

PILOT PAPER – 2023-2027 SYLLABUS

CL1.1 Cost and Management Accounting Fundamentals

Certificate Level

Time allowed: 2 Hours.

Total Marks: 100

Exam Structure

- 50 Multiple Choice Questions (MCQ)
 - Segment A 02 MCQs
 - Segment B 13 MCQs
 - Segment C 07 MCQs
 - Segment D 13 MCQs
 - Segment E 15 MCQs
- Each 02 marks and 100 marks in total.

All questions are compulsory.

Segment A

1. Management Accounting is a combination of accounting, finance, and management covering with the latest technology for the success of business. Hence, which is not a main role of a Management Accountant:
 - a) Conduct internal business audits.
 - b) Explain the impact of the competitive landscape.
 - c) Prepare financial reports describing the whole of business.
 - d) Bring a high level of professionalism and integrity to business.

2. A cost and management accounting system should generate information to assist the decision making of the firm. But,
 - a) Cost accounting is also concerned with cost accumulation for inventory valuation to meet the requirements of external reporting and internal profit measurement.
 - b) Management accounting only relates to the provision of appropriate information for decision making.
 - c) The terms cost accounting and management accounting means same and can be used synonymously.
 - d) Management accounting plays critical role in firm's short term decisions only.

Segment B

3. If the users of accounting information want to know the cost of something, this something is called a
 - a) cost centre.
 - b) cost object.
 - c) cost monetary measure.
 - d) cost absorption unit.

4. The audit fee paid by a private education institute for obtains the teaching excellence certificate would be classified by that company as:
 - a) A production overhead cost .
 - b) A selling and distribution cost.
 - c) An administration cost.
 - d) A research and development cost.

5. A manufacturing company has four types of cost (identified as Hh, Gg, Jj and Kk). The total cost for each type at two different production levels is:

Types of Cost	Total cost for 340 units	Total cost for 450 units
Hh	17,000	22,500
Gg	27,200	36,000
Ji	27,200	, 31,600
Kk	34,000	45,000

Which cost type would be classified as being semi-variable:

- a) Hh b) Gg c) Ji d) Kk

6. How is overhead allocation different from overhead apportionment:

- a) Overhead allocation is used for fixed overhead costs, while apportionment is used for variable overhead costs.
- b) Overhead allocation is based on the direct labor hours, while apportionment is based on the machine hours.
- c) Overhead allocation is the process of assigning overhead costs to specific cost objects, while apportionment involves dividing overhead costs among various departments or cost centers.
- d) Overhead allocation is only used in manufacturing industries, while apportionment is used in both manufacturing and service industries.

7. Refer the following relating to a material used by AB PLC.

- Annual material requirement: 500,000 units
- Cost of ordering for an order: Rs.1,000
- Annual holding cost per unit is 50% of acquiring cost
- Acquiring cost is Rs.400 per unit

The economic order quantity of the material is:

- a) 4,472 units b) 1,581 units c) 2,236 units d) 895 units

8. Manchester Manufacturing Ltd produces sport supplementary drinks. The main material used in their production is material Y. You are given below the receipts and issues of this material during the month of April 2023. If the company uses FIFO method, what is the value of stock as at 30th April 2023:

Date	Description	Number of Units (Kg)	Cost per unit (Rs)
01/04/2023	Opening stock	1000	8.50
05/04/2023	Receipts	1200	9.00
15/04/2023	Issues	750	
20/04/2023	Issues	800	

- a) 5,525 units. b) 5,850 units. c) 5,688 units. d) 5,702 units.
9. The Liverpool company uses piecework hour basis for calculating the labor cost. The rate per piecework hour is Rs. 500. The employees are allowed to work 08 hours per day for 5.5 days a week. Mr. Darwin worked in a week as follows.

08 units of product A – (Piecework time allowed = 2 hours per unit)
 04 units of product B – (Piecework time allowed = 6 hours per unit)

The standard pay for Mr. Darwin for this week was,

- a) Rs.6,000/- b) Rs.22,000/- c) Rs.4,000/- d) Rs.20,000/-
10. Which of the following would be classified as an indirect labour cost:
- a) Salary cost of sewing machine operators in an apparel factory.
 b) Salary cost of lawyers in a legal advisory company.
 c) Salary cost of store keepers in a warehousing company.
 d) Salary cost of production supervisors in a bag-making company.

