

1	<p>22 A business provided the following information.</p> <table border="1" data-bbox="646 273 1316 405"> <tr> <td>budgeted overheads</td> <td>\$20 000</td> </tr> <tr> <td>budgeted direct labour hours</td> <td>2000</td> </tr> <tr> <td>direct labour rate</td> <td>\$20 per hour</td> </tr> </table> <p>A job used materials costing \$45 and 6 hours of direct labour. Overheads are charged on the basis of direct labour hours used. What was the cost of the job before adding any profit?</p> <p>A \$165 B \$175 C \$180 D \$225</p>	budgeted overheads	\$20 000	budgeted direct labour hours	2000	direct labour rate	\$20 per hour
budgeted overheads	\$20 000						
budgeted direct labour hours	2000						
direct labour rate	\$20 per hour						
Ans							
2	<p>23 What is a reason for overhead absorption in a manufacturing business?</p> <p>A to control overhead expenditure B to determine the net realisable value of inventory C to enable overheads to be apportioned to cost centres D to establish costs per unit of product</p>						
Ans							
3	<p>24 The following inventory transactions are available for a business.</p> <table border="1" data-bbox="550 1088 1289 1245"> <tr> <td>opening inventory on 1 January</td> <td>16 items at \$525 each</td> </tr> <tr> <td>receipts on 3 January</td> <td>24 items at \$675 each</td> </tr> <tr> <td>issues on 5 January</td> <td>28 items</td> </tr> </table> <p>The business uses the AVCO method to value inventory. What was the value of closing inventory on 7 January?</p> <p>A \$6300 B \$7200 C \$7380 D \$8100</p>	opening inventory on 1 January	16 items at \$525 each	receipts on 3 January	24 items at \$675 each	issues on 5 January	28 items
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4	<p>25 A business entered into a contract for the support of its computer systems. There was an annual fee of \$5000 plus a charge of \$30 per hour for solving computer problems. At the end of the year the cost of computer support totalled \$11 330.</p> <p>Which type of cost was this?</p> <p>A fixed B semi-variable C stepped D variable</p>								
Ans									
5	<p>26 A business absorbs overheads on the basis of direct labour hours. The following information is available.</p> <table border="1" data-bbox="643 741 1112 934"> <tr> <td>budgeted labour hours</td> <td>6600 hours</td> </tr> <tr> <td>actual labour hours</td> <td>7100 hours</td> </tr> <tr> <td>budgeted overheads</td> <td>\$75 900</td> </tr> <tr> <td>actual overheads</td> <td>\$74 250</td> </tr> </table> <p>What is the value of overheads over or under absorbed?</p> <p>A \$5625 over B \$5625 under C \$7400 over D \$7400 under</p>	budgeted labour hours	6600 hours	actual labour hours	7100 hours	budgeted overheads	\$75 900	actual overheads	\$74 250
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Ans									

6

27 A manufacturing business has two production departments: assembly and painting.
The following information is available.

	assembly	painting
machinery at net book value (\$)	150 000	100 000
machinery repair costs (\$)	14 000	6 000
machine operating hours	60 000	15 000
number of machines	30	10

The total machinery insurance cost for the year was \$5000.

How much insurance should be apportioned to the assembly department?

- A** \$3000 **B** \$3500 **C** \$3750 **D** \$4000

Ans

7

28 Which costs will change with an increase in activity?

- A** unit fixed costs and total fixed costs
B unit fixed costs and total variable costs
C unit fixed costs and unit variable costs
D unit variable costs and total variable costs

Ans

8

29 The table shows figures for a week's production.

expected production	10 000 units
expected production overheads	\$50 000
actual production overheads	\$60 000
under absorption of overheads	\$5 000

What is the actual amount of production in the week?

