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ACCA – Paper F2/FMA Management Accounting 2015 Revision Mock

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Notice to Markers

- 1 When commenting about the script performance, please ensure on individual questions and on overall assessment your comments cover areas of examination technique including:

<ul style="list-style-type: none">• Time management	<ul style="list-style-type: none">• Handwriting	<ul style="list-style-type: none">• Presentation and layout	<ul style="list-style-type: none">• Use of English
<ul style="list-style-type: none">• Points clearly and concisely made	<ul style="list-style-type: none">• Relevance of answers to question	<ul style="list-style-type: none">• Coverage and depth of answer	<ul style="list-style-type: none">• Accuracy of calculations
<ul style="list-style-type: none">• Calculations cross-referenced to workings	<ul style="list-style-type: none">• All parts of the requirement attempted	<ul style="list-style-type: none">• Length of answers equates to marks available	<ul style="list-style-type: none">• Read the question carefully

- 2 For each question, please provide suitable constructive comments

Question Number	General Comments	Exam Technique Comments

ACCA REVISION MOCK

Management Accounting

June 2015

Question paper

Time allowed **2 hours**

This paper is divided into 2 sections:

Section A: All 35 questions are compulsory and **MUST** be attempted.

Section B: All **THREE** questions are compulsory and **MUST** be attempted.

Formulae Sheet is on page 3

Do not open this paper until instructed by the supervisor

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Paper F2 and FMA

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FORMULAE AND TABLES

Regression analysis

$$y = a + bx$$

$$a = \frac{\Sigma y}{n} - \frac{b \Sigma x}{n}$$

$$b = \frac{n \Sigma xy - \Sigma x \Sigma y}{n \Sigma x^2 - (\Sigma x)^2}$$

$$r = \frac{n \Sigma xy - \Sigma x \Sigma y}{\sqrt{((n \Sigma x^2 - (\Sigma x)^2)(n \Sigma y^2 - (\Sigma y)^2))}}$$

Economic order quantity

$$= \sqrt{\frac{2C_o D}{C_h}}$$

Economic batch quantity

$$= \sqrt{\frac{2C_o D}{C_h(1 - \frac{D}{R})}}$$

Present value table

Present value of 1, i.e. $(1 + r)^{-n}$

Where r = discount rate

n = number of periods until payment

Periods (n)	Discount rate (r)									
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239
Periods (n)	Discount rate (r)									
	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694
3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482
5	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402
6	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335
7	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279
8	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233
9	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194
10	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162
11	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135
12	0.286	0.257	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112
13	0.258	0.229	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.093
14	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078
15	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.074	0.065

Annuity table

Present value of an annuity of 1, i.e. $\frac{1-(1+r)^{-n}}{r}$

Where r = discount rate

n = number of periods

Periods (n)	Discount rate (r)									
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	1.970	1.942	1.913	1.886	1.859	1.833	1.808	1.783	1.759	1.736
3	2.941	2.884	2.829	2.775	2.723	2.673	2.624	2.577	2.531	2.487
4	3.902	3.808	3.717	3.630	3.546	3.465	3.387	3.312	3.240	3.170
5	4.853	4.713	4.580	4.452	4.329	4.212	4.100	3.993	3.890	3.791
6	5.795	5.601	5.417	5.242	5.076	4.917	4.767	4.623	4.486	4.355
7	6.728	6.472	6.230	6.002	5.786	5.582	5.389	5.206	5.033	4.868
8	7.652	7.325	7.020	6.733	6.463	6.210	5.971	5.747	5.535	5.335
9	8.566	8.162	7.786	7.435	7.108	6.802	6.515	6.247	5.995	5.759
10	9.471	8.983	8.530	8.111	7.722	7.360	7.024	6.710	6.418	6.145
11	10.368	9.787	9.253	8.760	8.306	7.887	7.499	7.139	6.805	6.495
12	11.255	10.575	9.954	9.385	8.863	8.384	7.943	7.536	7.161	6.814
13	12.134	11.348	10.635	9.986	9.394	8.853	8.358	7.904	7.487	7.103
14	13.004	12.106	11.296	10.563	9.899	9.295	8.745	8.244	7.786	7.367
15	13.865	12.849	11.938	11.118	10.380	9.712	9.108	8.559	8.061	7.606

