

**Department of Accounting
College of Business Administration
(CBAAK), Al-Kharj**

**SAMPLE OF QUIZZES
ADVANCED COST ACCOUNTING
(ACCT-406)**

Name of the Student:

Class Roll No.

University No.:

Date:

Marks:10

QUIZ

ADVANCED COST ACCOUNTING

ATTEMPT ALL QUESTIONS

TRUE OR FALSE STATEMENTS

1. A static budget is developed at the end of the period.

True

False

ANS.FALSE

QUIZ

2. A flexible budget deals with flexibility in the time period of the budget.

True

False

ANS. FALSE

3. A favorable cost variance means that actual costs were less than budgeted costs.

True

False

ANS. TRUE

QUIZ

4. Sharing inventory data throughout the supply chain leads to more "rush" orders occurring.

- True
- False
- ANS. FALSE

5. Just-in-time systems are similar to materials requirement planning systems in that both systems are demand-pull systems.

- True
- False
- ANS. FALSE

QUIZ

MULTIPLE CHOICE QUESTIONS

6. A gallon of paint or a yard of fabric required for making a unit would be
- A. standard price.
 - B. standard cost.
 - C. standard revenue.
 - D. standard input.

ANS. D

- 7. The cost of goods acquired from suppliers, including incoming freight costs are the**
- A. purchasing costs.
 - B. carrying costs.
 - C. ordering costs.
 - D. quality costs.

ANS. A

QUIZ

8. A short run pricing decision typically has a time horizon of less than
- A. ten years. B. one year. C. five years. D. two years.
 - ANS. B
9. 2. *Which one of the following activities would most likely be considered a long run pricing decision?*
- A. Setting prices to generate a reasonable rate of return on investment
 - B. One-time-only special order pricing
 - C. Changing prices in response to weak demand
 - D. Product mix adjustments in a competitive market
 - ANS. A

QUIZ

10. Which one of the following is a market force that industry analysis will focus on?
- A. Employees
 - B. Management style
 - C. Capital markets
 - D. Similar products

ANS. D

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Mid Term Exam – 1 & 2

MODEL PAPER

**ADVANCED COST ACCOUNTING
(ACCT-406)**

Name of the Student:

Class Roll No.

University No.:

Date:

Marks:15

MID TERM EXAM – 1 & 2

MODEL PAPER

ADVANCED COST ACCOUNTING (ACCT-406)

ATTEMPT ANY 5 QUESTIONS

1.WHAT TYPE OF VARIANCES WOULD BE MOST LIKELY TO SUGGEST THAT A COMPANY SHOULD CONSIDER MAKING A CHANGE IN ITS STARATEGY.

MID TERM

2. WHAT ASSUMPTIONS ARE MADE WHEN USING THE SIMPLES VERSION OF THE ECONOMIC ORCDER QUANTITY (EOQ) DECISION MODEL?
3. DIFFERENCE IN OPERATING INCOME BETWEEN VARIABLE COSTING AND ABSORPTION COSTING ARE DUE SOLELY TO ACCOUNTING FOR VARIABLE COSTS. DO YOU AGREE? EXPLAIN.

MID TERM

4. HOW IS ACTIVITY BASED COSTING USEFUL FOR PRICING DECISIONS?

5. DEFINE STRATEGY. WHAT IS A CUSTOMER PREFERENCE MAP AND WHY IS IT USEFUL?

MID TERM

6. Hypothetical Ltd furnished the following from the cost records for the first quarter of the current year:
- NORMAL PRODUCTION (IN UNITS) 1,000
 - ACTUAL PRODUCTION (UNITS)1,100
 - ACTUAL OVERHEADS PER QUARTER AT NORMAL PRODUCTION 4,000
 - OTHER EXPENSES PER QUARTER300
 - STANDARD FIXED OVERHEAD RATE PER UNIT 4
 - VARIABLE OSTS PER UNIT 6
 - SALES VOULUME (SELLING PRICE IS RS.14) NIL
 - **Prepare the income statement under Absorption Costing.**

7. Nascar Motor Company assembles and sells motor vehicles and uses standard costing. Actual data relating to April and May 2008 are :

The price per vehicle is \$ 24,000. The budgeted level of production used to calculate the budgeted fixed manufacturing cost per unit is 500 units. There are no price efficiency or spending variances. Any production volume variance is written off to cost of goods sold in the month in which it occurs.

