

LCCI Level 3 Certificate in Cost and 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)

WP Co uses the Economic Order Quantity (EOQ) method to calculate the re-order quantity for inventories.

The annual demand is 1440 units. The holding cost for one unit of stock is \$0.20 per annum.

The purchase price of the inventory is \$20 per unit. The cost of placing an order is \$4.

Which one of the following identifies the re-order quantity using the EOQ method?

	(✓)
240 units	[✓]
675 units	
1073 units	
170 units	

MCQ

Question 2 (2 marks)

WT Ltd is preparing its production budget for the month of July.

The opening inventory is expected to be 1000 units. The inventory budget is set to incorporate an increased in finished goods of 240 units. The forecast sales for July are 8000 units.

All finished goods pass through quality control, and it is expected that 20% of these will fail the quality control check and must be scrapped.

Which one of the following identifies the production budget for July?

	(✓)
10300 units	[✓]
8688 units	
9050 units	
9888 units	

MCQ

April 25 LCCI Level 3 Certificate in Cost and Management Accounting – Learning outcome 2 (2 marks)

1 question to be given. No variation.

Question 1 (2 marks)

Which one of the following is the definition of a sunk cost?

	✓
A past or historic cost that cannot be changed	✓
The value of the benefit sacrificed when one course of action is chosen in preference to an alternative	
An increase in cost in direct relation to a particular decision	
A cost incurred only when making specific business decisions	

MCQ

April 25 LCCI Level 3 Certificate in Cost and Management Accounting – Learning outcome 2 (4 marks)

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

Question 1 (4 marks)

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

Month	Activity level	Total cost (\$)
April	1800 units	15700
May	2100 units	16150

What is the total cost for the month of June when the activity level is expected to be 2250 units?

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

\$[16375]

INSERT VALUE

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

PL Co manufactures three products, W, X, Y and Z.

All four products use the same material which is in short supply and only 5000 kg is expected to be available.

Information for the three products has been provided below.

Product	W (\$)	X (\$)	Y (\$)	Z (\$)
Sales price	240	150	180	220
Variable costs:				
Materials (\$5 per kg)	75	60	40	80
Labour	42	36	48	19
Fixed costs	25	15	15	25
Profit per unit	98	39	77	96

What order would the products be ranked in order to maximise contribution due to the limited quantity of materials available? Enter W, X, Y or Z next to the rankings using the drop-down options provided below, rank 1 being the product which would be made first, and so on.

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

Drop down options: W, X, Y and Z to be available in all four boxes.

DROP DOWN OPTIONS

Question 3 (4 marks)

JST Co produces a single product for which the following standard cost information is available:

	\$
Selling price per unit	125
Direct materials per unit	30
Direct labour per unit	45
Variable production overhead per unit	8
Fixed production overhead per unit	10

Information for the last period was provided as follows:

Opening inventory	5000 units
Closing inventory	6000 units
Marginal costing profit	\$242000

What would the profit for the last period have been if JST Co had used absorption costing?

\$(252000)

INSERT VALUE

Question 4 (4 marks)

KT Co uses material X1 in its production process. Each unit produced requires 5 kg of material X1.

KT Co has received an order from a customer which will require 2000 kg of material X1.

After this order has been fulfilled KT Co is discontinuing this product and will no longer require the material X1.

There are 600 kg of material X1 in inventory which had cost \$8 per kg at the time of purchase.

The current purchase price of X1 is \$14 per kg and the resale value of X1 is \$10 per kg.

What is the relevant cost of material X1 to be used in this order?

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

\$(25600)

INSERT VALUE

Question 5 (4 marks)

The fixed overhead absorption rate of AB Co is \$12.40 per labour hour.

The budgeted labour hours for the year are 11000.

If the average contribution to sales ratio is 40%, what is the breakeven point in sales revenue (\$)?

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

\$(341000)

INSERT VALUE

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

1 question given. No variation.

Question 1 (2 marks)

Which one of the following statements regarding activity-based costing (ABC) is true?

	✓
It can be applied to all overhead costs, not just production overheads	[✓]
Arbitrary apportionment of overheads does not take place when using ABC	
ABC will always provide more accurate cost information	
It cannot be applied to service companies	

MCQ

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

Bank of 4 questions - 3 random questions to be given.

