X	Y	Z
Sales price per unit (\$)	22	24	18
Variable cost per unit (\$)	12	8	10
Sales mix	20%	30%	50%

Total budgeted fixed costs are budgeted to be \$37800.

How many units across the three products should be produced at the break-even point?

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

[3500] units

INSERT VALUE

Question 4 (4 marks)

GH Co has identified the monthly costs associated with two different levels of activity as follows:

Month	Activity level	Total cost (\$)
September	4500 units	51250
October	5200 units	59200

GH Co has identified there is a step up of \$2000 in fixed costs when the activity level goes above 5000 units.

What is the monthly cost at an activity level of 5500 units?

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

[\$61750]

INSERT VALUE

Question 5 (4 marks)

Green Ltd produces a single product for which the following standard cost information is available:

	\$
Selling price per unit	120
Direct materials per unit	84
Direct labour per unit	36
Variable production overhead per unit	12
Fixed production overhead per unit	18

Information for the last period was provided as follows:

Opening inventory	5000 units
Closing inventory	6000 units

If the profit for the period was \$124000 using a marginal costing system, what would the profit have been if Green Ltd had used absorption costing?

[\$142000]

INSERT VALUE

Nov 24 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 3 (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 is a method which can be used to charge an overhead directly to a department?

	✓
Allocation	[✓]
Apportionment	
Absorption	
Committal	

MCQ

Question 2 (2 marks)

Which one of the following statements regarding activity-based costing (ABC) is **not** true?

	✓
Cost drivers are always easily identifiable	[✓]
ABC provides more accurate cost information	
It can be applied to service companies	
It can be applied to all overhead costs, not just production overheads	

MCQ

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

4 questions – students to be given 3 random questions from this bank of questions.

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

Split Co has two cost centres, assembly and finishing, along with one service centre, stores.

The following information is available:

	Assembly	Finishing	Stores
Floor area (square metres)	800	500	200
Value of machinery	\$84000	\$56000	
Budgeted labour hours	6700	5200	
Budgeted machine hours	6525	2175	

Complete the table below to identify the overheads to be apportioned to the **Finishing department only** using the information provided above.

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.). Enter a 0 in any unused boxes.

Overheads	Total (\$)	Finishing (\$)
Supervisor's salary - Assembly	24000	[0]
Rent and rates	18000	[6000]
Insurance of machinery	5400	[2160]
Machine running costs	4620	[1155]

INSERT VALUE

Question 2 (4 marks)

James Co manufactures three products, the details of which are provided below.

	Product 1	Product 2	Product 3
Annual production (units)	12000	16000	8000
Batch size (units)	80	40	100
Machine set-ups per batch	3	4	5

The annual machine set-up costs are \$78400.

What is the total machine set-up cost allocated to product 3 using activity-based costing principles?

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

[\$12800]

INSERT VALUE

Question 3 (4 marks – 1 mark for each correct answer)

Identify whether each of the following statements regarding marginal and absorption costing are true or false using the drop-down options provided below.

Statement	True or false
Marginal costing ensures the selling price set recovers all costs incurred	[False]
Absorption costing is more appropriate than marginal costing for use in one-off pricing decisions	[False]
Marginal costing is appropriate for short-term pricing decisions	[True]
If a business does not hold inventory, the profit calculated under both marginal and absorption costing will be the same	[True]

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

True

False

DROP-DOWN OPTIONS**Question 4 (4 marks)**

Ink Co has completed the initial overhead allocation and apportionment for a factory and the results are provided below.

Machining	Assembly	Stores	Maintenance	Total
\$24200	\$18600	\$4200	\$6800	\$53800

The cost of stores is to be reapportioned according to the number of orders. These are:

Machining	Assembly	Maintenance
150	225	45

What is the value of the stores cost which will be reapportioned to the assembly department?

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

[\$2250]

INSERT VALUE

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

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

Question 1 (2 marks)

HN Ltd uses a participative (bottom up) method of budgeting.

Which one of the following is not an advantage of this method of budgeting?

	✓
Reduction in budgetary slack	[✓]
Employee motivation	

Enhanced communication	
Time saving for senior management	

MCQ

Question 2 (2 marks)

Which one of the following is a disadvantage of flexible budgeting?

	✓
Dependent on accurate forecasting	[✓]
Adaptable to change	
Provides a real reflection of performance	
Can be used to help manage cash flows	

MCQ

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

4 questions – students to be given 3 random questions from this bank of questions.

