

Principles and Practice of Costing

LEVEL 3

Time allowed: 75 minutes

You need

- This test paper
- An answer sheet
- An HB pencil
- An eraser

You may NOT use a dictionary

Do NOT open this paper until you are told to do so by the supervisor.

There are 30 questions in this paper

Total marks available: 30

Try to answer ALL the questions

INSTRUCTIONS

- Make sure your personal details are entered correctly on the candidate answer sheet
- Read each question carefully and choose the correct answer – A, B, C or D
- Enter your answers on the candidate answer sheet using an HB pencil
- Make sure you only mark **one** answer for each question and that you completely fill the circle
- If you make a mistake, make sure you erase it completely
- Only complete as many answers as there are questions
- At the end of the test hand the question paper, your answer sheet and all notes to the supervisor

NB. This sample paper contains only 6 questions.

- 1 A small company that manufacture custom-made products to their customers' specification has purchased a tool for a specific job. The tool will have no further use after the work has been completed and will be scrapped. What is the cost classification for this tool?
- a) Fixed production overheads
 - b) Indirect expenses
 - c) Variable production overheads
 - d) Direct expenses
- 2 Where an overhead item has been charged to a single department, the accounting of the cost is classified as
- a) apportionment
 - b) allocation
 - c) re-apportionment
 - d) absorption
- 3 Which of the following are long term decisions making methods?
- (i) Payback
 - (ii) Profit–volume analysis
 - (iii) Discounted cash flow
 - (iv) Cash flow forecast
- a) (i) and (iii)
 - b) (i) and (ii)
 - c) (i) and (iv)
 - d) (ii) and (iii)

- 4 A manufacturing company had the following information extracted from their books, for its last trading period:

	£
Sales	1,000,000
Fixed overheads	400,000
Profit	200,000

What is the contribution to sales ratio?

- a) 50%
- b) 40%
- c) 60%
- d) 20%
- 5 The production overhead costs shown below all relate to a single production cost centre:

	£
Budget	£37,600
Actual	£36,000
Absorbed	£37,800

Which one of the following situations, relating to the cost centre, is correct?

- a) £1,600 over absorbed
- b) £1,800 under absorbed
- c) £1,800 over absorbed
- d) £1,600 under absorbed
- 6 The following information, taken from the last accounting period, is available for a single product:

Standard material per unit 4 litres at £2 per litre
 Actual material used 7,800 litres at a total cost of £15,160
 Products manufactured 2,000 units

Based on the above information, which of the following pair of variances is correct?

	Material price variance	Material usage variance
A	£440 Favourable	£400 Favourable
B	£440 Adverse	£400 Adverse
C	£440 Favourable	£400 Adverse
D	£440 Adverse	£400 Favourable

**EDUCATION DEVELOPMENT INTERNATIONAL PLC
LCCI IQ AWARD IN PRINCIPLES OF AUDITING
SAMPLE PAPER
LEVEL 3
MARKING SCHEME**

Question	Key
1	D
2	B
3	A
4	C
5	C
6	A