

April 25 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 1 (2-mark questions)

1 question only

Question 1 (2 marks)

Assemble Direct uses the following classifications for costs:

- Direct materials
- Indirect materials
- Direct labour
- Indirect labour
- Direct expenses
- Indirect expenses

Which type of classification is this an example of?

	✓
Element	[✓]
Function	
Behaviour	
Department	

MCQ

April 25 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 1 (4-mark questions)

Bank of 5 questions - 4 questions to be given.

Question 1 (4 marks)

HG Ltd manufactures one product and has identified the cost incurred at two different activity levels as follows:

- The total cost of producing 600 units is \$11600
- The total cost of producing 750 units is \$14000

What would be the total cost at an activity level of 1200 units?

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

\$(21200)

Insert value

Question 2 (4 marks)

JK Co manufactures a product called JK1 in batches of 20.

You have been provided with the following information for one batch of 20 units of JK1.

Direct materials	12kg at \$3.50 per kg
Direct labour	4 hours at \$16 per hour
Overheads	4 hours at \$3 per hour

What is the total cost of making **one batch** of JK1?

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

\$(**118**)

INSERT VALUE

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

Identify the cost behaviour patterns being described in each of the following statements using the drop-down options provided below.

Statement	Cost behaviour
A cost which stays constant within a certain range of activity.	[Stepped]
A cost which varies in relation to the level of activity.	[Variable]
A cost which remains constant at all levels of activity.	[Fixed]
A cost which has a constant element regardless of the level of activity and an element which increases as the level of activity increases.	[Semi-variable]

Drop-down options to be available in all boxes:

Fixed

Variable

Stepped

Semi-variable

Drop down options

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

Garden Landscapes is a company that provides landscaping services.

Classify the following costs by selecting the relevant option from the drop-down list provided below:

Cost	Classification
Purchase of plants for use in customers gardens	[Direct materials]
Rent of the workshop used to store tools	[Indirect expense]
Wages of garden maintenance staff	[Direct labour]
Oil for maintaining grass cutting machines	[Indirect materials]

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

Direct materials
Indirect materials
Direct labour
Indirect labour
Direct expense
Indirect expense

DROP-DOWN OPTIONS

Question 5 (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
Used to prepare statements which comply with legal requirements	[Financial accounting]
Performs a vital role in planning and control activities for the business	[Cost accounting]
Records transactions that have already happened	[Financial accounting]
Used as an internal source of information for decision making purposes	[Cost accounting]

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

Cost accounting
Financial accounting

DROP-DOWN OPTIONS

April 25 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 2 (2-mark questions)

Bank of 3 questions - 2 questions to be given.

Question 1 (2 marks)

Which one of the following apportionment methods would be most suitable for the apportionment of equipment depreciation costs?

	✓
Carrying value of equipment	[✓]
Floor area of factory	
Number of units produced	
Number of employees	

MCQ

Question 2 (2 marks)

HT Co has carried out an inventory check at the end of the month. The physical inventory was valued at \$18500 whereas the inventory record showed a value of £17500.

Which one of the following is a valid reason for the difference between the two values?

	✓
A sale of goods to a customer to the value of \$1000 was made on the last day of the month but the customer has yet to collect the goods.	[✓]
Goods to the value of \$1000 have been stolen from inventory.	
An administrative error has been made when goods to the value of \$500 were received from a supplier resulting in the goods being recorded twice in the inventory records.	
A sales representative had taken \$1000 of inventory to a customer for a sales demonstration on the last day of the month and has yet to return them.	

MCQ

Question 3 (2 marks)

Bud Co absorbs overheads on the basis of labour hours.

The budgeted overheads for the production department were \$12000 for the month based on budgeted labour hours of 750 hours.

The actual labour hours were 730 for the month and the actual overheads were \$12500.

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

	✓
Under absorbed by \$820	[✓]
Over absorbed by \$820	
Under absorbed by \$500	
Over absorbed by \$500	

MCQ

April 25 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 2 (4-mark questions)

Bank of 7 questions - 6 questions to be given.

