Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 1 (2-mark questions)

1 question to be given.

Question 1 (2 marks)

Clark & Co is reviewing the inventory management of one of its products, the CC01.

The annual demand for CC01 is 16200 units per year.

The cost of placing an order is $8 and the cost of holding one unit in inventory is $2 per year.

The purchase cost is $14 per unit to purchase.

What is the Economic Order Quantity for product CC01 to the nearest whole unit?

	✓
360 units	[✓]
476 units	
137 units	
1350 units	

MCQ

Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 2 (2-mark questions)

1 question to be given

Question 1 (2 marks)

A company is considering the use of material B in a special order received from a customer.

Sufficient quantity of the material is held in inventory to fulfil the order as the company regularly uses the material in its normal business activity.

What would be the relevant cost of material B in the evaluation of the special order?

	✓
Replacement cost	[✓]
Saleable value	
Cost of the last purchase	
Nil as it is held in inventory	

MCQ

Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 2 (4-mark questions)

4 questions to be given.

Question 1 (4 marks)

You have been provided with the following cost information for Box It Ltd at two different levels of activity.

Units	Cost ($)
2300	12680
3100	15760

Initial analysis has identified that the fixed cost increases by $1000 in total if output exceeds 3000 units.

What would be the total cost of producing 3500 units?

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

$[**16800**]

INSERT VALUE

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

Comfy Co manufactures four products, W, X, Y and Z.

All four products use the same direct labour which is in short supply and only 2000 hours is expected to be available in the next period.

Information for the four products has been provided below.

Product	W ($)	X ($)	Y ($)	Z ($)
Sales price	100	130	95	140
Variable costs:				
Materials ($4 per kg)	18	24	22	28
Labour ($12 per hour)	24	18	12	36
Fixed costs	10	15	15	30
Profit per unit	48	73	46	46

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

Ranking	Product (W, X, Y or Z)
1	**[Y]**
2	**[X]**
3	**[W]**
4	**[Z]**

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

W

X

Y

Z

DROP-DOWN OPTIONS

Question 3 **(4 marks)**

Fleet Ltd has fixed costs of $50000 per annum.

The company sells a single product at a selling price of $25 per unit.

The contribution to sales ratio is 40%.

What is the break-even point in revenue?

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

$[**125000**]

INSERT VALUE

Question 4 **(4 marks)**

Mask Ltd uses an absorption costing system and has calculated the profit for the latest period as $510000.

The following costing information is available:

	$
Selling price per unit	180
Direct materials per unit	68
Direct labour per unit	24
Variable production overhead per unit	18
Fixed production overhead per unit	10

Information for the last period was provided as follows:

Opening inventory	4200 units
Closing inventory	2100 units

What would the profit have been if Mask Ltd had used marginal costing?

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

$[**531000**]

INSERT VALUE

Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 3 (2-mark questions)

1 question to be given.

Question 1 (2 marks)

Which one of the following statements regarding activity-based costing is **INCORRECT**?

	✓
Apportionment of overheads is not required	[✓]
Activity costs are absorbed into products	
Cost drivers need to be determined for each activity	
ABC can be used by non-production organisations	

MCQ

Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 3 (4-mark questions)

3 questions to be given.

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	

Answer the following questions.

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

	Answer ($)
If the rent and rates for the period were $12000, how much would be apportioned to the assembly department?	**[6400]**
If depreciation of machinery was $8000 for the period, how much would be apportioned to the stores department?	**[0]**
If the assembly supervisor salaries for the period were $30000, how much would be allocated to the assembly department?	**[30000]**
If machine running costs were $1800 for the period, how much would be apportioned to the finishing department?	**[450]**

INSERT VALUE

Question 2 (4 marks)

A company uses an activity-based costing system. Three products are manufactured, budgeted details of which are given below:

	Product L	Product M	Product N
Monthly production (units)	600	2,000	400
Batch size (units)	10	200	5
Machine set ups per batch	2	5	1

The charge out rate for machine set ups is $40 per set up.

What are the total budgeted set up costs **per annum**?

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

$[**120000**]

INSERT VALUE

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

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

Statement	**True or false**
A cost driver is a causal link between the activity and the cost unit	**[True]**
As ABC uses cost drivers, arbitrary cost apportionment is not required	**[False]**
ABC can be used in a wide range of industries including the service sector	**[True]**
A unit level cost is an activity where the consumption of the resource is strongly correlated to the number of units produced	**[True]**

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

DROP-DOWN OPTIONS

Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 4 (2-mark questions)

1 question to be given.