11. Following Cost details are extracted from Paris Saint Manufacturing Company for the year ended 31 March 2023. Match the correct figures for the blank cells in their order.:

	Rs.
Direct Material Cost	
Opening Material Stock	25,000
Material Purchasing	125,000
Closing Material Stock	(...I....)
Cost of Material Consumed	120,000
Direct Labour	80,000

Direct Other Cost	20,000
Prime CostII.....
Manufacturing Overhead CostIII.....
Total Production Cost	400,000

- a) 30,000, 220,000, 180,000 b) 150,000, 200,000, 300,000
c) 220,000, 100,000, 200,000 d) 5,000, 300,000, 100,000

12. Which method of accounting for reciprocal servicing involves considering only direct services provided between departments:

- a) Step down distribution method
b) Direct distribution method
c) Simultaneous equation method
d) Repeated distribution method

13. A company uses a predetermined overhead absorption rate based on machine hours. The budgeted factory overhead for a year was amounted to Rs.810,000/- but actual factory overhead incurred during the year was Rs.1,260,000/-. During the year, the company absorbed factory overheads of Rs.990,000/- on 110,000 machine hours. What was the company's budgeted level of machine hours for the year:

- a) 140,000 b) 70,714 c) 90,000 d) 114,545

14. The following cost details are collected from Munich Manufacturing Company which uses a job costing system.

- Estimated manufacturing overhead cost at the beginning of the year: Rs.420,000
- Estimated direct labor hours at the beginning of the year: 70,000
- Actual manufacturing overhead cost incurred during the year: Rs.467,500
- Actual direct labor hours worked during the year: 85,000

Based on the above information, the cost record of the company will show:

- a) Over-absorbed overhead of Rs.47,500/-.
b) Under-absorbed overhead of Rs.42,500/-.
c) Over-absorbed overhead of Rs.42,500/-.
d) Under-absorbed overhead of Rs.47,500/-.

15. Fill the blanks in following paragraph.

Generally, a costing system used in any organization falls into one of two types. The most basic system, ... (i)..... assigns indirect costs to cost objects via ... (ii).... The other system, ... (iii)..... allocates overhead cost to cost objects using ... (iv).... which can be identified as the selected cost allocation bases.

- a) Activity Based Costing System, Cost Drivers, Traditional Costing System, Cost Centres
- b) Traditional Costing System, Cost Drivers, Activity Based Costing System, Cost Centres,
- c) Traditional Costing System, Cost Centres, Activity Based Costing System, Cost Drivers
- d) Cost Drivers, Activity Based Costing System, Cost Centres, Traditional Costing System

Segment C

16. Benfica manufacturing company had an opening and a closing stock of 20,000 units and 25,000 units respectively during the month ending 31st March 2023. The profit for the month based on marginal costing and absorption costing was Rs. 500,000 and Rs. 800,000 respectively. The fixed overhead absorption per unit is:

- a) Rs.60/-
- b) Rs.32/-
- c) Rs.160/-
- d) Rs.40/-

17. Brighton (Pvt.) Limited manufactures a variety of sport products using a highly automated manufacturing process. It has estimated the followings relating to its manufacturing process of the next month:

Fixed overheads (Rs.)	15,000,000
Direct labour hours	150,000
Machine hours	300,000
Units of production	60,000

Actual fixed overheads for the last month was Rs.12,000,000/-.

What will be the predetermined overhead absorption rate if the company absorbs overheads based on the most appropriate basis:

- a) Rs.100/-
- b) Rs.250/-
- c) Rs.50/-
- d) Rs.10/-

18. Which of the following is an argument against absorption costing:

- a) Fails to consider the impact of fixed costs on product pricing decision
- b) Does not comply with regulatory requirements for financial reporting
- c) Leads to inflated inventories and net income during periods of low production
- d) Makes it difficult to determine the contribution margin per unit

19. The Villareal Company has estimated the following costs for the next financial year:

Description	Rs.
Direct material	25,000
Indirect material	10,000
Direct labour	45,000
Monthly salaries paid to the packing staff	40,000
Depreciation on factory equipment	20,000
Sales commission	75,000
Back office expenses	11,000

It is estimated that 8000 machine hours and 5,000 direct labor hours will be used next year. What will be the predetermined overhead rate if the company absorbs manufacturing overhead costs to jobs based on direct labor hours:

- a) Rs.14.00
- b) Rs.28.25
- c) Rs.8.75
- d) Rs.16.20

20. Which is not a main feature of marginal costing:

- a) Costs are divided into two categories such as fixed costs and variable costs.
- b) Fixed cost is considered as period cost.
- c) The profitability of products is calculated on contribution margin.
- d) Both fixed and variable costs are considered in valuation of closing stock.