Prepare a numerical reconciliation and explanation of the difference between operating income for each month under variable costing and absorption costing.

PARTICULARS	APRIL	MAY
UNIT DATA		
BEGINNING INVENTORY	0	150
PRODUCTION	500	400
SALES	350	520
VARIABLE COSTS		
MANUFACTURING COST PER UNIT PRODUCED	\$ 10,000	\$10000
OPERATING COST PER UNIT SOLE	3000	3000
FIXED COSTS		
MANUFACTURING COSTS	\$ 20,00,000	20,00,000
OPERATING COSTS	6,00,000	6,00,000

8. The cloth centre sells fabrics to a wide range of industrial and consumer users. One of the products it carries is denim cloth, used in the manufacture of jeans and carrying bags. The supplier for the denim cloth pays all incoming freight. No incoming inspection of the denim is necessary because the supplier has a track record of delivering high quality merchandise. The purchasing officer of the cloth centre has collected the following information:

The purchasing lead time is 2 weeks. The cloth centre is open 250 days a year (50 weeks for 5 days a week).

Calculate the EOQ for denim cloth.

ANNUAL DEMAND FOR DENIM CLOTH	20,000 YARDS
ORDERING COST PER PURCHASE ORDER	\$ 160
CARRYING COST PER YEAR	20% OF PURCHASE COSTS
SAFETY STOCK REQUIREMENTS	NONE
COST OF DENIM CLOTH	\$ 8 PER YARDS

9. Waterbury Inc. Manufactureres and sells RF 17 a speciality raft used for whitewater rafting in 2009, it reported the following:

What was the selling price in 2009? What was the percentage markup on full cost? What was the variable cost per unit?

PARTICULARS	2009
UNITS PRODUCED AND SOLD	20,000
INVESTMENT	\$ 2,400,000
FULL COST PER UNIT	\$ 300
RATE OF RETURN ON INVESTMENT	20%
MARKUP PERCENTAGE ON VARIABLE COST	5%

MID TERM

10. TRUE OR FALSE STATEMENTS

I. A static budget is developed at the end of the period.

True

False

ANS.FALSE

II.A flexible budget deals with flexibility in the time period of the budget.

True

False

ANS. FALSE

III. A favorable cost variance means that actual costs were less than budgeted costs.

True

False

ANS. TRUE

MID TERM

IV. Sharing inventory data throughout the supply chain leads to more "rush" orders occurring.

- True
- False
- ANS. FALSE

V. Just-in-time systems are similar to materials requirement planning systems in that both systems are demand-pull systems.

- True
- False
- ANS. FALSE

**Department of Accounting
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FINAL EXAMINATION

MODEL PAPER

**ADVANCED COST ACCOUNTING
(ACCT-406)**

Name of the Student:

Class Roll No.

Date:

University No.:

Marks: 40

FINAL EXAM

ADVANCED COST ACCOUNTING

ATTEMPT ANY FIVE QUESTIONS

MULTIPLE CHOICE QUESTIONS

- I. A gallon of paint or a yard of fabric required for making a unit would be
- A. standard price.
 - B. standard cost.
 - C. standard revenue.
 - D. standard input.

ANS.D

FINAL EXAM

II. LRH Inc. has budgeted for sales of 10,000 units of BD at a price of \$15 per unit. The actual sales for the period were 9,000 units of BD at \$16 per unit. What was the flexible-budget sales amount for LRH?

A.\$135,000 B.\$160,000 C.\$150,000 D.\$144,000

ANS. A.

III. A gallon of paint or a yard of fabric required for making a unit would be a(n)

A. standard price. B. standard cost. C. standard revenue. D. standard input.

ANS. D

FILL IN THE BLANKS

IV. ___ costs are all costs of a product that are regarded as assets when they are incurred and expensed as cost of goods sold when the product is sold.