Question 1 (2 marks)

NM Co Ltd is preparing the budgets for the forthcoming period.

Sales demand is expected to be 5500 units.

Due to inventory movements, this will mean 5800 units need to be produced in the period.

Each unit takes 4 kg of raw materials. There is a shortage of materials available on the open market and NM Co Ltd can currently acquire 20800 kg.

Each unit requires 3 hours of direct labour. NM Co Ltd currently have 16800 hours of direct labour available to them.

Which one of the following is the main principle budget factor for NM Co Ltd?

	✓
Raw material availability	[✓]
Sales demand	
Direct labour hours	
Inventory levels	

MCQ

Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 4 (4-mark questions)

3 questions to be given

Question 1 (4 marks)

Red 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 2500 units.
- Each completed unit requires 1.5 kg of raw materials.
- The opening inventory of finished goods is 380 units, however 40 of these have been damaged and must be scrapped. Closing inventory has been set at 450 units.
- The opening inventory of raw materials is 500 kg, and the closing inventory has been set at 750 kg.
- Each unit takes 4 hours of direct labour to produce.
- Direct labour is paid a rate of $12 per hour.

What is the direct labour budget in $?

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

$[**125280**]

INSERT VALUE

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

Blue Co is a manufacturing business.

You have been provided with the following budget results for two different levels of activity.

Quantity	6000	6800
	$	**$**
Sales revenue	48000	54400
Direct materials	10800	12240
Direct labour	7200	8160
Overheads	5500	6100

Complete the following table by filling in the amount at which each budget item would be shown in a flexed budget for 6500 units.

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

Budget item	**$**
Sales revenue	**[52000]**
Direct materials	**[11700]**
Direct labour	**[7800]**
Overheads	**[5875]**

INSERT VALUES

Question 3 **(4 marks)**

WN Ltd has plans to manufacture 72000 units of product W in the month of May 20X2.

Each unit takes 5 minutes to produce.

The company employs 30 members of staff who each work 180 hours in the month.

How many overtime hours must be worked in order to complete the required number of units in May 20X2?

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

[**600**] hours

INSERT VALUE

Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 5 (2-mark questions)

2 questions to be given

Question 1 (2 marks)

Which one of the following would affect a company's cash flow but not its profits?

	✓
Money raised from a new share issue	[✓]
Payment of interest on a loan	
Payment of bonuses to directors	
The profit on disposal of old machinery	

MCQ

Question 2 (2 marks)

Which one of the following correctly identifies why liquidity management is important to a company?

	✓
To ensure that cash is available to pay liabilities	[✓]
To ensure that a company does not make a loss	
To enable investors to see how much return they will get on their investment	
To identify how much cash is committed in inventory and non-current assets	

MCQ

Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 5 (4-mark questions)

2 questions to be given

Question 1 (4 marks)

Like It Co has partially completed an exercise on working capital ratios.

The accountant has calculated the trade payables payment period as 39 days and the inventory holding period as 28 days.

The balance on the receivables ledger at the year-end was $3726 and the revenue for the year was $50370.

What is the working capital cycle for Like It Co? Enter your answer to the nearest whole day.

[**16**] days

INSERT VALUE

Question 2 (4 marks – 1 mark for each correct answer)

Kind & Co is a newly formed company which is commencing trading on 1 July 20X4.

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

July	August	September
$4200	$10200	$11230

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%

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

Question	Answer
What amount would be received from cash sales in August?	**[510]**
What were the credit sales made in July?	**[3990]**
How much cash from credit sales made in August will be received in September?	**[7752]**
How much cash from credit sales made in July will be received in September?	**[798]**

INSERT VALUES

Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 6 (2-mark questions)

1 question to be given

Question 1 (2 marks)

Which of the following could explain an adverse labour efficiency variance?

i. A high percentage of new unskilled employees
ii. Paying a higher hourly rate than the standard
iii. Poorly maintained equipment
iv. Purchase of better-quality materials

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

MCQ

Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 6 (4-mark questions)

4 questions to be given.