- A** 9000 units **B** 9167 units **C** 11 000 units **D** 13 000 units

Ans

9

30 A business makes a single product. The following information is available.

production	total cost \$
600 units	4200
800 units	5200

What is the fixed cost per unit?

	for 600 units \$	for 800 units \$
A	2.00	1.50
B	2.00	2.00
C	5.00	5.00
D	7.00	6.50

Ans

10

22 A business uses the AVCO method of inventory valuation.

The following transactions took place.

1 March	purchased 1000 units at \$65 per unit
2 March	purchased 1200 units at \$66 per unit
4 March	sold 1850 units at \$68 per unit

What was the value of closing inventory?

A \$22750 **B** \$22941 **C** \$23100 **D** \$23800

Ans

11

Inventories are valued at the lower of cost and net realisable value in the statement of financial position.

Which accounting concept is being applied?

- A** duality
- B** historic cost
- C** matching
- D** prudence

Ans

12	<p>What would be treated as part of the capital cost of the purchase of a building?</p> <ol style="list-style-type: none"> 1 cost of purchase 2 insurance of the building 3 installation of air conditioning needed for the machinery in the building <p>A 1 only B 1, 2 and 3 C 1 and 3 only D 2 and 3 only</p>										
Ans											
13	<p>A building was purchased for \$500 000. The following costs were also incurred.</p> <table border="1" data-bbox="593 707 1184 943"> <thead> <tr> <th></th> <th style="text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>adapting the new building</td> <td style="text-align: right;">50 000</td> </tr> <tr> <td>legal fees for the building purchase</td> <td style="text-align: right;">5 000</td> </tr> <tr> <td>cleaning the building</td> <td style="text-align: right;">4 000</td> </tr> <tr> <td>salary of building manager</td> <td style="text-align: right;">20 000</td> </tr> </tbody> </table> <p>What was the capital cost of the building?</p> <p>A \$550 000 B \$555 000 C \$559 000 D \$579 000</p>		\$	adapting the new building	50 000	legal fees for the building purchase	5 000	cleaning the building	4 000	salary of building manager	20 000
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Ans											
14	<p>In which book of prime entry is the contra between the sales ledger control account and the purchase ledger control account recorded?</p> <ol style="list-style-type: none"> A cash book B general journal C purchases journal D sales journal 										
Ans											

15	<p>Inventories are valued at the lower of cost and net realisable value in the statement of financial position.</p> <p>Which accounting concept is being applied?</p> <p>A duality B historic cost C matching D prudence</p>
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Ans	
17	<p>A business has a good reputation. The owner wishes to include goodwill in the financial statements. An accountant advises against it.</p> <p>Which accounting concept is the accountant applying?</p> <p>A business entity B going concern C matching D prudence</p>
Ans	
18	<p>Why is depreciation provided on non-current assets?</p> <p>A so that the cost is allocated to periods that benefit from them B so that the entity concept is applied C so that there is enough cash in the business to replace them D so that they are shown at market value</p>
Ans	

19	<p>A company changes from the straight-line method of depreciation to the reducing balance method.</p> <p>Which accounting principle has not been applied?</p> <p>A consistency B going concern C historic cost D materiality</p>															
Ans																
20	<p>Ryan sells goods on credit to Sumit. Sumit also supplies goods to Ryan.</p> <p>It is decided to make a set-off of the purchases ledger and sales ledger balances.</p> <p>In which books of prime entry is this set-off recorded?</p> <table border="1" data-bbox="325 851 971 1122"> <thead> <tr> <th></th> <th>in Ryan's books</th> <th>in Sumit's books</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>general journal</td> <td>general journal</td> </tr> <tr> <td>B</td> <td>general journal</td> <td>purchases journal</td> </tr> <tr> <td>C</td> <td>sales journal</td> <td>general journal</td> </tr> <tr> <td>D</td> <td>sales journal</td> <td>sales journal</td> </tr> </tbody> </table>		in Ryan's books	in Sumit's books	A	general journal	general journal	B	general journal	purchases journal	C	sales journal	general journal	D	sales journal	sales journal
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