Periods (n)	Discount rate (r)									
	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	1.713	1.690	1.668	1.647	1.626	1.605	1.585	1.566	1.547	1.528
3	2.444	2.402	2.361	2.322	2.283	2.246	2.210	2.174	2.140	2.106
4	3.102	3.037	2.974	2.914	2.855	2.798	2.743	2.690	2.639	2.589
5	3.696	3.605	3.517	3.433	3.352	3.274	3.199	3.127	3.058	2.991
6	4.231	4.111	3.998	3.889	3.784	3.685	3.589	3.498	3.410	3.326
7	4.712	4.564	4.423	4.288	4.160	4.039	3.922	3.812	3.706	3.605
8	5.146	4.968	4.799	4.639	4.487	4.344	4.207	4.078	3.954	3.837
9	5.537	5.328	5.132	4.946	4.772	4.607	4.451	4.303	4.163	4.031
10	5.889	5.650	5.426	5.216	5.019	4.833	4.659	4.494	4.339	4.192
11	6.207	5.938	5.687	5.453	5.234	5.029	4.836	4.656	4.486	4.327
12	6.492	6.194	5.918	5.660	5.421	5.197	4.988	4.793	4.611	4.439
13	6.750	6.424	6.122	5.842	5.583	5.342	5.118	4.910	4.715	4.533
14	6.982	6.628	6.302	6.002	5.724	5.468	5.229	5.008	4.802	4.611
15	7.191	6.811	6.462	6.142	5.847	5.575	5.324	5.092	4.876	4.675

SECTION A – ALL 35 QUESTIONS ARE COMPULSORY AND MUST BE ATTEMPTED

Each question is worth 2 marks

- 1 A firm which makes china tea pots selects some tea pots for examination. The procedure used is that two random numbers, x and y, are chosen. Starting at the xth tea pot, every tea pot at an interval of y is then chosen for examination.

This type of sampling is known as:

- A Multi-stage
- B Random
- C Systematic
- D Stratified

- 2 **Which of the following statements are true?**

- (i) Fixed budgets are the only type of budget used at the planning stage.
- (ii) Flexed budgets provide meaningful comparison to actual results.
- (iii) Budgeting procedures are only useful in maintaining control over the expenditure of a business.

- A All of them
- B (i) and (ii) only
- C (i) and (iii) only
- D (ii) only

- 3 The purchase price of an inventory item is \$18 per unit. In each quarter, the usage of the item is 20,000 units. The cost of placing an order for the item is \$10, and the annual holding costs associated with one unit equate to 5% of its purchase price.

What is the Economic Order Quantity (EOQ) for the inventory item to the nearest whole unit?

- A 667
- B 943
- C 1,333
- D 4,000

- 4 **Which of the following is NOT an attribute of good information?**

- A Relevant
- B Confidential
- C Timely
- D Cost effective

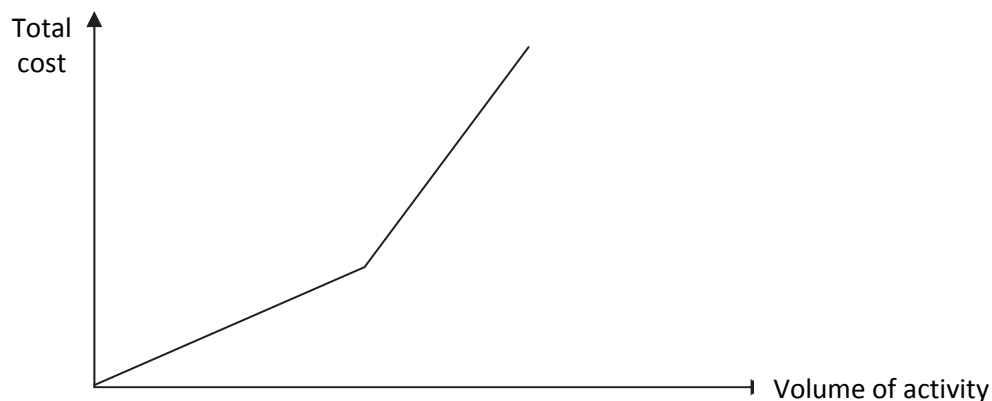
- 5 A company is preparing its forecast sales and purchase information for January of the next financial year.

The sales volume trend is to be identified using a 3-point moving average based on the actual monthly sales volumes for the current year.

Month	Sales volume (units)
August	72,100
September	49,600
October	65,800
November	82,600
December	60,100

What is the seasonal variation for the month of November?

- A 69,500 units
 - B -69,500 units
 - C -13,300 units
 - D 13,100 units
- 6 The following diagram represents a cost behaviour pattern:



Which of the following statements is consistent with the above diagram?