Question 1 (4 marks)

KI Ltd is a manufacturing company and is planning its production activities for the next month.

The following information is available:

- The maximum sales demand is 3400 units.
- Each completed unit requires 2.5 kg of raw materials.
- The opening inventory of finished goods is 420 units, however 20 of these have been damaged and must be scrapped. Closing inventory has been set at 500 units.
- The opening inventory of raw materials is 750 kg, and the closing inventory has been set at 600 kg.
- Each unit takes 4 hours of direct labour to produce.

What is the raw materials purchases budget in kg?

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

[8600] kg

INSERT VALUE

Question 2 (4 marks)

JK Co is preparing its labour budget for the month of June.

The standard cost card shows the direct labour hours per unit is 4 hours, and the labour rate is \$12 per hour.

The sales demand for June has been forecast at 1800 units.

The company has a policy to maintain closing inventory levels at 20% of the next period sales demand. Sales demand for July is forecast to be 2000 units.

What is the labour budget for June in \$?

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

[\$88320]

INSERT VALUE

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

Lock Ltd is a manufacturing business.

You have been provided with the following budget and actual results for the month ending September 20X8.

	Budget	Actual
Quantity	8000	9500
	\$	\$
Sales revenue	92000	104500
Direct materials	26000	31825
Direct labour	15600	20425
Fixed overheads	10000	11000

Complete the following table by filling in the amount at which each budget item would be shown in a flexed budget for the month ending September 20X8.

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

Budget item	\$
Sales revenue	[109250]
Direct materials	[30875]
Direct labour	[18525]
Fixed overheads	[10000]

INSERT VALUES

Question 4 (4 marks)

FR Ltd is a manufacturing business.

You have been provided with the following budget which has been prepared for the month ending January 20X8.

	Budget
Quantity	6000
	\$
Sales revenue	108000
Direct materials	24600
Direct labour	45000
Fixed overheads	7500
Profit	30900

Following a review of the budget, it has been decided that there are some factors which have yet to be taken into account:

- The sales price is expected to be 10% higher than originally planned
- The material cost per unit is expected to be \$0.10 lower than in the budget due to changing to a lower cost supplier
- The labour cost per unit is expected to be 20% higher due to an increase in rate per hour for employees.

What would be the revised profit for the month of January 20X8 after the above factors have all been taken into account?

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

\$(33300)

INSERT VALUE

Nov 24 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 5 (2-mark questions)

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

Question 1 (2 marks)

Evenly Co has just prepared the following cash budget for the next quarter and has identified a period of time when the business will have a cash shortage.

	April (\$)	May (\$)	June (\$)
Receipts	140000	98000	168000
Payments:			
Wages	42500	38000	41600
Purchases	51200	49250	52600
Capital expenditure		15000	
Running costs	31900	34300	29600
Total payments	125600	136550	123800
Balance b/f	12000	26400	-12150
Net cash for the month	14400	-38550	44200
Balance c/f	26400	-12150	32050

Which one of the following would be the best course of action for Evenly Co to take to resolve the situation?

	✓
Delay the capital expenditure until June	[✓]
Organise a bank loan to cover the deficit	
Pay suppliers early to obtain settlement discounts	
Implement better credit control procedures	

MCQ

Question 2 (2 marks)

Which one of the following correctly identifies the twin objectives of working capital management?

	✓
Profitability and liquidity	[✓]
Liquidity and efficiency	
Profitability and stability	
Efficiency and stability	

MCQ

Question 3 (2 marks)

Which one of the following is most likely to characterise overtrading

	✓
Increased turnover	[✓]
Decreased borrowings	
Increased cash balances	
Increased working capital	

MCQ

Nov 24 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 5 (4-mark questions)

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

Question 1 (4 marks)

PT Co has partially completed an exercise on working capital ratios.

The accountant has calculated the trade receivables collection period as 42 days and the inventory holding period as 31 days.

The balance on the payables ledger at the year-end was \$9760 and the cost of sales for the year was \$80960.

What is the working capital cycle for PL Co? Enter your answer in whole days only.

[29] days

INSERT VALUE

Question 2 (4 marks)

Day Co has prepared the following budgeted information for the last quarter of the year.

	October	November	December
Opening inventory (units)	200	280	240
Closing inventory (units)	280	240	300
Sales (units)	840	920	900

The materials cost is \$6 per unit.

