

LCCI Level 3 Certificate in Cost and Management Accounting – Learning outcome 1

4 questions – students to be given 1 random question from this bank of questions. Type of question highlighted in yellow.

Question 1 (4 marks)

GR Co uses the Economic Order Quantity (EOQ) method to calculate the re-order quantity.

The demand in units for each month is 120 units.

The holding cost for one unit of stock is \$0.20 per annum.

The cost of placing an order is \$4.

What is the re-order quantity using the EOQ method?

Enter your answer in whole units only and do not use any commas (,) or full stops(.

[240] units

INSERT VALUE

Question 2 (2 marks)

Which one of the following is least relevant to the economic order quantity (EOQ) for inventory?

	(✓)
Safety inventory	[✓]
Annual demand	
Holding costs	
Ordering costs	

MCQ

Question 3 (4 marks)

Jack & Co is preparing its production budget for the month of March.

The opening inventory is expected to be 1200 units.

The inventory budget is set to incorporate an increased in finished goods of 300 units.

The forecast sales for March are 13500 units.

All finished goods pass through quality control, and it is expected that 20% of these will fail the quality control check and must be scrapped.

What is the production budget for March?

Enter your answer in whole units only and do not use any commas (,) or full stops(.

[17250] units

INSERT VALUE

Question 4 (2 marks)

When preparing a production budget, the quantity produced equals which of the following?

	✓
Sales – Opening inventory + Closing inventory	[✓]
Sales + Opening inventory – Closing inventory	
Sales – Opening inventory – Closing inventory	
Sales + Opening inventory + Closing inventory	

MCQ

LCCI Level 3 Certificate in Cost and Management Accounting – Learning outcome 2

7 questions – students to be given 5 random questions from this bank of questions. Type of question highlighted in yellow.

Question 1 (4 marks)

X plc has an amount of material A in inventory which was surplus to requirements for a specific project last year. There is 120 kg in inventory and the cost was \$12 per kg when this was purchased.

X plc has now received an order from a customer which requires the use of 280 kg of material A. The current price of the material is \$18 per kg and the resale value of the material is \$11 per kg.

What is the relevant cost of material A to be used in this order?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.

[\$4200]

INSERT VALUE

Question 2 (2 marks)

Which one of the following is relevant in deciding whether to replace a non-current asset?

	✓
Cash received on sale of asset.	[✓]
Original cost of the asset.	
Accumulated depreciation of the asset.	
Profit or loss on disposal of asset.	

MCQ

Question 3 (4 marks)

FM Ltd has a semi-variable production cost.

The monthly costs associated with two different levels of activity were identified as follows:

Month	Activity level	Total cost (\$)
June	1310 units	11660
July	1670 units	14180

There is an expected price increase in all fixed costs from August onwards of 10%.

What is the expected total cost for September when the activity level is expected to be 1580 units?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

[\$13799]

INSERT VALUE

Question 4 (4 marks – 2 marks for each correct answer)

Alpha Co manufactures two products, E1 and E2

Both products use the same material which is in short supply and only 1160 kg is expected to be available.

Information for the two products has been provided below.

Product	E1 (\$)	E2 (\$)
Sales demand	60 units	80 units
Sales price	140	120
Variable costs:		
Materials (\$3 per kg)	36	33
Labour	24	18
Fixed costs	10	20
Profit per unit	70	49

How many units of each product should be produced to maximise contribution?

Enter your answers in whole units only and do not use any commas (,) or full stops(.).

Product	Units
E1	[60]
E2	[40]

INSERT VALUE

Question 5 (4 marks)

CP Co has fixed costs which are absorbed using an absorption rate of \$11.97 per labour hour, based on a budgeted activity level of 10000 labour hours each year.

The average contribution to sales ratio is 35%.

What is the breakeven point in sales revenue (\$)?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.

[\$342000]

INSERT VALUE

Question 6 (4 marks)

A company sells three products, AB1, AB2 and AB3.

Selling prices, unit costs and number of units sold each month are as follows:

	AB1	AB2	AB3
Selling price per unit	\$40	\$60	\$70
Variable cost per unit	\$10	\$30	\$25
Monthly sales units	600	400	350

What is the average contribution to sales ratio % to 1 decimal place?

[63.1]%

INSERT VALUE

Question 7 (4 marks – 1 mark for each correct answer)

GL Ltd has budgeted to produce 1800 units and sell 1000 units of a new product.

The costs and revenue for this budget are as follows:

	\$
Sales	50000
Direct materials	7560
Direct labour	17640
Fixed production overhead	3600
Advertising (fixed cost)	2010

Complete the following sentences using the drag and drop options provided below.