- A. Inventorial B. Material
- C. Capacity D. Period
- ANS. A

FINAL EXAM

V. Loss of customer sales due to being out of the product the customer wants is an example of a(n)

- A. stock out cost. B. purchasing cost. C. quality cost. D. carrying cost.
- ANS. A

FINAL EXAM

2. Crasco Associates prepares architectural drawings to conform to local structural safety codes. Its income statement for 2001 is :

PARTICULARS	AMOUNT IN \$
REVENUES	680,000
SALARIES OF PROFESSIONAL STAFF	
(8000 HOURS X \$ 50 PER HOURS	400,000
TRAVEL	18,000
ADMINISTRATIVE AND SUPPORT COSTS	160,000
TOTAL COSTS	578,000
OPERATING INCOME	102,000

• Following is percentage of time spent by professional staff on various activities:

PARTICULARS	%
Making calculations and preparing drawings for clients	75
Checking calculations and drawings	4
Correcting errors found in drawings (not billed to clients)	7
Making changes in response to client requests (billed to clients)	6
Correcting own errors regarding building codes (not billed to clients)	8
Total	100

• Assume administrative and support costs vary with professional labour costs. How much of the total costs in 2009 are value added, non value added or in between.

FINAL EXAM

3. The cloth centre sells fabrics to a wide range of industrial and consumer users. One of the products it carries is denim cloth, used in the manufacture of jeans and carrying bags. The supplier for the denim cloth pays all incoming freight. No incoming inspection of the denim is necessary because the supplier has a track record of delivering high quality merchandise. The purchasing officer of the cloth centre has collected the following information:

- ANNUAL DEMAND FOR DENIM CLOTH 20,000 YARDS
- ORDERING COST PER PURCHASE ORDER \$ 160
- CARRYING COST PER YEAR 20% OF PURCHASE COSTS
- SAFETY STOCK REQUIREMENTS NONE
- COST OF DENIM CLOTH \$ 8 PER YARDS

- The purchasing lead time is 2 weeks. The cloth centre is open 250 days a year (50 weeks for 5 days a week).
- Calculate the number of orders that will be placed each year.
-

FINAL EXAM

4. Throughout costing (continuation of 9-16) . The variable manufacturing costs per of Nascar Motor are:

- | PARTICULARS | APRIL |
|---|----------------|
| MAY | |
| DIRECT MATERIAL COST PER UNIT | \$ 7100 |
| \$ 7100 | |
| DIRECT MANUFACTURING LABOUR COST PER UNIT | 1700 |
| 1700 | |
| MANUFACTURING OVERHEADING COST PER UNIT | 2200 |
| 2200 | |
| | |
| Prepare income statement for April and May under throughout costing. | |

FINAL EXAM

5. Hypothetical Ltd furnished the following from the cost records for the first quarter of the current year:

- NORMAL PRODUCTION (IN UNITS) 1,000
- ACTUAL PRODUCTION (UNITS) 1,100
- ACTUAL OVERHEADS PER QUARTER
- AT NORMAL PRODUCTION 4,000
- OTHER EXPENSES PER QUARTER 300
- STANDARD FIXED OVERHEAD RATE PER UNIT 4
- VARIABLE OSTS PER UNIT 6
- SALES VOULUME (SELLING PRICE IS RS.14) NIL
- Prepare the income statement under Absorption Costing.

FINAL EXAM

6. DESCRIBE THE STEPS IN DEVELOPING A FLEXIBLE BUDGET.
7. WHAT ARE THE FACTORS THAT AFFECT THE BREAKEVEN POINT UNDER (A) VARIABLE COSTING AND (B) ABSORPTION COSTING?
8. .DESCRIBE JIT PURCHASING AND ITS BENEFITS.

FINAL EXAM

- 9. WHAT IS COST PLUS PRICING? DESCRIBE THREE ALTERNATIVE COST PLUS PRICING METHODS.**

- 10. WHAT IS A STRATEGY MAP? ALSO EXPLAIN BALANCED SCORE CARD. DESCRIBE THREE FEATURES OF A GOOD BALANCED SCORE CARD.**