30% of purchases are paid for in the month of purchase, while the other 70% are purchased on credit and are paid for two months after purchase.

What amount would appear as payments for materials in December?

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

[\$5592]

INSERT VALUE

Question 3 (4 marks)

A company's sales revenue for the year just ended was \$280000. The gross margin for the period was 40% on sales.

All sales and purchases were on credit.

The following year-end information has been provided:

	\$
Inventory	39000
Trade receivables	62000
Trade payables	27000

What is the inventory holding period to the nearest day, based on the year-end figures?

[85] days

INSERT VALUE

Question 4 (4 marks)

Gadget Co is a newly formed company which is commencing trading on 1 April 20X4.

Sales revenue for the first three months has been budgeted as follows:

April	May	June
\$8600	\$9400	\$10500

5% of sales will be cash sales and paid in the month of sale with the remainder being credit sales.

The payment pattern for credit sales is expected to be as follows:

Invoices paid in the month after sale	80%
Invoice paid in the second month after sale	20%

What amount would appear in the cash budget as receipts from sales in June 20X4?

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

[\$9303]

INSERT VALUE

Nov 24 LCCI Level 3 Certificate in Cost & Management 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 is the best definition of an attainable standard used in the process of variance analysis?

	✓
A standard which seeks improvement in the current operating conditions	[✓]
A standard which is based on current operating conditions	
A standard which remains unaltered for a period of time	
A standard which is based on ideal working conditions	

MCQ

Question 2 (2 marks)

Which of the following could explain an adverse material usage variance?

- i. Purchase of cheaper raw materials
- ii. Overtime worked by existing employees
- iii. Recruitment of temporary workers
- iv. Purchase of better-quality materials

	✓
(i) and (iii) only	[✓]
(i) only	
(iii) only	
(ii) and (iv)	

MCQ

Nov 24 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 6 (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 shown in blue text)

Identify whether each of the following statements regarding standard costing is true or false by using the drop-down options provided below.

Statement	True or false
An adverse labour efficiency variance means the actual labour hours worked were less than the standard hours.	[False]
The fixed production overhead variance can be sub-divided into the expenditure and volume variances.	[True]
A favourable material price variance will always result in an adverse material usage variance.	[False]
Favourable variances mean the results are better than expected and therefore need not be investigated.	[False]

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

True

False

DROP-DOWN OPTIONS

Question 2 (4 marks)

Feather Co had the following budgeted data for the month of October.

Production units	12500	
Direct materials	37500 kg	\$80625

During October, 14000 units were produced using 44800 kg at a total cost of \$94080.

What was the direct materials usage variance?

Use a minus sign (-) to indicate an adverse variance e.g. \$-500. Enter your answer in whole \$ only and do not use any commas (,) or full stops (.) in your answer.

\$[-6020]

INSERT VALUE

Question 3 (4 marks)

BP Ltd produces one single product, the BP01.

During the month of September, it took 30060 hours, at a total cost of \$480960 to produce 5200 units of BP01.

The direct labour efficiency variance for the period was \$15960 favourable and the standard direct labour rate is \$14 per hour.

What is the standard labour time to make one unit of BP01?

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

[6] hours

INSERT VALUE

Question 4 (4 marks)

G&T Co uses marginal costing and has the following budgeted and actual labour data for the month of January.

	Budget	Budget	Actual	Actual
Production units		1300		1450
Direct labour	5850 hours	\$46800	7250 hours	\$52200

What was the labour rate variance for the month of January?

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

Use a minus sign (-) to indicate an adverse variance, for example, an adverse variance of \$100 should be entered as -100 and a favourable variance of \$100 should be entered as 100

[\$5800]

INSERT VALUE

Question 5 (4 marks)

A business has produced the following standard cost card for one unit:

	\$
Direct materials (3.6kg at \$4.25 per kg)	15.30
Direct labour (5 hours at \$10.50 per hour)	52.50
Fixed overheads (2 hours at \$2.80 per hour)	5.60
Total cost per unit	73.40

The budgeted production for the month of March was 1800 units.

The actual costs during the month of March for the production of 1650 units were as follows:

	\$
Direct materials (6270 kg)	27588
Direct labour (7425 hours)	81675
Fixed overheads	10640
Total cost	119903

What was the fixed overhead volume variance for the month of March?