If GL Ltd uses marginal costing, the closing inventory will be valued at [**\$11200**]. A statement of profit or loss prepared under marginal costing would show a profit for the period of [**\$30390**].

If GL Ltd uses absorption costing, the production costs would be [**\$28800**] and a statement of profit or loss prepared under absorption costing would show a profit of [**\$31990**].

Drag and drop options:

- \$25200
- \$11200
- \$28200
- \$12800
- \$30390
- \$31990

DRAG AND DROP

LCCI Level 3 Certificate in Cost and Management Accounting – Learning outcome 3

6 questions – students to be given 4 random questions from this bank of questions. Type of question highlighted in yellow.

Question 1 (2 marks)

Which one of the following correctly describes cost apportionment?

	✓
The division of costs amongst two or more cost centres in proportion to the estimated benefit received using a proxy, e.g. square metres.	[✓]
The charging of discrete identifiable items of cost to cost centres or cost units.	
The collection of costs attributable to cost centres and cost units using the costing methods, principles and techniques prescribed for a particular business entity.	
The process of establishing the costs of cost centres or cost units.	

MCQ

Question 2 (4 marks)

ABC Co has completed the initial overhead allocation and apportionment for a factory and the results are provided below.

Machining	Finishing	Stores	Maintenance	Total
\$12050	\$8965	\$2535	\$5170	\$28720

The cost of maintenance is to be reapportioned to the other three cost centres according to the number of maintenance hours worked. These are:

Machining	Finishing	Stores
3800	850	50

What is the value of the maintenance cost which will be reapportioned to the machining department?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

#[4180]

INSERT VALUE

Question 3 (4 marks)

A company uses activity-based costing to calculate the unit cost of its products. Information for June is as follows:

Product	Labour hours per unit	Annual output (units)	Number of purchase orders	Number of sets ups
AB1	4	800	50	30
AB2	6	1400	70	40
Total			120	70

Fixed overheads have been analysed as follows:

	\$
Labour related	46400
Purchasing related	12000
Set up related	8960
Total	67360

Using activity-based costing principles, what is the overhead cost per unit for each unit of product AB1?

Enter your answer to 2 decimal places.

[\$27.05]

INSERT VALUE

Question 4 (2 marks)

Which one of the following statements regarding activity-based costing is true?

	✓
Activity-based costing is a form of absorption costing.	[✓]
Activity-based costing always allocates costs according to the volume of production.	
Activity-based costing cannot be used by service organisations.	
Under activity-based costing all indirect costs are linked to cost drivers and no costs are treated as period costs.	

MCQ

Question 5 (4 marks – 1 mark for each correct answer)

Complete the following sentences regarding costing techniques using the drag and drop options provided below.

If inventory levels have increased during the period, the profit calculated using marginal costing when compared with that calculated using absorption costing will be [lower].

Fixed production overheads will always be [under]-absorbed when overheads absorbed are lower than those incurred.

One of the advantages of [activity-based costing] is that it does not just link overheads to production or sales volumes and can therefore produce more accurate results.

When using absorption costing, service department costs are [reapportioned] to production centres to identify the total cost.

Options for drag and drop:

absorption costing
marginal costing
activity-based costing
higher
lower
the same
over
under
allocated
reapportioned

DRAG AND DROP

Question 6 (4 marks)

Last month, a production department had opening inventory of 1500 units and closing inventory of 1250 units. The profit of the department using marginal costing was \$20000.

If the fixed overhead absorption rate was \$4 per unit, what would the profit be using absorption costing?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

[\$19000]

INSERT VALUE

LCCI Level 3 Certificate in Cost and Management Accounting – Learning outcome 4

6 questions – students to be given 4 random questions from this bank of questions. Type of question highlighted in yellow.

Question 1 (2 marks)

Which one of the following best describes a flexible budget?

✓

A budget that by recognising different cost behaviour patterns, is designed to change as the volume of activity changes.	[✓]
A budget for a defined period, which includes planned revenues, expenses, assets, liabilities and cash flow.	
A budget that is continuously updated as results are reported, adding further forecast periods.	
A budget of semi-variable production costs only.	

MCQ

Question 2 (4 marks)

WB Co is preparing the production budget for product WB25 and the material purchases budget for material X2. Each unit of WB25 requires 3kg of material X2.

The opening inventory for WB25 is 4000 units and the company wishes to increase the closing inventory by 30% by the end of the year. The anticipated opening inventory for X2 is 18000kg and due to an expected increase in demand, the required closing inventory has been increased to 25000kg.

Anticipated sales of product WB25 are 50000 units.