Question 1 (4 marks)

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

Assembly	Finishing	Maintenance	Stores	Total
\$12060	\$8640	\$2850	\$6360	\$29910

The cost of stores is to be reapportioned to the other three cost centres according to the number of inventory requisitions issued. These are:

Assembly	Finishing	Maintenance
75	30	15

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

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

\$[1590]

INSERT VALUE

Question 2 (4 marks)

Divide 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)	840	672	168
Value of machinery	\$74800	\$61200	
Number of employees	25	15	10
Budgeted labour hours	2850	1900	
Budgeted machine hours	3150	1350	

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 \$24000, how much would be apportioned to the finishing department?	[9600]
If the cost of insurance for the machinery was \$4000 for the period, how much would be apportioned to the assembly department?	[2200]
If the stores supervisor salaries for the period were \$25000, how much would be allocated to the stores department?	[25000]
If machine running costs were \$2000 for the period, how much would be apportioned to the stores department?	[0]

INSERT VALUE

Question 3 (4 marks)

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

	Product A	Product B	Product C
Annual production (units)	6000	4000	10000
Batch size (units)	30	80	250
Quality inspections per batch	4	2	6

The annual quality inspection costs are \$61560.

How much of the total quality inspection cost will be allocated to product B using activity-based costing principles?

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

\$(5400)

INSERT VALUE

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

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

Statement	True or false
ABC cannot be used in a service business	[False]
A cost driver is a causal link between the activity and the cost unit	[True]
An example of a facility level cost is site maintenance	[True]
Activity-based costing does not allow the allocation of costs according to the volume of production	[False]

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

True

False

DROP-DOWN OPTIONS

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

1 question given. No variation.

Question 1 (2 marks)

Which one of the following would result in an adverse variance in a flexed budget?

	✓
The standard material cost is lower than the actual cost	[✓]
The standard sales revenue is lower than the actual sales revenue	
The standard labour cost is higher than the actual cost	
The actual fixed overheads were lower than the budgeted cost	

MCQ

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

Bank of 4 questions - 3 random questions to be given

Question 1 (4 marks)

JG Co has produced a budget based on 6000 units as shown below.

	Budget
Quantity	6000
	\$
Sales revenue	252000
Direct materials	99000
Direct labour	50400
Fixed overheads	20000

What would be the operating profit in a flexible budget based on 6500 units?

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

\$(91150)

INSERT VALUE

Question 2 (4 marks)

Grand Co is a manufacturing company and is planning its production activities for the next month. The following information is available:

- The maximum sales demand is 8000 units.
- Each completed unit requires 1.5 kg of raw materials.
- The opening inventory of finished goods is 400 units.
- The closing inventory has been set at 500 units.
- The opening inventory of raw materials is 4000 kg, and the closing inventory has been set at 4500 kg.
- Each unit takes 6 hours of direct labour to produce.
- Direct labour is paid a rate of \$20 per hour.

What is the direct labour budget in \$ assuming the maximum sales demand is met?

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

\$(972000)

INSERT VALUE

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

Swift Co is a manufacturing business.

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

Quantity	2000	2500
	\$	\$
Sales revenue	64000	80000
Direct materials	12000	15000
Direct labour	7600	9500
Overheads	5000	5750

Swift Co has since decided to increase the sales price per unit by 5% and this will not cause a change in any of the other variables.

Complete the following table by filling in the amount at which each budget item would be shown in a flexed budget for 2800 units incorporating the new sales price per unit.

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

Budget item	\$
Sales revenue	[94080]
Direct materials	[16800]
Direct labour	[10640]
Overheads	[6200]

INSERT VALUES

Question 4 (4 marks)

JT Co is preparing its labour budget for the next period.

You have been provided with the following information:

Sales demand	5500 units
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Opening inventory of finished goods	750 units
Closing inventory of finished goods	800 units
Direct labour time per unit	4 hours
Current labour efficiency level	75%
Labour rate per hour	\$15

What is the direct labour budget in \$ for the next period?

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

\$(444000)

INSERT VALUE

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

Bank of 3 questions - 2 random questions to be given.

