

## LCCI Level 2 Certificate in Cost Accounting – Learning outcome 1

8 questions – students to be given 5 random questions from this bank of questions. Type of question highlighted in yellow.

### Question 1 (Total of 4 marks available – 1 mark for each correct answer)

Identify whether each of the following characteristics relates to financial accounting or cost accounting.

	Financial accounting (✓)	Cost accounting (✓)
This type of accounting is directed at providing information to management.		[✓]
This type of accounting is always produced using accounting standards.	[✓]	
The results of this type of accounting have to be produced annually.	[✓]	
This type of accounting is produced as and when required.		[✓]

MRQ

### Question 2 (4 marks – 1 mark for each correct answer. Correct answers are shown in the table in square brackets.)

The following table describes some of the main documents used in purchases and revenue. Identify which document is being described using the options provided below.

Description	Document
A document sent by the seller to the buyer following the delivery of goods, summarising the transaction.	[Sales invoice]
A document sent with the goods when they are delivered confirming the quantity of goods.	[Delivery advice note]
A document sent by the buyer to the seller outlining the goods it wishes to buy.	[Purchase order]
A document sent by the buyer to the seller with goods that have been sent in error.	[Goods returns note]

Drag and drop options:

Purchase order

Delivery advice note

Goods returns note

Sales invoice

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

Oak Co manufactures furniture. Classify each of the following costs by function.

Cost	Production (✓)	Administration (✓)	Selling and distribution (✓)
Ink for the printer used to print sales invoices.		[✓]	
Wood used to make furniture.	[✓]		
Repairs to the machine in the factory.	[✓]		
Insurance of delivery vans.			[✓]

**MRQ****Question 4 (4 marks – 1 mark for each correct answer – the answers do not have to appear in any particular order. Correct answers shown in the table in square brackets in blue text.)**

You have been provided with four costs below for different types of businesses. Drag and drop these into the relevant column of the table to classify the costs by nature (direct or indirect).

Direct	Indirect
[Chargeable hour for an accountant]	[Electricity for a retail shop]
[Labour cost of a tailor for a suit maker]	[Accountancy expenses for a building contractor]

Drag and drop options:

Chargeable hour for an accountant

Electricity for a retail shop

Accountancy expenses for a building contractor

Labour cost of a tailor for a suit maker

**DRAG AND DROP**

**Question 5 (4 marks – 1 mark for each correct entry. Correct answers shown in square brackets and blue text.)**

Clear Glass Co operates a manufacturing business. They produce a range of goods including glassware, vases and ornamental figures.

Clear Glass Co uses a coding system for its elements of cost (materials, labour and overheads) and then further classifies by nature (direct or indirect).

Element of cost	Code	Nature of cost	Code
Materials	A	Direct	10
		Indirect	20
Labour	B	Direct	10
		Indirect	20
Overheads	C	Direct	10
		Indirect	20

For example, the code for direct materials is A10.

Identify the code to be used for each of the following costs. Insert the code to be used using the same format as the example above.

Cost	Code
Wages of the finance manager	[B20]
Rent for the factory	[C20]
Sheets of glass used in production	[A10]
Labour costs of glassblowers in the factory	[B10]

**INSERT VALUE**

**Question 6 (4 marks – 1 mark for each correct entry. Correct answers shown in square brackets).**

Complete the following sentences relating to cost behaviours by filling in the blanks.

Period costs, such as rent for a period of time, are usually [fixed] costs.

The sales team are paid a basic wage and then commission for each unit sold. This is an example of a [semi-variable] cost.

Costs that remain constant per unit but change in total as the level of output changes are known as [variable] costs.

Supervisors of a production team can manage up to 10 employees. This is an example of a [stepped] cost.

**FILL IN BLANKS**

**Question 7 (4 marks)**

BG Co manufactures a single product.

You have been provided with the following information:

Direct materials	3 kg at \$9 per kg
Direct labour	5 hours at a total cost of \$40
Overheads	5 hours at \$3 per hour

What is the prime cost of making one unit?

\$(67)

INSERT VALUE

**Question 8 (2 marks)**

Which one of the following would usually be classed as a stepped fixed cost?

	✓
Supervisor's wages	[✓]
Insurance of office buildings	
Raw materials	
Rental expense for a photocopier used in an admin office	

MCQ