What will be the purchases budget for material X2?

Enter your answer in whole kg only and do not use any commas (,) or full stops (.) in your answer.

[160600] kg

INSERT VALUE

Question 3 (2 marks)

MK Co is currently preparing its budget for the forthcoming year for its two products, M1 and P5.

Materials for the period are limited to 5000 kg and the maximum labour hours are 7500 hours.

	M1	P5
Sales demand	1300	2460
Materials per unit	2.4 kg	0.75 kg
Labour hours per unit	1.5 hours	2.25 hours

Which one of the following statements is true?

	✓
The principle budget factor is sales demand.	[✓]
The principle budget factor is materials.	
The principle budget factor is labour hours.	

MCQ**Question 4 (4 marks)**

TP Co has produced a budget based on 2000 units as shown below.

	Budget
Quantity	2000
	\$
Sales revenue	90000
Direct materials	27000
Direct labour	16500
Fixed overheads	20000

What would be the operating profit in a flexible budget based on 2400 units?

Enter your answer in whole \$ only and do not use any commas (,) or full stops (.) in your answer.

[\$35800]

INSERT VALUE

Question 5 (4 marks)

MK Co is preparing its labour budget for the next period.

You have been provided with the following information:

Sales demand	2150 units
Opening inventory of finished goods	350 units
Closing inventory of finished goods	425 units
Direct labour time per unit	3 hours
Current labour efficiency level	75%
Labour rate per hour	\$14

Calculate the labour budget in \$.

Enter your answer in whole \$ only and do not use any commas (,) or full stops (.) in your answer.

[\$124600]

INSERT VALUE

Question 6 (4 marks – 2 marks for each correct entry)

Gift Co is a manufacturing business.

You have been provided with the following budget and actual results for the month ending May 20X6.

	Budget	Actual
Quantity	1500	1870
Sales revenue	56250	79475
Direct materials	19200	24684
Direct labour	11100	13464
Fixed overheads	13950	13000

Which of the following statements are true? Select all that apply.

	✓
In a flexed budget the direct materials cost would be \$23936.	[✓]
The sales revenue per unit in a flexed budget would be \$37.50.	[✓]
In a flexed budget the fixed overheads would be \$13000.	
In a fixed budget the direct labour cost would be \$13838.	

MRQ

LCCI Level 3 Certificate in Cost and Management Accounting – Learning outcome 5

5 questions – students to be given 3 random questions from this bank of questions. Type of question highlighted in yellow.

Question 1 (2 marks)

TU Co has realised that it will have a temporary cash shortage before it receives the money for a very large order from a customer.

Which two of the following actions would be appropriate for TU Co to take?

	✓
Arrange a bank overdraft	[✓]
Implement better credit control procedures	[✓]
Replace non-current assets	
Pay suppliers early	
Increase inventory	

MRQ

Question 2 (4 marks)

Expend Co has analysed the pattern of customer receipts and has identified the following pattern for the collection of debts.

Invoices paid in the month after sale	60%
Invoices paid in the second month after sale	25%
Invoices paid in the third month after sale	15%

Credit sales for June to August 20X5 are budgeted as follows:

June	July	August
\$50000	\$75000	\$65000

Customers who pay in the month after sale are entitled to deduct a 2% settlement discount.

What is the amount budgeted to be received in September 20X5 from credit sales?

Enter your answer in whole \$ only and do not use any commas (,) or full stops (.) in your answer.

[\$64470]

INSERT VALUE

Question 3 (4 marks)

You have been provided with the following extracts from a company's accounts.

	\$000		\$000
Revenue	16425	Inventories	1420

Cost of sales	5680	Receivables	1710
Gross profit	10745	Cash	100
Admin costs	2450	Payables	985
Distribution costs	850	Bank overdraft	110
Operating profit	7445		

What is the trade receivables collection period in days (to the nearest day)?

[38] days

INSERT VALUE

Question 4 (4 marks)

You have been provided with the following extracts from a DS Co's accounts.

	\$000		\$000
Revenue	24655	Receivables	2100
Cost of sales	9820	Cash	100
Gross profit	14835	Payables	1033
Admin costs	3460	Bank overdraft	180
Distribution costs	1920		
Operating profit	9455		

DS Co is a service organisation and so does not hold any inventories.

20% of cost of sales relates to cash purchases.

What is the trade payables payment period in days (to the nearest day)?

[48] days

INSERT VALUE

Question 5 (4 marks)

HG has gathered the following information for the year ending January 20X6.

	\$
Cost of sales	400040
Trade payables	65000
Trade receivables collection period	22 days
Inventory holding period	47 days
Margin	20% on sales

What was the balance on the trade receivables account at the end of January 20X6?