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

Use a minus sign (-) to indicate an adverse variance, for example, an adverse variance of \$100 should be entered as -100 and a favourable variance of \$100 should be entered as 100

[\$-840]

INSERT VALUE

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

Identify whether each of the following could explain why a favourable labour efficiency variance has arisen using the drop-down options provided below.

Scenario	Yes or no
The workforce is more motivated to work well as they have been offered higher bonuses for efficiency	[Yes, it could explain the variance]
The business has hired more workers which are classed as highly skilled	[Yes, it could explain the variance]
The business has out of date machinery which is resulting in delays in the production process due to breakdowns	[No, it could not explain the variance]
The business has purchased higher quality materials for use in production	[Yes, it could explain the variance]

Drop down options to be available in all answer boxes:

Yes, it could explain the variance

No, it could not explain the variance

DROP-DOWN OPTION

Nov 24 LCCI Level 3 Certificate in Cost & Management 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)

In process costing, gains or losses in excess of the expected amount are called abnormal gains or losses.

Which one of the following identifies where the correct treatment of an abnormal loss in the process account?

	✓
A credit entry with an amount for the full production cost of the abnormal loss units	[✓]
A credit entry with a value equal to the scrap value of the abnormal loss units	
A debit entry with an amount for the full production cost of the abnormal loss units	
A debit entry with a value equal to the scrap value of the abnormal loss units	

MCQ

Question 2 (2 marks)

The following data relates to work in progress for product JN3 during the month of July.

Opening work in progress	Nil
Finished output to next process	5600 kg
Closing work in progress	2100 kg
Degree of completion – direct materials	100%
Degree of completion – direct labour	60%
Total labour cost	\$4400

What is the direct labour cost per kg of the equivalent finished production, to the nearest \$0.01?

	✓
\$0.64	[✓]
\$0.57	
\$3.49	
\$2.10	

MCQ

Nov 24 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 7 (4-mark questions)

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

Question 1 (4 marks)

Flo Co produces a chemical which is made in one production process.

During October 20X4, the company input 21000 litres of direct materials, had an output of 19000 litres and a normal loss of 2000 litres.

The input costs were:

Materials	\$73500
Labour	\$24750
Overheads	\$15000

Normal losses were sold for scrap for \$2 per litre.

Assume there was no opening or closing inventory at the beginning or end of the process and all output was complete.

What is the unit cost of the output from this process? Show your answer to 2 decimal places.

[\$5.75]

INSERT VALUE

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

BuildUp Ltd is a manufacturing company. Production details for the month of December are provided below.

Completed units	2200 units
Closing work in progress	800 units
Degree of completion (work in progress)	
Materials	100%
Labour	60%
Overheads	60%
Costs incurred in December:	
Materials	\$20400
Labour	\$18224
Overheads	\$4824

Calculate the following and show your answers to 2 decimal places. For example, a cost of \$2 would be entered in the box as 2.00

Materials cost per equivalent unit	[\$6.80]
Conversion cost per equivalent unit	[\$8.60]

INSERT VALUE

Nov 24 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 8 (2-mark questions)

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

Question 1 (2 marks)

The internal rate of return is one of the techniques used in long-term decision making.

Which one of the following statements about the internal rate of return (IRR) is true?

	✓
If the result of the calculation of IRR is higher than the cost of capital invested, then the project should be accepted	[✓]
The IRR technique using accounting profits over the life of the project in the calculation	
The result of the calculation provides a measure of absolute return, so it is easier for investors to compare against	
The IRR does not take into account the time value of money in the calculation of the return	

MCQ

Question 2 (2 marks)

TG Ltd is looking at investing in a project and is unsure as to which long-term decision-making technique to use and what the results mean.

Which one of the following results should TG Ltd focus on if it wishes to concentrate on liquidity and minimising risk?

	✓
Shortest payback period	[✓]
Highest net present value	
An internal rate of return lower than cost of capital	
The highest accounting rate of return	

MCQ

Nov 24 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 8 (4-mark questions)

6 questions – students to be given 3 random questions from this bank of questions.

Question 1 (4 marks)

CCT Co is considering undertaking a project. Details of the proposed project are as follows:

Life of project	5 years
Initial investment required	\$75000
Annual savings:	
Labour costs	\$18000
Other costs	\$6000
NPV result at 15%	\$5472

The discount rates for 20% are:

Year	1	2	3	4	5
PV factors	0.833	0.694	0.579	0.482	0.402

What is the internal rate of return for this project to the nearest %?