- A Annual factory costs when the electricity supplier sets a tariff based on a fixed charge, plus a constant unit cost for consumption but subject to a maximum annual charge
- B Total direct material cost for the period if the supplier has agreed to a maximum charge for that period
- C Total direct material cost for a period if the supplier charges a lower unit cost on all units once a certain quantity has been purchased in that period
- D Weekly total labour cost when workers are paid an hourly wage during normal working hours, and a higher hourly rate if they are required to work outside those hours

PAPER F2 : MANAGEMENT ACCOUNTING

7 Regression analysis has produced the following results from the batch production costs for each of the past 4 months:

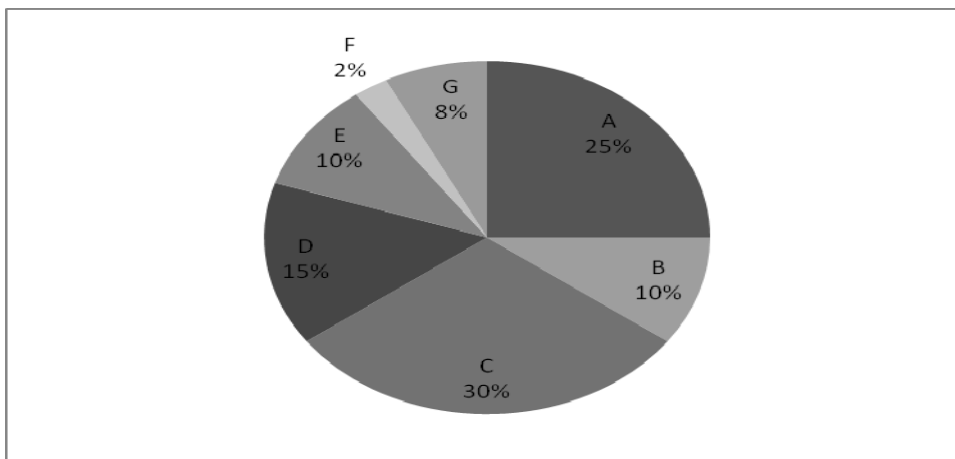
$\sum x$	12
$\sum y$	42
$\sum x^2$	46
$\sum y^2$	542
$\sum xy$	157
n	4

Which of the following is the appropriate value for correlation coefficient r to 2 decimal places?

- A 0.98
- B -0.98
- C 0.26
- D 0.008

8 The pie chart below shows the monthly costs incurred by a manufacturing company. The costs for the month are as follows:

	Cost
Materials	\$11,250
Labour	\$4,500
Electricity	\$4,500
Rent	\$13,500
Subcontractors fees	\$6,750
Delivery	\$1,125
Insurance	\$3,375



Which of the segments represents the subcontractors' fees?

- A B
- B D
- C E
- D G

- 9 A manufacturing company operates a standard absorption costing system. In April, 25,000 production hours were budgeted and the budgeted fixed production overhead cost was \$125,000.
- Actual results show that 24,000 actual hours were worked and the standard hours for actual production were 27,000.
- What was the fixed production overhead capacity variance for last month?**
- A \$5,000 adverse
 - B \$5,000 favourable
 - C \$10,000 adverse
 - D \$10,000 favourable
- 10 **Which one of the following would be classified as indirect labour?**
- (i) Machinists in a company manufacturing clothes.
 - (ii) Plasterers in a building company.
 - (iii) Maintenance staff in a hat factory.
- A (i) only
 - B (ii) only
 - C (i) and (ii)
 - D (iii) only
- 11 A company uses an overhead absorption rate of \$4.50 per labour hour, based on 3,600 budgeted labour hours for the period. During the same period, the actual total overhead expenditure amounted to \$18,225 and 3,850 labour hours were worked.
- By how much was the total overhead under or over absorbed for the period?**
- A Under-absorbed by \$900
 - B Under absorbed by \$1,035
 - C Over-absorbed by \$900
 - D Over-absorbed by \$1,035
- 12 **Simple linear regression is used to forecast future costs and revenues. Which TWO of the following statements are correct?**
- A Simple linear regression complicates the budgeting process
 - B Simple linear regression uses historical data to forecast the future
 - C Extrapolated data can be used reliably to base the budgets on
 - D Simple linear regression determines the basic relationship between two sets of data

