



ACCA

Paper F2 and FMA

**Management Accounting
December 2017**

Revision Mock – Answers



To gain maximum benefit, do not refer to these answers until you have completed the revision mock questions and submitted them for marking.

© Kaplan Financial Limited, 2016

The text in this material and any others made available by any Kaplan Group company does not amount to advice on a particular matter and should not be taken as such. No reliance should be placed on the content as the basis for any investment or other decision or in connection with any advice given to third parties. Please consult your appropriate professional adviser as necessary. Kaplan Publishing Limited and all other Kaplan group companies expressly disclaim all liability to any person in respect of any losses or other claims, whether direct, indirect, incidental, consequential or otherwise arising in relation to the use of such materials.

All rights reserved. No part of this examination may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without prior permission from Kaplan Publishing.

SECTION A
1 C

The statement of financial position, the cash flow statement and the statement of profit or loss would normally be produced by the financial accountant.

2 A

$$2,000/2,500 \times 100 = \mathbf{80\%}$$

3 C

$$6,000 - 2,000 + 1,500 = 5,500$$

$$\text{Usage} = 5,500 \times 1.2 = 6,600$$

$$\text{Purchases} = 6,600 - 1,500 + 2,400 = \mathbf{7,500}$$

4 D

$$\text{Standard hours} = 300/3,000 = 0.10 \text{ hours per unit}$$

$$\text{Standard hours for actual production} = 2,500 \times 0.1 = 250 \text{ hours}$$

$$250/200 \times 100 = \mathbf{125\%}$$

5 C

$$\text{Standard hours} = 2,500/5,000 = 0.5 \text{ hours per unit}$$

$$5,500 \text{ units} \times 0.5 \text{ hours} = 2,750 \text{ standard hours for actual production}$$

$$2,750/2,500 \times 100 = \mathbf{110.0\%}$$

6 C

Initial investment		(\$186,000)
Constant annual inflows	$56,000 \times 3.791$	\$212,296
Residual value	$10,000 \times 0.621$	\$6,210
NPV		\$32,506

7 D**8 B**

9 \$41,400

Fixed costs included in the opening inventory = \$28,000 – \$16,000 = \$12,000

Fixed cost included in the closing inventory = \$36,400 – \$20,800 = \$15,600

Difference = fixed overhead absorbed in inventory = \$3,600

Inventory is increasing so absorption costing profit is higher than marginal costing profit by the amount of fixed overhead absorbed.

Marginal costing profit = \$45,000 – \$3,600 = \$41,400

10 B

Materials: EU = 500 × 100% = 500

Conversion costs: EU = 500 × 40% = 200

11

Document	Order (1 to 4)
Goods received note	3
Delivery note	2
Invoice	4
Purchase order	1

A purchase originates with a requisition for goods, by either the stores department or a user department. The buying department negotiates purchase terms and issues a **purchase order** to send to the supplier. The supplier processes the order and delivers the goods. A **delivery note** is provided with the goods when delivered. The stores department then produces its own document to record the goods received (the **goods received note**), which includes additional details such as the code for the item of inventory. The supplier sends the **invoice** when the goods are delivered. Invoices received from suppliers are called purchase invoices.

12 A

Total production	202 units
Rejected items	5 units
Good output	197 units
Pay for the first 100 units (× \$0.25)	\$25.00
Pay for the next 97 units (× \$0.30)	\$29.10
Employee's total earnings	\$54.10

13 \$3,100

Issues will have been made out of the most recent purchases therefore the closing inventory will be valued at:

500 × \$2.00 + 1,000 × \$2.10 = **\$3,100**

14 D

$$\sqrt{\left(\frac{2 \times 2.50 \times 2,500 \times 12}{1.00}\right)} = 387$$

15 C

16 141.3°

$$\$61.6 / \$156.9 \times 360 = 141.3^\circ$$

17 C

	<i>Production departments</i>		<i>Service departments</i>		<i>Total</i>
	<i>1</i>	<i>2</i>	<i>Stores</i>	<i>Maintenance</i>	
Allocated and apportioned	\$17,500	\$32,750	\$6,300	\$8,450	\$65,000
Reapportion stores	\$3,780	\$1,890	–	\$630	
				9,080	
Reapportion maintenance	\$6,810	\$1,816	\$454	–	
Reapportion stores	\$272	\$136	–	\$46	
Reapportion maintenance	\$35	\$9	\$2	–	
Reapportion stores	\$2	0	–	0	
Total	\$28,399	\$36,601			\$65,000