Question 1 (2 marks)

KT Co has prepared a cash budget for the forthcoming period and has identified a minor cash deficit in the month of June. The remaining periods are currently showing a surplus.

Which one of the following actions would be appropriate for KT Co to take?

	✓
Arrange a bank overdraft	[✓]
Issue share capital	
Pay suppliers early	
Arrange for a long-term bank loan	

MCQ

Question 2 (2 marks)

Which one of the following identifies the calculation of the working capital cycle in days?

✓

Inventory days + Receivables days – Payables days	[✓]
Inventory days – Receivables days - Payables days	
Inventory days – Receivables days + Payables days	
Receivables days + Inventory days + Payables days	

MCQ

Question 3 (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 3 Certificate in Cost & Management Accounting – Learning outcome 5 (4-mark questions)

Bank of 3 questions - 2 random questions to be given

Question 1 (4 marks)

You have been provided with the following extracts from a company's accounts.

	\$000		\$000
Revenue	6570	Inventories	200
Cost of sales	2300	Receivables	612
Gross profit	4270	Cash	50
Admin costs	1200	Payables	176
Distribution costs	800	Bank overdraft	200
Operating profit	2270		

What is the trade receivables collection period in days (to the nearest day)?

[34] days

INSERT VALUE

Question 2 (4 marks)

TY Co has partially completed an exercise on working capital ratios. The accountant has calculated the trade receivables collection period as 35 days and the inventory holding period as 42 days.

The balance on the payables ledger at the yearend was \$62160 and the purchases for the year were \$613200.

What is the working capital cycle for TY Co?

[40] days

INSERT VALUE

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

Myster Co is a newly formed company which is commencing trading on 1 September 20X4.

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

September	October	November
\$2800	\$4100	\$8640

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 October?	[205]
What is the total amount of credit sales made in November?	[8208]
How much cash from credit sales made in September will be received in November?	[532]
How much will be outstanding at the end of November and show as the balance on the receivables account?	[8987]

INSERT VALUES

Bank of 2 questions - 1 question to be given

Question 1 (2 marks)

Which one of the following is the most suitable description of an attainable standard used in variance analysis?

	✓
A standard based on ideal operating conditions with an allowance for a limited degree of wastage or inefficiencies	[✓]
A standard based on ideal operating conditions	
A standard based on historic operating conditions that remains unchanged over time	
A standard based on current operating conditions at the present time	

MCQ

Question 2 (2 marks)

Which one of the following correctly identifies the sub-variances of the fixed overhead variance?

	✓
Expenditure and volume	[✓]
Volume and usage	
Expenditure and efficiency	
Rate and units	

MCQ

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

4 questions to be given. No variations.

Question 1 (4 marks)

HN Co have performed variance analysis for the last month and the results of this are shown below.

Material price variance	\$1320 F
Material usage variance	\$820 A
Labour rate variance	\$550 A
Labour efficiency variance	\$640 F
Fixed overhead total variance	\$1200 A

The actual profit for the period was \$43600. What was the standard profit for the period?

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

\$(44210)

INSERT VALUE

Question 2 (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 standard labour hours were less than the actual labour hours	[True]
A favourable total overhead variance means the actual overhead incurred was less than the absorbed overhead	[True]
A favourable material usage variance could be caused by using new and inexperienced employees	[False]
The use of ideal standards in variance analysis may result in many variances being adverse	[True]

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

True

False

DROP-DOWN OPTIONS

Question 3 (4 marks)

Jake & Co manufacture a single product. The standard cost card shows one unit should use 2.5kg of material at a cost of \$16 per kg.

During July 1800 units were made, and the materials usage variance was \$1920A.

How many kilograms of material were used to make 1800 units in July?

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

[4620] kg

INSERT VALUE

Question 4 (4 marks)

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

Production units	11000	
Direct materials	13200 kg	\$46200

During October, 12500 units were produced using 17500 kg at a total cost of \$56000.

What was the direct materials price variance?

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

\$(5250)

INSERT VALUE

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

1 question to be given. No variation.

Question 1 (2 marks)

The following data relates to work in progress for product C22 during the month of November.