PAPER F2 : MANAGEMENT ACCOUNTING

- 13 A business has been analysing its performance using financial ratios and has been specifically looking at liquidity. Which TWO of the following ratios should be included in liquidity analysis?**
- A Acid test ratio
 - B Interest cover
 - C Inventory days
 - D Return on capital employed
- 14 What does the total materials variance show?**
- A The difference between the flexed budget and the actual
 - B The difference between the original budget and the actual
 - C The difference between the flexed budget and the original budget
 - D None of the above
- 15 The management process which involves comparison of competences with best practice within and outside a company is known as:**
- A Balanced scorecard
 - B Lifecycle costing
 - C Value analysis
 - D Benchmarking
- 16 Which of the following are the 3 basic principles of TQM?**
- (i) Get it right, first time
 - (ii) Customer focus
 - (iii) Prevention is better than cure
 - (iv) Continuous improvement
- A (i), (ii) and (iii)
 - B (ii), (iii) and (iv)
 - C (i), (iii) and (iv)
 - D (i), (ii) and (iv)

- 17 The standard cost card and selling price details for product Alpha are as follows:

	<i>\$ per unit</i>
Direct materials	8.00
Direct labour	8.50
Variable overhead	3.50
Fixed overhead absorption rate	4.00
	24.00
Profit	11.00
Selling price	<u>35.00</u>

You are also given the following information at the month-end:

Budgeted production for the month	6,000 units
Actual production for the month	6,500 units
Actual sales for the month	6,100 units
Actual fixed overhead costs	\$30,000

All other unit costs and revenues were as budgeted.

Calculate the marginal and absorption costing profits for the month:

	<i>Marginal costing profit</i>	<i>Absorption costing profit</i>
A	\$61,500	\$63,100
B	\$61,500	\$59,900
C	\$65,500	\$67,100
D	\$68,700	\$67,100

- 18 An organisation has the following total costs at three activity levels:

Activity level	2,000	3,000	4,000
Total cost	\$10,100	\$13,900	\$17,825

Variable cost per unit is constant within this activity range and there is a step up of 5% in the total fixed costs when activity levels exceed 3,500 units.

What is the total cost at an activity level of 3,750 units?

\$

- 19 If a business has significant overheads and wants to analyse them in as much detail as possible, which of the following costing methods would be the most appropriate to use?

- A Marginal costing
- B Activity based costing
- C Total absorption costing
- D Process costing

PAPER F2 : MANAGEMENT ACCOUNTING

- 20** A company produces bicycles and the selling prices for three of these bicycles over the last two years are as follows:

	20X1	20X2
Childs bike	\$50	\$55
Girls bike	\$70	\$80
Boys bike	\$75	\$82

The quantity of each style of bicycle sold over the last two years is as follows:

	20X1	20X2
Childs bike	150	175
Girls bike	250	300
Boys bike	275	325

The base year is 20X1

Calculate the Laspeyre price index and the Paasche quantity index

	<i>Laspeyre price index</i>	<i>Paasche quantity index</i>
A	119	111
B	111	119
C	90	84
D	84	90

- 21** A company operates a process costing system. Details of Process 2 in March are as follows:

There was no opening inventory, and 350 units were received from the previous process. At the end of the period there was closing work-in-progress of 50 units, which were 60% complete. There were no process losses.

What was the number of equivalent units produced?

units

The following is relevant to questions 22 and 23.

A company operates a process costing system. The following information is relevant for the last period for process 1:

- Inputs: 12,000 kgs of raw material at \$4 per kg.
 Direct wages: 6,000 hours at \$5 per hour.
 Production overhead absorbed at \$7 per labour hour.
- Outputs: Normal loss 10% of input
 Transfer to process 2: 11,050 kgs

All losses have a scrap value of \$1 per kg. There was no opening or closing inventory or work-in-progress.

22 The abnormal gain or loss for the period was:

- A 108 kgs loss
- B 250 kgs gain
- C 950 kgs gain
- D 1,000 kgs gain

23 The cost per kg of output is:

- A \$10
- B \$11
- C \$12
- D \$13

24 In February, a manufacturing company made sales of 12,000 units resulting in a profit of \$7,000, calculated using absorption costing principles. If marginal costing principles had been used, a loss of \$1,000 would have occurred. The company's fixed production cost was \$4 per unit.

What was February's production (in units)?