Enter your answer in whole \$ only and do not use any commas (,) or full stops (.) in your answer.

#[30140]

INSERT VALUE

LCCI Level 3 Certificate in Cost and Management Accounting – Learning outcome 6

7 questions – students to be given 5 random questions from this bank of questions. Type of question highlighted in yellow.

Question 1 (4 marks – 1 mark for each correct entry. Correct answers shown below in blue text)

Match the following descriptions of standards used by different businesses to the type of standard it relates to.

Description	Type of standard
XY Co is using the efficiency standard that was set 5 years ago and has not updated it since.	[Basic standard]
MX Ltd is using a standard for material usage which is based on a policy of zero waste.	[Ideal standard]
AB Co sets targets but on the level of efficiency being achieved at that point in time.	[Current standard]
PD Ltd sets standards based on efficient but not perfect operating conditions.	[Attainable standard]

Drag and drop options to select from:

Attainable standard
Basic standard
Current standard
Ideal standard

DRAG AND DROP

Question 2 (4 marks)

GH Ltd has calculated the following variances for the latest period:

	\$
Material usage variance	2400 F
Material price variance	3900 A
Labour rate	1960 A
Labour efficiency	960 F

If the budgeted contribution was \$64350, what was the actual contribution?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

[\$61850]

INSERT VALUE

Question 3 (4 marks)

Blue Co had the following budgeted data for the month of March.

Production units	5450	
Direct materials	35425 kg	\$170040

Actual results for March were:

Production units	5800	
Direct materials	41760 kg	\$204771

What was the direct materials usage variance for March?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

Use a minus sign (-) to indicate an adverse variance, for example, an adverse variance of \$100 should be entered as -100 and a favourable variance of \$100 should be entered as 100

[\$-19488]

INSERT VALUE

Question 4 (4 marks)

SS Co uses marginal costing and has the following budgeted and actual labour data for the month of December.

	Budget	Budget	Actual	Actual
Production units		2000		2250
Direct labour	15000 hours	\$180000	18000 hours	\$207000

What was the labour rate variance for the month of December?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

Use a minus sign (-) to indicate an adverse variance, for example, an adverse variance of \$100 should be entered as -100 and a favourable variance of \$100 should be entered as 100

[\$9000]

INSERT VALUE

Question 5 (2 marks)

A company plans to produce 4500 units using 3375 kg of direct materials.

The actual production is 4700 units.

The standard cost of materials is \$5.20 per kg.

What is the standard cost of materials for the actual level of production?

	(✓)
\$18330	[✓]
\$32587	
\$24440	
\$17550	

MCQ

Question 6 (2 marks)

Which one of the following best describes the fixed overhead volume variance?

	(✓)
The difference between the budgeted value of the fixed overheads and the standard fixed overheads absorbed by actual production.	[✓]
The difference between budgeted and actual fixed overhead expenditure.	
The difference between the standard fixed overhead cost specified in the original budget and the same volume of fixed overheads, but at the actual price.	
The difference between the overhead absorbed and the actual overhead incurred.	

MCQ

Question 7 (4 marks)

You have been provided with the following information for the month of May:

Budgeted overheads	\$180000
Budgeted output	12000 units
Actual output	13500 units
Actual overheads	\$192000

What is the fixed overhead expenditure variance for the month of May?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

Use a minus sign (-) to indicate an adverse variance, for example, an adverse variance of \$100 should be entered as -100 and a favourable variance of \$100 should be entered as 100

\$[-12000]

INSERT VALUE

LCCI Level 3 Certificate in Cost and Management Accounting – Learning outcome 7

5 questions – students to be given 3 random questions from this bank of questions. Type of question highlighted in yellow.

Question 1 (4 marks)

Products A and B are manufactured in a joint process. The following data is available for a period:

Joint process costs		\$45000
Output	Product A	2,000 kg
	Product B	4,000 kg
Selling price	Product A	\$12 per kg
	Product B	\$18 per kg

What is product A's share of the joint process costs if the output method of cost apportionment is used?

Enter your answer in whole \$ only and do not use any commas (,) or full stops (.) in your answer.

[\$15000]

INSERT VALUE

Question 2 (4 marks)

Aqua Co Ltd processes a liquid product and uses process costing to manage the costs involved.

In the month of December 2000 litres of raw materials were purchased for \$3 per litre and used in the process.

The labour cost of the process was \$2000, and overheads were \$3920.

Aqua Co Ltd expects a normal loss of 10% during this process which can then be sold for scrap at \$2 per litre.