18 D

$$VC \text{ per } \% = (\$255,030 - \$225,690) / (90 - 70) = \$1,467$$

$$FC = \$255,030 - (90 \times \$1,467) = \$123,000$$

$$\text{Total cost at 55\%} = \$123,000 + (55 \times \$1,467) = \mathbf{\$203,685}$$

19 C

$$\text{Overhead absorption rate per unit} = \$2.50 \times 3 = \$7.50$$

$$\text{Change in inventory} = 200 - 250 = 50 \text{ units}$$

$$\text{Difference in profits} = 50 \times \$7.50 = \mathbf{\$375}$$

Inventory levels are increasing therefore absorption costing profits are **greater** than marginal costing profits.

20 C

$$\text{Maximum} = \text{EOQ} + \text{ROL} - (\text{minimum inventory} \times \text{minimum lead time})$$

$$\text{Maximum} = 6,500 + 6,300 - (180 \times 11) = \mathbf{10,820 \text{ units}}$$

21 \$24,889

Product X = 5,000 × \$10 = \$50,000

Product Y = 2,000 × \$20 = \$40,000

Total revenue = \$90,000

$\$56,000 \div \$90,000 \times \$40,000 = \mathbf{\$24,889}$

22 B

$10 + [39.1 \div (39.1 - -4.8)] \times (15 - 10) = 14.5\%$

23 A

24 C

25 B

26 A and B

27 B

	\$
Cash sales in month 3: (35% × \$1,500)	525.00
Cash from credit sales in month 3: (15% × \$1,500 × 90%)	202.50
Cash from credit sales in month 2: (30% × \$800)	240.00
Cash from credit sales in month 1: (20% × \$1,000)	200.00
	1,167.50
	1,167.50

28 A and B

Depreciation and the provision for doubtful debts are not cash flow items and so would not be included in a cash budget.

29 D

If the bar chart is split into components it is more difficult to see the overall total.

30 A and B

31 A

An increase in volume would normally result in more materials being bought and greater price discounts being obtained.

32 B

Lower quality materials are likely to result in more waste and hence an adverse materials usage variance.

33 \$44,650

	\$
Budgeted contribution	50,000
Sales price variance	(3,000)
Sales volume contribution variance	(1,000)
Direct material price variance	2,000
Direct material usage variance	(2,500)
Direct labour rate variance	(1,000)
Direct labour efficiency variance	(550)
Variable overhead expenditure variance	1,200
Variable overhead efficiency variance	(500)
Actual contribution	44,650

34 A and C

35 D

SECTION B

1 PIXIE CO

(a) A

Year 2, quarter 3 is period 7

$$\begin{aligned} \text{Trend} &= 22,000 + 800 \times 7 \\ &= 27,600 \text{ units} \end{aligned}$$

Adjusted for seasonal variations = $27,600 \times 1.30 = \mathbf{35,880 \text{ units}}$

(b) B

$$\begin{aligned} \text{Trend for quarter 2 year 1} &= 22,000 + 800 \times 2 \\ &= 23,600 \text{ units} \end{aligned}$$

$$\begin{aligned} \text{Forecast production for quarter 2 year 1} &= 23,600 \times 90\% \\ &= 21,240 \text{ units} \end{aligned}$$

$$\begin{aligned} \text{Seasonal variation using additive model} &= 21,240 - 23,600 \\ &= -2,360 \end{aligned}$$

(c) \$300

$$b = [(6 \times 204,760) - (59.5 \times 20,600)] / [(6 \times 591.63) - 59.5^2] = \mathbf{\$300}$$

(d) \$458

$$a = (20,600/6) - (300 \times 59.50/6) = \mathbf{\$458}$$

(e) \$270

$$\text{The variable cost per unit} = [(\$3,400 \div 101 \times 105) - (\$3,100 \div 104 \times 105)] / (10.5 - 9) = \mathbf{\$270}$$

Marking scheme	
(a) Correct answer	<i>Marks</i> 2
(b) Correct answer	2
(c) Correct answer	2
(d) Correct answer	2
(e) Correct answer	2
Total	<hr style="width: 50px; margin: 0 auto;"/> 10 <hr style="width: 50px; margin: 0 auto;"/>

2 RUNSWICK FISHERIES**(a) Standard hours produced**

$$3,050 \text{ crabs} \times 3 \text{ standard minutes} = \frac{9,150}{60} = 152.5 \text{ standard hours}$$