- A 10,000
- B 10,500
- C 13,500
- D 14,000

25 When measuring performance in a not-for-profit organisation the value for money concept is often used. The calculation that links the inputs with the outputs is known as:

- A Effectiveness
- B Economy
- C Efficiency
- D Effort

PAPER F2 : MANAGEMENT ACCOUNTING

26 Which of the following would NOT be considered as service industries?

- (i) An airline company.
 - (ii) A coal mining company.
 - (iii) A manufacturer of soups.
 - (iv) A firm of solicitors.
- A (i) and (ii) only
 B (i) and (iii) only
 C (ii) and (iii)
 D (iii) and (iv)

27 A company uses a predetermined overhead absorption rate based on machine hours. The budgeted factory overhead for one year was \$68,000, but the actual overhead incurred was \$72,000. In the period 17,500 machine hours were worked, and overheads were over-absorbed by \$2,375.

The budgeted level of machine hours was:

- A 12,000 hours
- B 16,000 hours
- C 17,000 hours
- D 18,000 hours

28 A company makes a product called the Widget. Budgeted Widget sales for next period are 48,000 units. Each unit uses 2 kgs of material, costing \$5 per kg.

Opening and closing inventory for the period are forecast to be:

	<i>Raw materials</i>	<i>Widget (units)</i>
Opening inventory	2,250 kgs	6,000
Closing inventory	4,000 kgs	7,500

What is the purchases budget for raw materials (in kgs)?

kgs

29 The standard time for one unit of product Gamma is 2 hours. The standard labour rate is \$6 per hour. During one particular month 5,000 units were produced. The actual labour cost was \$52,525 for 9,550 hours worked, and paid.

Calculate the labour rate and efficiency variances.

	<i>labour rate variance</i>	<i>labour efficiency variance</i>
A	\$4,775 Adverse	\$2,700 Adverse
B	\$4,775 Favourable	\$2,700 Favourable
C	\$7,475 Favourable	\$4,775 Adverse
D	\$7,475 Adverse	\$4,775 Favourable

- 30 Performance standards that are based upon perfect operating conditions are known as:**
- A Basic standards
 - B Ideal standards
 - C Current standards
 - D Attainable standards
- 31 A firm uses an overhead absorption rate of \$4.00 per machine hour, based on 16,000 budgeted machine hours for the month of March. During the same period, the actual total overhead expenditure amounted to \$62,500 and 15,000 machine hours were recorded on actual production.**
- By how much was the total overhead under or over absorbed for the period?**
- A Under absorbed by \$2,500
 - B Under absorbed by \$4,000
 - C Over absorbed by \$2,500
 - D Over absorbed by \$4,000
- 32 The Balanced scorecard approach can be used to assess performance both financially and non-financially. Which TWO of the following statements are true?**
- A It has 4 perspectives
 - B Comparisons between businesses can easily be made
 - C It is harder to distort the performance measures
 - D It focuses on short term rather than longer term performance
- 33 A company operates a piecework system of remuneration. Employees must work for a minimum of 37 hours per week. Henry produces the following output for a particular week:**

<i>Product</i>	<i>Quantity</i>	<i>Standard time per item (hours)</i>	<i>Total actual time (hours)</i>
Buckles	50	0.2	9
Press studs	200	0.06	14
Belts	100	0.1	12
Buttons	10	0.7	6
			41

Henry is paid \$8.00 per standard hour worked. What are his earnings for the week?

- A \$296
- B \$302
- C \$312
- D \$328

PAPER F2 : MANAGEMENT ACCOUNTING

- 34** Razor Bodyboards estimates that cash sales account for 15% of the total sales. The remaining 85% of sales are made on a credit basis.

	<i>January</i>	<i>February</i>	<i>March</i>
Total sales \$	51,000	62,000	44,000

Razor estimates that 60% of credit sales are received in the month after sale with 40% being received two months after sale.

The receipts from both cash and credit sales to be shown in the cash budget for March will be?

- A \$48,960
 - B \$50,120
 - C \$55,560
 - D \$58,260
- 35** Bailey Rae Ltd produces garden gnomes.

Labour costs include hourly paid employees and four-weekly paid employees. The labour costs for hourly paid employees are calculated based on the number of hours worked multiplied by a standard hourly rate of \$12. Hourly paid employees are paid overtime at a premium of 25%. The company also employs a supervisor who receives an annual salary of \$23,400. The year is divided into 13 four week periods.

Any overtime payments are paid in the following period, once the overtime has been signed off.

	<i>February</i> \$	<i>March</i> \$	<i>April</i> \$	<i>May</i> \$
Forecast standard hours	2,000	1,800	1,950	1,850
Forecast overtime hours	200	150	170	120

Calculate the total payments for labour in April and May.