[18]%

INSERT VALUE

Question 2 (4 marks – can this be 4 marks for the correct answers only, if not 2 marks per correct answer shown in blue)

One of the cutting machines in the factory of AB Ltd is nearing the end of its useful life and the company is considering purchasing a replacement machine.

Estimates have been made for the initial cost, sales income and operating costs of the replacement machine, which is expected to have a useful life of 3 years.

	Year 0	Year 1	Year 2	Year 3
Initial cost	\$85000			
Other cash flows				
Sales income		\$70000	\$50000	\$45000
Operating costs		\$28000	\$20000	\$18000

What is the payback period of the replacement machine? Enter your answers to the nearest whole number in the boxes below.

Years:	[2]	Months:	[6]
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INSERT VALUE

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

Jones Co is considering a possible investment. The decision as to whether or not to undertake the project is based on three appraisal methods. The results for each of these are shown below.

Appraisal method	Notes	Company policy	Project results
Payback period		3 years	2.9 years
Net present value	Discount at a cost of capital of 10%	Accept if positive	+ \$26000
Internal rate of return	Discount at a cost of capital of 10%	Must exceed cost of capital	9%

Identify the correct recommendation for each decision using the drop-down options provided below.

Appraisal method	Recommendation
Payback period	[Accept as less than 3 years]
Net present value	[Accept as positive]
Internal rate of return	[Reject as lower than cost of capital]
Overall	[Accept as per most important investment criterion]

Drop down options to appear in each box:

Appraisal method	Recommendation
Payback period	Accept as less than 3 years Reject as more than 3 years Accept as more than 3 years Reject as less than 3 years
Net present value	Accept as positive Reject as positive Accept as negative Reject as negative
Internal rate of return	Reject as lower than cost of capital Accept as higher than cost of capital Reject as higher than cost of capital Accept as lower than cost of capital
Overall	Accept as per most important investment criterion Reject as per most important investment criterion

DROP-DOWN OPTIONS

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

Whistle Co is considering the following four investments.

Investment	A	B	C	D
Initial investment	\$340000	\$280000	\$295000	\$310000
Net present value	\$105000	\$97500	\$110000	\$155000
Payback period	3.1 years	2.9 years	3.2 years	3.4 years

What is the profitability index of each of the four projects?

Show your answers to **2 decimal places**.

Profitability index:	
A	[0.31]
B	[0.35]
C	[0.37]
D	[0.50]

INSERT VALUE

Question 5 (4 marks)

Best Co is considering an investment, and the project accountant has provided the following information:

	Year 0 \$	Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$
Capital investment	45000				
Sales income		29000	28000	20000	21000
Operating costs		8000	9000	7000	9000

The cost of capital is 10% and discount factors are provided below.

Year 1	0.909
Year 2	0.826
Year 3	0.751
Year 4	0.683

What is the net present value of the project?

Enter your answer to the nearest \$ and do not use any commas or full stops in your answer.

[\$7742]

INSERT VALUE

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

Identify which investment appraisal technique is being described in each of the following statements using the drop-down options provided below.

Description	Investment appraisal technique
A technique which takes into account the time value of money. Projects which yield a positive result should be accepted.	[Net present value]
This technique uses accounting profits in the calculation and the result is given as a percentage.	[Accounting rate of return]
This method focuses on the cash flows of the project and is used to calculate a time frame for the return of the money invested in the project.	[Payback period]
If the result of this method is higher than the cost of capital invested, then the project should be accepted.	[Internal rate of return]

Drop-down options to be provided in each answer box:

Payback period

Accounting rate of return

Internal rate of return

Net present value

DROP-DOWN OPTIONS

Nov 24 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 9&10 (2-mark questions)

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

Question 1 (2 marks)

The use of integrated accounting systems can bring many benefits.

Which one of the following is not a benefit of having an integrated accounting system?

	✓
Avoids duplication of work so can guarantee the information is error free	[✓]
One centralised location for accounting data	
Potential scalability through the use of automation	
It allows the aligning of business systems, so the flow of information is improved	

MCQ

Question 2 (2 marks)

A management information system (MIS) converts internal and external data into useful information which is then communicated to managers at all levels and across all functions to enable them to make informed decisions.

Which one of the following is a type of MIS system that gives senior management access to information in a summarised form with the ability to drill down to a greater level of detail if required?

	✓
Executive information system (EIS)	[✓]
Transaction processing system (TPS)	
Expert system (ES)	
Decision support system (DSS)	

MCQ