21. With (I)system, the types accounts are combined in one set of accounts, whereas the (II) are maintained independently with (III) Further,(IV)is recommended since it avoids the duplication of accounting entries.

- a) An interlocking accounting system, Cost and financial accounts, an integrated costing accounting, an integrated accounting system.
- b) Cost and financial accounts, An integrated costing accounting, integrated accounting system, interlocking accounting system.
- c) An integrated costing accounting, Cost and financial accounts, an interlocking accounting system, integrated accounting system.
- d) An integrated costing accounting, Cost and financial accounts, an integrated accounting system, an interlocking accounting system.

22. Barcelona Manufacturing firm uses integrated bookkeeping system. The accountant of this firm is preparing final financial reports. He wants to close off the production overhead account. But, the actual production overheads exceed the absorbed production overheads. What is the correct entry for him:

- a) Debit the production overhead account and credit the work in progress account.
- b) Debit the work in progress account and credit the production overhead account.
- c) Debit the production overhead account and credit the profit and loss account.
- d) Debit the profit and loss account and credit the production overhead account.

Segment D

23. The Tottenham Manufacturing Company uses job costing to calculate the production cost for the orders they received. The fixed overheads are absorbed at the end of each month based on direct labor cost of the month. The following costs are related to the two jobs undertaken by the company in the month of June 2022.

Cost of;	Job 4056 (Rs.)	Job 4057 (Rs.)
Opening work in progress	34,000	82,500
Materials introduced during the period	25,000	18,000
Labour utilized during the period	24,000	12,000

The fixed overheads for the month were Rs. 216,000. Job 4057 was completed during the month.

The value of the work in progress at the end of June 2022 is;

- c) Rs.227,000/- b) Rs.184,500/- c) Rs.411,500/- d) Rs.299,000/-

24. The following information belongs to Ajax Company which uses a job costing system:

- Over-absorbed balance of manufacturing overhead account: Rs.18,000/-
- Work in process inventory account – ending balance: Rs.15,000/-
- Finished goods inventory account – ending balance: Rs.15,000/-
- Cost of goods sold account – ending balance: Rs.30,000/-

Based on ending balances, which of the following is a correct allocation of over-absorbed overhead balance among work in process, finished goods, and cost of goods sold? (Assuming that the over-absorbed overhead cost is significant):

- a) Rs.6,000/-, Rs.6,000/-, Rs.6,000/- b) Rs.4,500/-, Rs.4,500/-, Rs. 9,000/-
b) Rs.4,000/-, Rs.4,000/-, Rs.10,000/- d) Rs.6,000/-, Rs.4,500/-, Rs.7,500/-

25. In AMC, an auditing and consultation firm, a supervisor is paid a monthly salary of Rs. 80,000 for four chargeable weeks and an Audit intern is paid Rs. 720 per 8-hour day. If an audit intern works beyond the regular time in a day, an additional 50% premium is added to the hourly rate. The supervisor is not entitled for overtime payments. A stock audit was performed over a 5 day week where one supervisor and 06 interns worked 10 hours each day.

Which of the following is the total labour cost of the assignment:

- a) Rs. 57,200/- b) Rs. 109,700/- c) Rs. 49,700/- d) Rs.29,700/-

26. Manchester Body Fitness Company sells an exercise machine named “Fat Burner” to the fitness Centers at a profit margin of 20%. Suddenly, the manufacturer has increased the price of supplying the exercise machines to the company by 10%. The company has decided not to increase prices due to the economic conditions in the country. Which of the following is the profit mark-up of the Fat Burner after the price increase:

- a) 12% b) 18% c) Rs. 13.63% d) Rs.22.72

27. Which of the following statements is true regarding the duration of the costing process:

- a) Job costing covers a shorter time frame compared to contract costing
- b) Job costing and contract costing have the same duration
- c) Contract costing covers a shorter time frame compared to job costing
- d) The duration of the costing process depends on the industry and project size

28. Which of the following is a characteristic of cost accumulation in service costing:

- a) It focuses on allocating costs to individual products
- b) It involves the aggregation of costs for specific service projects
- c) It does not consider overhead expenses
- d) It only includes variable cost

29. Which of the following costing method is not appropriate for costing of education institute:

- a) Batch Costing
- b) Activity Based Costing
- c) Absorption Costing
- d) Process Costing

30. The budgeted overhead cost of the maintenance department of a company is Rs.900,000/- per month. There are 10 men in the department working 9 hours a day for 25 days a month. During the last month, the maintenance department spent a total of 200 man-hours for maintenance work in the cutting department. Material costing Rs.10,000/- was consumed and labour cost of Rs.30,000/- was incurred in providing the services to the cutting department.