(b) Budgeted hours (based on fixed overhead figures)

$$12,000 \times 3/60 = 600 \text{ for the month}$$

$$600/4 = 150 \text{ hours for the week}$$

(c) Direct material price variance

$$\text{Actual usage} \times \text{Actual price} = \$4,354$$

$$\text{Actual usage} \times \text{Standard price} = 3,110 \times \$1.30 = \$4,043$$

$$\text{Price variance} = \mathbf{\$311A}$$

(d) Direct material usage variance

$$\text{Actual usage} \times \text{Standard price} = \$4,043$$

$$\text{Standard usage} \times \text{Standard price} = 3,050 \times \$1.30 = \$3,965$$

$$\text{Usage variance} = \mathbf{\$78 A}$$

(e) Direct labour rate variance

$$\text{Actual hours} \times \text{Actual rate} = \$1,021$$

$$\text{Actual hours} \times \text{Standard rate} = 162 \times \$6.20 = \$1,004.40$$

$$\text{Rate variance} = \mathbf{\$16.60 A}$$

(f) Direct labour efficiency variance

$$\text{Actual hours} \times \text{Standard rate} = \$1,004.40$$

$$\text{Standard hours} \times \text{Standard rate} = 152.5 \times \$6.20 = \$645.5$$

$$\text{Efficiency variance} = \mathbf{\$58.90 A}$$

(g) Fixed overhead absorption rate

$$\frac{\text{Budgeted fixed overhead}}{\text{Budgeted hours}} = \frac{\pounds 3,750}{600} = \$6.25 \text{ per standard hour}$$

Fixed overhead expenditure variance

$$\text{Budgeted overhead} = 3,750/4 = \$937.50$$

$$\text{Actual overhead incurred} = \$990.00$$

$$\text{Fixed overhead expenditure variance} = \mathbf{\$52.50 A}$$

(h) Fixed overhead capacity variance

$$\text{Actual hours worked} \times \text{FOAR} = 162 \times \$6.25 = \$1,012.50$$

$$\text{Budgeted hours} \times \text{FOAR} = 150 \times \$6.25 = \$990$$

$$\text{Fixed overhead capacity variance} = \mathbf{\$75 F}$$

(i) Fixed overhead efficiency variance

$$\text{Standard hours produced} \times \text{FOAR} = 152.50 \times \$6.25 = \$953.125$$

$$\text{Actual hours worked} \times \text{FOAR} = 162 \times \$6.25 = \$1,012.50$$

$$\text{Fixed overhead efficiency variance} = \mathbf{\$59.38 A}$$

Marking scheme		<i>Marks</i>
(a)	Correct answer	1.5
(b)	Correct answer	1.5
(c)	Correct answer	1
(d)	Correct answer	1
(e)	Correct answer	1
(f)	Correct answer	1
(g)	Correct answer	1
(h)	Correct answer	1
(i)	Correct answer	1
Total		10

3 LRC

Controllable profit would be calculated before a charge is made for allocated central costs, over which the division manager cannot exercise control.

$$\text{Controllable profit} = \$(35,000 + 25,000) = \$60,000$$

(a) Controllable ROI without the new machine

$$= \$60,000 / \$420,000 = \mathbf{14.3\%}$$

(b) Controllable ROI with the new machine

$$= \$(60,000 + 5,500) / (420,000 + 50,000) = \mathbf{13.9\%}$$

(c) Residual income without the new machine

$$= 60,000 - (420,000 \times 10\%) = \mathbf{\$18,000}$$

(d) Residual income with the new machine

$$65,500 - (470,000 \times 10\%) = \mathbf{\$18,500}$$

(e) Option 2 'It is commonly used and understood' and Option 6 'It can be used to compare projects of different sizes'.

Option 1 is not correct – it is a percentage not an absolute value. Option 3 is not correct – profits are subjective not objective, depending on the accounting policies used. Option 4 is not correct – it is not linked to the overall company cost of capital, so can give non goal congruent decisions and option 5 is not correct – it uses profits, which can be manipulated to change the ROI.

(f) Options 1 and 4 are correct.

Profits are subjective rather than objective (as they depend on the accounting policies used) and can be manipulated. As an absolute measure, Residual Income cannot be used to compare different sized investments.

Marking scheme	
	<i>Marks</i>
(a) Correct answer	1
(b) Correct answer	2
(c) Correct answer	1
(d) Correct answer	2
(e) Correct answers	2
(f) Correct answers	2
	<hr/>
Total	10 <hr/>