Opening work in progress	Nil
Finished output to next process	1100 kg
Closing work in progress	500 kg
Degree of completion – direct materials	100%
Degree of completion – direct labour	60%
Total labour cost	\$4600

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

	✓
\$3.29	[✓]
\$4.18	
\$2.88	
\$4.80	

MCQ

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

1 question to be given

Question 1 (4 marks)

TF Co produces three products through a common process.

The quantity of units produced during the month of March were as follows:

Product	Output
A	2100
B	3200
C	2800

The costs incurred in the common process were \$17982.

What amount would be allocated to product B for common process costs in March if TF Co uses the physical units as a basis of apportioning costs?

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

\$(7104)

INSERT VALUE

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

Bank of 2 questions – 1 random question to be given

Question 1 (2 marks)

Which one of the following tools would least likely be used in a long-term decision-making process?

	✓
Break even analysis	[✓]
Net present value calculation	
Discounted payback technique	
Internal rate of return	

MCQ

Question 2 (2 marks)

HJ Co has \$100000 to invest in one or more projects.

Two potential projects have been identified.

	Project 1 (\$)	Project 2 (\$)

Investment required	70000	60000
Discounted cash flows:		
Year 1	35000	25000
Year 2	25000	22000
Year 3	20000	18000
Year 4	18000	15000

HJ Co has a policy of prioritising projects which have the highest net present value (NPV).

Assuming the projects are divisible and that the net present value is earned in proportion to the amount invested, what is the combined net present value which can be obtained via the two projects?

	✓
\$38000	[✓]
\$36000	
\$28000	
\$48000	

MCQ

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

Bank of 4 questions - 3 random questions to be given

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

Jade & Co is considering the following two investments.

Investment	A	B
Initial investment	\$144000	\$165000
Net present value	\$34560	\$46200
Payback period	2.6 years	3.1 years

What is the profitability index of each project? Show your answers to 2 decimal places, for example an answer of 0.5 should be entered as 0.50

Profitability index:	
A	[0.24]
B	[0.28]

INSERT VALUE

Question 2 (4 marks)

PK Co has carried out a net present value analysis on a potential project at two different costs of capital, the results of which are below.

Cost of capital	Net present value
12%	\$3420
15%	\$860

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

[16]%

INSERT VALUE

Question 3 (4 marks)

Times & 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, and these are given below.

	Year 0	Year 1	Year 2	Year 3
Initial cost	\$50000			
Other cash flows				
Sales income		\$38000	\$46000	\$37000
Operating costs		\$14000	\$18500	\$16000

The company uses a cost of capital of 10% in investment appraisal decisions. The discount factors at this rate are given below.

Year	Discount factor (10%)
1	0.909
2	0.826
3	0.751

What is the net present value of this project?

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

\$(10302)

INSERT VALUE

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

Identify whether each of the following statements regarding investment appraisal techniques is true or false using the drop-down options provided below.

Statement	True or false
The payback method uses accounting profits to calculate how quickly the project returns the initial investment	[False]
If a project has an internal rate of return of 15% and the cost of capital is 12%, the project should be accepted	[True]
If a project has a negative net present value result, it should never be undertaken	[False]
The length of time considered acceptable for a payback period is at a company's own discretion	[True]

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

True

False

DROP-DOWN OPTIONS

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

Bank of 2 questions - 1 random question to be given

Question 1 (2 marks)

Which one of the following statements explains the purpose of the reconciliation of the trade payables control account?

	✓
To ensure that entries in the control account agree with the total of the payable's ledger	[✓]
To ensure that payments to credit suppliers have been accounted for	
To ensure that invoices received relating to credit suppliers have been accounted for	
To ensure that entries in the control account agree with the total of the payable's ledger, which guarantees there are no errors or omissions	

MCQ

Question 2 (2 marks)

Which one of the following statements is **not** true regarding management information systems (MIS)?

	✓
Automation within an MIS system is not possible due to the complexity and variability of the information used in an MIS system	[✓]
Decision making can be improved by using an MIS system as it can provide real time information in a more usable format	
The usefulness of the information generated by an MIS system can be affected by the accuracy of the data input into the system and may still be susceptible to errors	
An MIS system can gather data from both internal and external sources for use in decision making	

MCQ