Which of the following is the service cost to be charged to the cutting department:

- a) Rs. 80,000/-
- b) Rs.60,000/-
- c) Rs.120,000/-
- d)Rs.40,000/-

31. Suggest most suitable cost accumulation system for following types of business.

- I. Aircrafts assembling
- II. Distillation
- III. Audit firms
- IV. Oil refining industry

- a) Job Costing, Process Costing, Job Costing, Process Costing
- b) Job Costing, Job Costing, Process Costing, Process Costing
- c) Process Costing, Process Costing, Job Costing, Job Costing
- d) Process Costing, Job Costing, Process Costing, Job Costing

32. Atletico Manufacturing makes a product called “La Liga” through a single process. The following particulars are relating to this process for the month of January 2023:

- 30,000 kgs of material used incurring a cost of Rs.45,000/-.
- The direct labour cost incurred was Rs.30,000/-.
- Production overhead cost of Rs.9,600/- was absorbed to the process.
- The output of the process during the month was 28,000 kg.
- There was no work in progress at the beginning or end of the month. The normal loss of the process is 6% of the input. There is no value for losses.

The cost of the abnormal gain/ loss (to the nearest Rs.) is:

- a) Abnormal Gain - Rs.605/-
- b) Abnormal Loss - Rs.600/-
- c) Abnormal Loss- Rs.564/-
- d) Abnormal Gain- Rs.568/-

33. Salzburg Company uses process costing for their production cost calculation. The following details were taken for the month of February 2023. Opening work-in- progress – 500 units at the value of Rs. 8,500 (70% completed in respect of all cost items)

Total number of units completed at the end of February 2023 was 2,500

The cost per equivalent unit for costs arising in the month of February was Rs.20

The company uses the FIFO method for cost allocation.

What was the total value of the 2,500 units transferred to the finished goods in month of February:

- a) Rs.40,000/-
- b) Rs.58,500/-
- c) Rs.60,000/-
- d) Rs.51,500/-

34. Porto Manufactures operates a process in which no losses are incurred. The process account for January 2023 has been prepared as follows. There was no opening work-in-progress.

Process account

	Rs.		Rs.
Costs arising	816,000	Finished output (10 000 units)	600, 000
		Closing work-in progress (6,000 units)	216,000
	816,000		816,000

The closing work in progress was completed to the same degree for all elements of cost. What was the degree of completion of the closing work-in-progress:

- a) 60% b) 40% c) 74% d) 64%
35. The following details are relating to the process A carried out by Super Products Company during the month of September 2022. There was no stock of work-in-progress at the beginning of the month. 10,000 units were introduced at the beginning of the process at Rs.200 each and additional materials worth Rs.400,000/- were added later into the process. Conversion cost is Rs.50/- per finished unit and Rs.25/- per semi-finished unit. 8500 units were transferred out as finished goods.
- The value of the work in progress of process A as at the end of September is:

- a) Rs.360,000/- b) Rs.337,500/- c) Rs.435,000/- d) Rs.397,500/-

Segment E

36. What is one conflicting role of budgets:
- a) Providing a framework for goal setting
b) Encouraging short-term decision-making over long-term goals
c) Promoting cost control and efficiency
d) Enhancing communication and coordination within the organization

37. There is a danger that conflicts among multiple functions of budgets would be occurred due to a single budgeting system used to serve several purposes.

Select the statement which is not a course for above mentioned conflict.

- a) Demanding budgets that may not be achieved may be appropriate to motivate maximum performance, but they are unsuitable for planning purposes.
- b) The annual budgeting process leads to the refinement of long-term plans, which will leads to apathetic behavior of employees due to high expectations.
- c) The budget adjusted to the actual level of activity can be supportive for both planning and stirring employees.
- d) Budgets are set in advance of the budget period and performance evaluation required an adjusted budget to reflect the circumstances.

