CPA

Exam MA

Management Accounting

Version: 6.0

[Total Questions: 80]

Question No : 1

In an attempt to improve product quality, the management team of Valcq Co replaced some material with more expensive items and introduced a bonus scheme. The bonus scheme was based on reducing both the number of defective units produced and material wastage. No changes were made to the standard costs.

What material variances are likely to be reported as a direct result of these decisions?

A. Materialprice:Adverse, Materialusage:Adverse
B. Materialprice:Adverse, Materialusage:Favorable
C. Materialprice:Favorable, Materialusage:Adverse
D. Materialprice:Favorable, Materialusage:Favorable

Answer: B

Question No : 2

Sun Mics' e-procurement system shows the bidding to be placed over the Internet, and rival bids for all suppliers. Which of the following will be an advantage of e-procurement system for Sun Mics'?

A. Intermediaries in the supply chain might be reluctant to collaborate, due to a fear that they might be eliminated from the chain.
B. Investment in e-procurement would be too expensive and risky.
C. Reductions in the lead time between placing an order and receiving delivery.
D. To set up an integrated e-procurement system for an entire supply chain would be expensive and complex.

Answer: C

Question No : 3

According to the IASB's Framework for the Preparation and Presentation of Financial Statements, information about the entity's liquidity and solvency is useful for users in predicting

A. The ability of the entity to generate cash in the future.
B. The entity's ability to meet its financial commitments as they fall due.

C. How future profits and cash flows will be distributed among those with an interest in the entity.
D. The entity's future borrowing needs.

Answer: B

Question No : 4

At 30 April 2010, the net assets of Barangia Co had a book value of $22,500,000 and an economic value of $29,900,000. The company's weighted average cost of capital is estimated to be 16% per annum, and finance can currently be obtained at a rate of 14% per annum.

Net operatingprofitafter tax (NOPAT) has been calculated at $4,851,200.

What is the economic value added (EVA) for the company for the year to 30 April 2010?

A. $67,200
B. $805,200
C. $1,251,200
D. $1,701,200

Answer: A

Question No : 5

At 31 May 2010 and 2009 Dron Co had the following balances:

20102009

$000$000

Property, plant and equipment2,1101,945

Ordinary shares of $11,200800

Share premium760500

Long-term loans174550

The depreciation charge for the year to 31 May 2010 was $270,000, and no non-current assets were sold during the year.

What figure should be reported as the net cash flow from investing activities in the statement of cash flows for the year to 31 May 2010?

A. $179,000
B. $435,000
C. $601,000
D. $719,000

Answer: B

Question No : 6

The annual salary paid to a business's financial accountant would best be described as:

A. A variable cost.
B. A fixed production cost.
C. Part of prime cost.
D. A fixed administrative cost.

Answer: D

Question No : 7

At 30 April 2009, the book value of the net assets of Emor was $12.5 million, and the economic value was $17.825 million.

The net operating profit after tax for the year was $3,428,554. The budgeted return on investment for the year was 16.5%, and the cost of capital is estimated to be 12%.

What is the company’s economic value added (EVA) for the year?

A. $487,429
B. $1,289,554
C. $1,366,054
D. $1,928,554

Answer: B

Question No : 8

Which of the following statements about transfer pricing is correct?

A. Market price should always be used as the transfer price
B. Transfer prices allow divisions to operate with complete autonomy
C. Cost-based transfer prices should be based on full cost
D. The use of transfer prices is intended to focus attention on corporate performance

Answer: D

Question No : 9

Essen Co's policy is to value inventory using the periodic weighted average method. When the financial statements were drafted, First-in, First-out (FIFO) was incorrectly used to value the closing inventory. During the period the cost of items held in inventory has fallen.

What is the effect of this error on the valuation of closing inventory and profit?

A. Inventory value = Understated, Profit = Understated
B. Inventory value = Understated, Profit = Overstated
C. Inventory value = Overstated, Profit = Overstated
D. Inventory value = Overstated, Profit = Understated

Answer: A

Question No : 10

A target costing exercise has quantified a cost gap for a product.

Which of the following items is NOT an appropriate action to reduce the cost gap?

A. Increasing the selling price of the product
B. Reducing processing times andlaborinput

C. Reducing the amount of packaging
D. Standardizingthe components used

Answer: C

Question No : 11

Which of the following comments about sales price is correct?

A. Market penetration will normally be achieved by a low price on initial entry to the market
B. Market skimming will lead to a constant price throughout the product's life
C. Cost plus pricing will lead to profit beingmaximized
D. A target cost price will generate profit immediately following market entry

Answer: A

Question No : 12

Which of the following statements about accounting concepts are correct?

(1)The money measurement concept is that only items capable of being measured in monetary terms can berecognizedin financial statements.

(2)The prudence concept means that understating of assets and overstating of liabilities is desirable in preparing financial statements.

(3)The historical cost concept is that assets are initiallyrecognizedat their transaction cost.

(4)The substance over form convention is that, whenever legally possible, the economic substance of a transaction should be reflected in financial statements rather than simply its legal form.

A. 1, 2 and 3
B. 1, 2 and 4
C. 1, 3 and 4
D. 2, 3 and 4

Answer: C

Question No : 13

A division manufacturing a single product which sells for $325 has the following unit cost structure:

$

Direct materials95

Directlabor78

Variable overheads56

Share of fixed costs45

Total cost274

In the coming period, the budgeted production volume is 10,000 units.

What is the budgeted breakeven sales volume (to the nearest unit)?

A. 1,385 units
B. 4,688 units
C. 8,824 units
D. 10,000 units

Answer: B

Question No : 14

Dalf Co calculates the margin of safety for each of its products separately. Data for one product are shown below:

Selling price per unit$85

Variable cost per unit$53

Budgeted sales volume80,000 units

Margin of safety22%

What is the value of fixed costs attributed to the product?