Question 1 (4 marks)

K9 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	4 kg at \$6.50 per kg
Labour	45 minutes at a cost of \$20 per hour
Overheads	\$4 per direct labour hour

What is the cost of making one unit?

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

\$(44)

Insert value

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

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

Overhead	Basis
Light and heat	[Floor area]
Machine maintenance costs	[Machine hours]
Supervisor's wages	[Number of employees]
Depreciation of equipment	[Carrying value of equipment]

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

Carrying value of equipment

Floor area

Number of employees

Machine hours

Drop down options

Question 3 (4 marks)

PT Co uses the weighted average (AVCO) method to price issues of inventory.

During the current month, PT Co made the following purchases from suppliers.

Date	Transaction
6 June	50 units at \$10 per unit
12 June	50 units at \$12 per unit
28 June	80 units at \$15 per unit

During the month there was only one issue from inventory to production:

Date	Transaction
25 June	70 units

Assuming there was no opening inventory at the start of June, what was the value of closing stock at the end of the month?

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

\$(1530)

INSERT VALUE

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

Blue Co pays a time rate of \$18 per hour to its direct labour for a standard 38-hour week.

Any hours worked in excess of 38 hours are paid at a rate of time and a half.

Calculate the gross wage for the week for the two workers in the table below.

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

Employee	Hours worked	Gross wage (\$)
A Spring	40 hours	[738]
O Best	38 hours	[684]

INSERT VALUE

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

Identify whether each of the following statements relating to labour costs is true or false using the drop-down options provided below.

Statements	True or false
A bonus scheme may be based on time saved or output based in a production environment.	[True]
If an employee is paid overtime at a rate of time and a half, and the basic rate is \$14 per hour, the overtime rate is \$21 per hour.	[True]
If an employee is paid overtime at a rate of time and a quarter and the basic rate is \$12, the overtime premium is \$15 per hour.	[False]
Overtime premium incurred as a result of general working conditions is normally treated as an indirect labour cost.	[True]

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

True

False

DROP-DOWN OPTIONS

Question 6 (4 marks)

JD Co has provided the following information.

	Assembly	Finishing	Stores	Total
Floor area	700 sqm	560 sqm	490 sqm	1750 sqm
Number of employees	24	18	6	48
Value of machinery	\$119340	\$88920	\$25740	\$234000
Machine hours	1430 hours	660 hours	110 hours	2200 hours

The overheads for the period were:

	\$
Insurance of machinery	13800
Rent and rates	18000

What amount would be apportioned to the assembly department for total overheads in the period?
Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

\$(14238)

INSERT VALUE

Question 7 (4 marks – 1 mark for each answer shown in blue text)

Identify whether each of the following statements relating to inventory is true or false using the drop-down options provided below.

Statements	True or false
The FIFO method of inventory valuation costs issues at the oldest purchase price	[True]
The AVCO method of inventory valuation requires a revised weighted average cost to be calculated each time an issue of inventory is made to production.	[True]
The FIFO method of inventory valuation values closing inventory at a higher value in times of falling prices.	[False]
Accounting standards permit the use of FIFO, LIFO or AVCO for the purposes of inventory valuation used in financial statements.	[False]

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

True

False

DROP-DOWN OPTIONS

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

Bank of 3 questions - 2 questions to be given.

Question 1 (2 marks)

Which one of the following statements is not an assumption upon which cost-volume profit analysis is based?

	✓
The selling price per unit changes depending upon the volume of units sold	[✓]
Costs behaviours consist of fixed and variable costs	
The variable cost per unit remains constant at all activity levels	
Fixed costs remain fixed in total at all levels of activity	

MCQ

Question 2 (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 total revenue line and variable cost line intersect	
The point at which the fixed cost line intersects with the vertical axis	
Where the fixed cost and total variable cost lines intersect	

MCQ

Question 3 (2 marks)

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

The estimated costs are shown below:

Direct materials	61 kg at a cost of \$5 per kg
Direct labour	10 hours at a cost of \$17 per hour
Overheads	\$5 per direct labour hour.