38. It is important that suitable administration procedures exist to ensure that the budget process works effectively. Which of the following statements made in connection with the budgeting process, is accurate:

- a) Identification of the principal budget factor is a prerequisite for the preparation of functional budgets.
- b) Preparation of the master budget is a prerequisite for the preparation of functional budgets
- c) If the production capacity lies below the demand, the principal budget factor should be the demand.
- d) The material purchases budget is prepared once the cash budget is made.

39. Juventus (Pvt) Ltd is preparing its cash budget for the year 2023. The estimated creditors at the beginning of 2023 are Rs.900,000/-. The purchases are estimated at Rs.18 Mn occurring evenly throughout the year. 70% of purchases will be on credit and the remainder will be for cash. The company pays for credit purchases in the month following the purchase.

The estimated cash payment to suppliers during the year 2023 is:

- a) Rs.6.30 Mn
- b) Rs.18.00 Mn
- c) Rs.17.85 Mn
- d) Rs.12.60 Mn

40. Real Madrid Manufacturing Company produces a sport item to the local market. It has made the following quarterly sales forecasts for the year 2023 and the first quarter of the year 2024.

Year 2023				Year 2024
1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter
360 units	520 units	490 units	580 units	600 units

The company is expecting to keep 30% of the next quarter's sales as a stock at the end of each quarter for the purpose of reducing stock out situations.

What are the budgeted production quantities for each of the four quarters of the year 2023:

- a) 408, 511, 517, 586 b) 204, 373, 316, 400
c) 324, 529, 463, 574 d) 480, 676, 637, 754
41. Chelsea is an apparel manufacturing company. Which of the following is a key pre-requisite in finalization of the company's functional budgets:
- a) Organising a display board to show the best staff who achieved the monthly target.
b) Evaluation of the effectiveness of the ERP system.
c) Establishment of staff grievance handling procedure.
d) Recruitment plan of the production staff for each product line for the next year.
42. What is one conflicting role of budgets related to employee motivation:
- a) Creating a sense of achievement and recognition.
b) Promoting internal competition and conflict.
c) Encouraging teamwork and collaboration.
d) Setting performance targets and expectations.

43. Flamengo Company uses rolling budgeting, updating its budgets on a quarterly basis. After carrying out the update to the last quarter's cash budget, it projected a forecast cash deficit of Rs.400,000/- at the end of the year. Consequently, the planned purchase of new capital equipment has been postponed.

Which of the following types of control is in the above situation:

- a) Negative feedback control
- b) Feed forward control
- c) Positive feedback control
- d) Double loop feedback control

44. Which of the following statements describes the nature of standard costing:

- a) It involves setting predetermined cost levels for materials, labor, and overhead.
- b) It is based on the average costs of the industry.
- c) It requires a detailed analysis of actual costs incurred.
- d) It relies solely on historical cost data.

45. The standard cost card for a company's product is given below:

	Rs. Per unit
Selling price	250
Direct labour (3 hours at 30 per hour)	(90)
Direct material (2 kg at Rs.50/- per kg)	(100)
Fixed production overhead	(10)
Profit	50

For a period, the budgeted production and sales were 5000 units, whilst actual production and sales were 4000 units.

What is the flexed budget profit:

- a) Rs.500,000/-
- b) Rs.200,000/-
- c) Rs.400,000/-
- d)Rs.190,000/-

46. Lazio Company's actual profit for the year 2022 was Rs. 54,000. The variances for the year were calculated as follows.

	Rs.
Sales price	10000 adverse
Fixed overhead volume	5000 favorable
Fixed overhead capacity	6000 favorable
Fixed overhead efficiency	1000 adverse

What was the budgeted profit for the year:

50. The following information is extracted from the variance analysis carried out by a firm for the quarter just ended;

Variance	Amount (Rs.)
Selling price	180 Favorable
Sales volume contribution	60 Adverse
Total material cost	350 Favorable
Material price	150 Favorable
Total labour cost	310 Adverse
Total variable overhead cost	50 Adverse
Fixed overhead expenditure	40 Favourable

The firm operates a standard marginal costing system and recorded an actual profit of Rs.2,500/- for the quarter. The budgeted profit for the quarter was:

- a) Rs.2,350/- b) Rs 2,200/- c) Rs.2,650/- d) Rs.2,800/-