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
A favourable labour rate variance means that the actual rate paid per hour was less than the standard rate.	**[True]**
The fixed production overhead variance can be sub-divided into the expenditure and efficiency variances.	**[False]**
All adverse variances will always require a high-level analysis to explain the reason for the variance	**[False]**
A favourable revenue variance means that the standard sales were higher than the actual sales.	**[False]**

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

DROP-DOWN OPTIONS

Question 2 (4 marks)

Willow Co had the following budgeted data for the month of November.

Production units	12500	
Direct materials	37500 kg	$80625

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

What was the direct materials price 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.

$[**2240**]

INSERT VALUE

Question 3 (4 marks)

Hinch Ltd uses marginal costing and has the following budgeted and actual labour data for the month of March.

	Budget	**Budget**	**Actual**	**Actual**
Production units		1300		1450
Direct labour	6240 hours	$49920	7250 hours	$59450

What was the labour efficiency 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

$[**-2320**]

INSERT VALUE

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

Identify whether each of the following independent scenarios could explain why a favourable material usage variance has arisen using the drop-down options provided below.

Scenario	**Yes or no**
The business has purchased higher quality materials for use in production	**[Yes, it could explain the variance]**
The plant and equipment used in manufacturing has been recently maintained	**[Yes, it could explain the variance]**
The business has acquired materials from a different supplier at a price substantially lower than the previous supplier	**[No, it could not explain the variance]**
Following a period of restructuring, the business has automated part of the manufacturing process which has not yet been reflected in the standard cost	**[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

Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 7 (2-mark questions)

1 question to be given

Question 1 (2 marks)

The following data relates to work in progress for product AB12 during the month of August.

Opening work in progress	Nil
Finished output to next process	2300 kg
Closing work in progress	1400 kg
Degree of completion – direct materials	100%
Degree of completion – direct labour	40%
Total labour cost	$3200

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

	✓
$1.12	[✓]
$1.39	
$0.86	
$2.16	

MCQ

Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 7 (4-mark questions)

1 question to be given

Question 1 (4 marks)

Severn Ltd produces a washing liquid which is produced in one production process.

During March 20X3, the company input 84000 litres of direct materials. The output was 81000 litres and the 3000 litres difference was the normal loss.

The input costs were:

Materials	$16800
Labour	$12600
Overheads	$4200

Losses were sold on to a reprocessing company for $0.20 per litre.

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.

$[**0.41**]
INSERT VALUE

Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 8 (2-mark questions)

1 question to be given

Question 1 (2 marks)

Invest Ltd has undertaken an analysis of a potential new project under consideration.

The following net present value calculations for the project has been made:

Cost of capital	Net present value
10%	$5120
12%	$2920
14%	$1110
16%	($80)
18%	($1430)

Which one of the following is most likely to be the internal rate of return for this project?

	✓
15.6%	[✓]
13.9%	
16.2%	
14.1%	

MCQ

Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 8 (4-mark questions)

3 questions to be given

Question 1 (4 marks)

You have been asked to calculate the internal rate of return for a project under consideration by the directors of LPG Ltd.

The following information is available to you:

- At a cost of capital of 10%, the project gives a positive net present value of $5510.
- At a cost of capital of 20%, the project gives a negative net present value of $8570.

Calculate the internal rate of return to the nearest whole percentage and enter this below.

[14]%

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)

Future Co is considering purchasing a replacement asset for use in its business.

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	$60000			
Other cash flows				
Sales income		$42000	$38000	$34000
Operating costs		$19500	$16200	$11500

What is the payback period of the replacement machine? **Round your answer up to the nearest whole month.**

Years:	[2]	Months:	[9]

INSERT VALUE

Question 3 (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
This method focuses on the cash flows of the project and is used to prioritise the liquidity needs of the business.	[Payback period]
A technique which takes into account the time value of money. Projects which yield a negative result should be rejected.	[Net present value]
If the result of this method is lower than the cost of capital invested, then the project should be rejected.	[Internal rate of return]
This technique uses the average profits over the life of the project to calculate the return for the investment made.	[Accounting 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

Feb 25 LCCI Level 3 Certificate in Cost & Management Accounting – Learning outcome 9&10 (2-mark questions)

1 question to be given

Question 1 (2 marks)

Which one of the following is a type of management information system (MIS) that is used to perform routine transactions necessary to conduct business?

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

MCQ