TG Co has a policy of applying a 40% mark up on all jobs.

What would be the selling price for this job?

	✓
\$735.00	[✓]
\$525.00	
\$1312.50	
\$840.00	

MCQ

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

Bank of 6 questions - 5 questions to be given.

Question 1 (4 marks)

FD Co is looking to set performance targets for its sales team.

FD Co sells a single product for \$180. The marginal cost of the product is \$62, and the absorption cost is \$88.

The fixed costs for the period are \$280250.

What is the break-even point in units for FD Co?

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

[2375] units

Insert value

Question 2 (4 marks)

JT & Co manufactures a single product which has a selling price of \$84. At this level, the expected sales level is 330 units.

The costs associated with the product have been identified as:

	\$
Direct materials	16
Direct labour	12
Fixed overheads	10
Total cost	38

The fixed costs are \$16240.

What is the margin of safety in units?

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

[40] units

Insert value

Question 3 (4 marks)

A manufacturer is preparing a quote to supply a local customer with 50 units of product X1.

The following unit cost estimates have been prepared:

Direct materials	2.4 kg at a cost of \$6 per kg
Direct labour	1.5 hours per unit at a cost of \$22 per hour
Overheads	\$12 per labour hour

What is the total cost of producing a batch of 50 units of X1?

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

\$(3270)

INSERT VALUE

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

TR Co manufactures four products, details of which are provided below.

	A	B	C	D
Sales price	120	110	160	170
Direct materials	24	19	48	38
Direct labour	18	22	39	12
Fixed overheads	20	20	35	10

If TR Co were to rank the products in order of the contribution to sales ratio, highest ratio being rank 1 and lowest ratio being rank 4, what order would the products appear in?

Select the order using the drop-down options provided below.

Product	Rank
A	[2]
B	[3]
C	[4]
D	[1]

Drop-down options available in all boxes:

- 1
- 2
- 3
- 4

Drop-down options

Question 5 (4 marks – 1 mark for each correct term)

Choose the correct term from the drop-down lists below for each of the following descriptions.

Description	Term
The quantity of sales units where the total contribution equals the fixed costs.	[Break-even point]
The selling price less the variable costs.	[Contribution]
The difference between current sales and breakeven sales.	[Margin of safety]
The term expressing the amount of contribution in relation to the selling price.	[Contribution to sales ratio]

Drop down options to be available in all boxes:

Contribution

Contribution to sales ratio

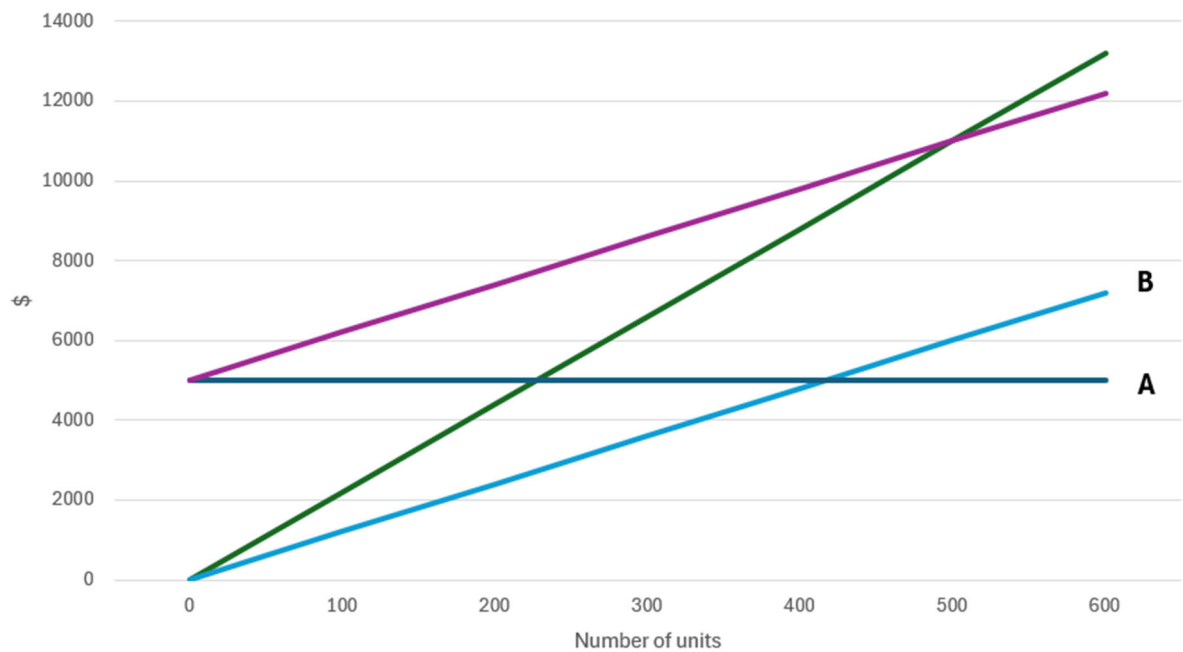
Break-even point

Margin of safety

DROP DOWN OPTIONS

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

You have been provided with the following breakeven chart.



Identify whether each of the following statements about the above graph is true or false using the drop-down options provided below.

Statement	Answer
Line A represents the fixed costs line.	[True]
The break-even point in units is approximately 240 units	[False]
Line B represents the sales revenue line.	[False]
The break-even point in sales revenue is approximately \$11000	[True]

Drop-down options to be provided in all boxes:

True

False

DROP DOWN OPTIONS

April 25 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 4 (2-mark questions)

Bank of 3 questions - 2 questions to be given.

Question 1 (2 marks)

Which one of the following statements about budgeting is true?

	✓
A budget holder should be responsible for the controllable element of costs incurred by their area.	[✓]
A sales manager and a production manager would prepare a purchases budget.	
A budget committee would be responsible for the preparation of functional budgets.	
A master budget consists of a budgeted Statement of Financial Position and Cash Flow only.	

MCQ

Question 2 (2 marks)

Which one of the following statements regarding variances is true?

	✓
The total direct labour variance can be further analysed into a labour rate and labour efficiency variance.	[✓]
A favourable cost variance occurs when the standard cost is lower than the actual cost.	
Only the results of adverse variances should be investigated further.	
When calculating the total materials variance, the budgeted cost is compared against the standard cost.	

MCQ

Question 3 (2 marks)

Which one of the following terms is used to identify the underlying movement in a forecast?

	✓
A trend	[✓]
Seasonal variation	
Random movement	
Cyclical variation	

MCQ

April 25 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 4 (4-mark questions)

Bank of 3 questions - 2 questions to be given.

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

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	15430	14980	450	[Adverse]
Direct materials	2680	3100	420	[Adverse]
Direct labour	4680	4350	330	[Favourable]
Fixed overheads	3000	3200	200	[Adverse]

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

Adverse

Favourable

DROP-DOWN OPTIONS

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

Complete the following sentences regarding variances using the drop-down options provided in each box below.

Sentence	Answer
When actual costs are lower than standard costs, the variance will be	[favourable]
When actual sales are higher than standard sales, the variance will be	[favourable]
An unexpected increase in the labour rate per hour could lead to a labour rate variance which is	[adverse]
An improvement in the quality of materials could lead to a materials usage variance which is	[favourable]

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

adverse

favourable

DROP-DOWN OPTIONS

Question 3 (4 marks)

GR Ltd manufactures one product using one grade of labour.

The standard labour cost for one product is:

4 hours at a standard cost of \$12 per hour

During September 980 units were produced. The actual hours worked were 3675 at a total cost of \$47040.

What is the labour efficiency 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

\$(2940)

INSERT VALUE

1 question to be given. No variation.