	April	May
Total labour costs	\$	

SECTION B – ALL THREE QUESTIONS ARE COMPULSORY AND MUST BE ATTEMPTED

1 Aibud plc is looking to invest in a new machine

(i) They are concerned about the liquidity status of the business. Which of the following appraisal techniques would be the most appropriate to use?

- A Payback
- B Net present value
- C Internal rate of return
- D Return on capital employed **(1 mark)**

(ii) Which one of the following is a suitable description of a relevant cash flow to use in an NPV:

- A usually includes depreciation.
- B may reflect the incremental cost.
- C should ignore opportunity costs.
- D should consider accounting profit. **(1 mark)**

The company is considering a machine that has a useful economic life of 5 years. It has the following costs and revenues:

Initial investment	\$100,000
Residual value of the machine	\$20,000
Annual depreciation	\$1,600
Annual labour cost	\$17,750
Annual rent apportioned to project	\$2,000
Monthly revenues	\$7,000
Cost of capital	12%

Calculate the following to the nearest whole number:

- (iii) The present value of the annual labour cost for the five years?
- (iv) The present value of the revenue for the five years?
- (v) The present value of the residual of the machine?
- (vi) The NPV of the machine? **(4 marks)**

PAPER F2 : MANAGEMENT ACCOUNTING

- (vii) A project has a normal pattern of cash flows. If the company's cost of capital decreases what would be the effect on the NPV and the IRR

	<i>NPV</i>	<i>IRR</i>	
A	Increase	Decrease	
B	Decrease	Stay the same	
C	Stay the same	Increase	
D	Increase	Stay the same	(2 marks)

- (viii) Another project has an NPV of \$20,000 when the cost of capital is 10% and an NPV of (\$30,000) when the cost of capital is 20%. What is the internal rate of return for this project?

A	12%	
B	13%	
C	14%	
D	15%	(2 marks)

(Total: 10 marks)

- 2** BWZT Ltd has provided you with the following information:

Budgeted sales	500 units	Actual sales	480 units
Budgeted selling price	\$100	Actual selling price	\$110
Budgeted variable cost per unit	\$50	Actual variable cost per unit	\$45
Budgeted fixed cost per unit	\$15	Actual fixed cost per unit	\$12
Budgeted production	750 units	Actual production	700 units
Standard wage	\$4 per hour	Actual wages paid	\$4,200
Standard time allowed per unit	1.5 hours	Actual hours worked	1,000 hours
Standard material usage	2 kg per unit	Materials purchased and used	2,000 kg
Standard material cost	\$10 per kg	Material cost	\$20,500

Calculate:

- | | |
|---|------------------|
| (i) Sales price variance | (1 mark) |
| (ii) Sales volume contribution variance | (1 mark) |
| (i) Labour rate variance | (2 marks) |
| (ii) Labour efficiency variance | (2 marks) |
| (i) Material price variance | (2 marks) |
| (ii) Material usage variance | (2 marks) |

(Total: 10 marks)

- 3 You work as an assistant management accountant for MNP plc which has a number of subsidiaries and company performance is assessed by using the 'Balanced Scorecard' perspectives.

The following information relates to one of the subsidiary companies for the year ended 31 December 20X3:

	\$m
Revenue	9.3
Cost of sales	7.2
	—
Operating profit	2.1
	—
Number of employees	90
Quality assurance costs	\$570,000
Training costs	\$120,000
Assets employed	\$10.3m

Analysis of revenue by products:

	\$m
Existing products	6.3
New products	3.0

Analysis of revenue by customer:

	\$m
Established customers	6.5
New customers	2.8

Calculate the following performance indicators (to 2 decimal places) and identify which of the Balanced Scorecard perspectives it applies to by inserting the answer in the correct box.

- (i) Training costs as a % of revenue (2 marks)
- (ii) Return on capital employed (2 marks)
- (iii) Business to new customers as a % of revenue (2 marks)
- (iv) Quality assurance costs as a % of revenue (2 marks)

Financial perspective	Internal business process perspective
Innovation and learning perspective	Customer perspective

- (v) Which one of the following is not an advantage of the balanced scorecard approach in performance appraisal?
- A It is harder to hide bad performance.
 - B It focuses on the short term rather than the long term view of the business.
 - C It allows for flexibility in performance measurement.
 - D It is harder for managers to distort performance (2 marks)

(Total: 10 marks)