Question 1 (2 marks)

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

	✓
The receipt of a bank loan	[✓]
The payment of interest on a bank loan	
The profit on disposal of a non-current asset	
Depreciation charges for a non-current asset	

MCQ

April 25 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 5 (4-mark questions)

1 question to be given. No variation.

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

Identify the impact each of the following actions has on the **working capital cycle** using the drop-down options provided below. Select from improve, deteriorate or no impact.

Situation	Method
The purchase of a non-current asset for use in the business over the next 5 years financed by a bank loan.	[No impact]
Arranging to pay suppliers early to improve the reputation of the business.	[Deteriorate]
Implement better credit control policies to collect monies owing from receivables quicker.	[Improve]
An increase in inventory levels in anticipation of an increase in sales demand in the next year.	[Deteriorate]

Drop-down options to be available in all boxes:

Improve

Deteriorate

No impact

Drop down options

April 25 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 6 (2-mark questions)

Bank of 2 questions - 1 question to be given.

Question 1 (2 marks)

Which one of the following statements about investment appraisal methods is true?

	✓
A requirement for an early payback period can increase a company's liquidity.	[✓]
The payback method is based on the project's annual profits.	
Both the payback and accounting rate of return methods are affected by changes in the cost of capital.	
The accounting rate of return method uses the project's average cash flows over the estimated life of the project to calculate the anticipated return.	

MRQ

Question 2 (2 marks)

JK Co has \$200000 available to invest in project(s).

JK Co has a company policy of undertaking projects which payback in less than 2.5 years.

Projects A and B are both under consideration and information about both projects is provided below.

Projects	A	B
Capital investment required	\$90000	\$95000
Cash inflows:		
Year 1	\$48000	\$40000
Year 2	\$32000	\$30000
Year 3	\$30000	\$28000
Year 4	\$12000	\$12000
Year 5	\$8000	\$10000

Which of the project(s) should JK Co invest in using the payback method as a basis for the decision?

✓

A only	[✓]
Neither A or B	
Both A and B	
B only	

MCQ

April 25 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 6 (4-mark questions)

Bank of 3 questions - 2 questions to be given.

Question 1 (4 marks)

ID4.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	\$46000
Cash inflows:	
Year 1	\$21000
Year 2	\$18000
Year 3	\$14000
Year 4	\$10000
Year 5	\$8000

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.

[2]	Years	[6]	Months
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Drop-down options to be available in the years box 1 to 5
Can we put 1 to 12 in the months box? If not, make it 1 to 6

Drop-down options

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

JJ 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	2.6 years	3.2 years
Accounting rate of return	26%	30%

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

Question	Answer
Which project should JJ Ltd invest in if it wishes to recover the initial investment as quickly as possible?	[Project 1]
Which project should JJ Ltd invest in if it wishes to maximise profits?	[Project 2]
Which of the two methods has the disadvantage of considering profits rather than cash flows of a project?	[Accounting rate of return]
If the company decides to set a payback period of 3 years as its new policy, which project(s) would be rejected?	[Project 2]

Drop down options:

Project 1

Project 2

Payback

Accounting rate of return

Drop-down options

Question 3 (4 marks)

Great Signs & 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 \$5000.

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

Year 1	\$32000
Year 2	\$29000
Year 3	\$18000
Year 4	\$14000

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

Show your answer to 1 decimal place.

[53.4] %

INSERT VALUE

April 25 LCCI Level 2 Certificate in Cost Accounting – Learning outcome 7 (2-mark questions)

Bank of 2 questions - 1 question to be given.

Question 1 (2 marks)

The following statements regarding information have been made:

Statement 1 – Only financial information is useful in cost accounting.

Statement 2 – Qualitative information should be considered in the decision-making process.

Which of these statements is/are true?

	✓
Statement 2 only	[✓]
Statement 1 only	
Both statements 1 and 2	
Neither statement 1 nor 2	

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 program designed to create disruption that spreads through a system	
Having a lack of operating procedures and controls in place	