What is the cost per litre of output? Enter your answer to **2 decimal places**, for example, if your answer is \$2 you must enter this as 2.00

[\$6.40]

INSERT VALUE

Question 3 (2 marks)

The following data relates to work in progress for product AC1 during the month of July.

Opening work in progress	Nil
Finished output to next process	7000 kg
Closing work in progress	1200 kg
Degree of completion – direct materials	100%
Degree of completion – direct labour	50%
Total labour cost	\$3800

What is the direct labour cost per kg of the equivalent finished production?

	✓
\$0.50	[✓]
\$0.46	
\$0.60	
\$0.63	

MCQ

Question 4 (4 marks – 1 mark for each correct answer)

Complete the following sentences by filling in the blanks using the options provided below.

In many manufacturing processes, some input is lost during the production process. Experience and knowledge of the processes and systems will enable a business to estimate how much is expected to be lost. However, there will be occasions when losses were not expected – these are called [**abnormal**] losses and are valued at the [**production cost**].

When preparing a process account, [**abnormal gains**] will appear on the debit side of the process account, where as the [**output**] from a process will appear on the credit side.

Options to pick from:

- credit
- normal
- debit
- production cost
- abnormal gains
- abnormal
- expected cost
- net cost of input
- output

DRAG AND DROP

Question 5 (4 marks)

TF Co incurs joint process costs of \$36000 during the month of April 20X4.

During April 20X4, TF Co produced the following:

Product TF4	2350 units
Product TF18	2000 units

During production, 400 units by-product XC1 were produced which can be sold for \$3 per unit.

What is the cost per unit of product TF18 if the physical method of apportionment is used?

Enter your answer to 2 decimal places, for example \$1 should be entered as 1.00

[\$8.00]

INSERT VALUE

LCCI Level 3 Certificate in Cost and Management Accounting – Learning outcome 8

7 questions – students to be given 4 random questions from this bank of questions. Type of question highlighted in yellow.

Question 1 (4 marks – 1 mark for each correct answer)

JJ Ltd has four possible project investments but is only able to invest in two of them.

The first investment needs to limit the risk the business is exposed to.

The second investment should maximise the return for shareholders.

The project accountant has provided the following information:

Investment appraisal method	Option 1	Option 2	Option 3	Option 4
Payback (years)	2.0	3.0	2.3	2.9
Net present value (\$)	15000	20000	35000	51000

Complete the following sentences by using the drag and drop options provided below.

For the first investment, JJ Ltd should invest in [option 1] as it has the [shortest payback period].

For the second investment, JJ Ltd should invest in [option 4] as it has the [highest NPV].

Drag and drop options:

- option 1
- option 2
- option 3

option 4
highest NPV
lowest NPV
longest payback period
shortest payback period

DRAG AND DROP

Question 2 (4 marks)

Wed Co is considering investing in a project. The management accountant has calculated the net present value for the project at two different discount rates as shown below.

Discount rate %	Net present value (\$)
10	1860
15	(920)

What is the internal rate of return (IRR) of this project to **2 decimal places**?

[13.35]%

INSERT VALUE

Question 3 (2 marks)

Which one of the following statements is true with regards to investment appraisal?

	(✓)
The internal rate of return uses discounted cash flows.	[✓]
The payback method uses profits from a project to determine the payback period.	
If the IRR is less than the cost of capital for a project, then it should be undertaken.	
The accounting rate of return method uses discounted profits.	

MCQ

Question 4 (4 marks – 2 marks for each correct entry shown in blue text)

Aqua Co is considering the following two investments.

Investment	A	B
Initial investment	\$180000	\$220000
Net present value	\$41400	\$68200
Payback period	2.5 years	3.2 years

What is the profitability index of each project? Show your answers to 2 decimal places, for example an answer of 0.5 should be entered as 0.50

Profitability index:	
A	[0.23]
B	[0.31]

INSERT VALUE

Question 5 (4 marks – 2 marks for each correct entry)

RMD Co is considering investing in a 4-year project which requires an investment of \$65000.

Cash inflows are expected to be as follows:

Year 1	\$32000
Year 2	\$28000
Year 3	\$19000
Year 4	\$16000

The cost of capital is 10% and discount factors are provided below.

Year 1	0.909
Year 2	0.826
Year 3	0.751
Year 4	0.683

What is the discounted payback period for this project? You should round to the nearest whole \$ throughout your calculations. Do not use any decimal places.

[2]	Years	[11]	Months
-----	-------	------	--------

INSERT VALUE

Question 6 (2 marks)

Which one of the following is a disadvantage of the internal rate of return (IRR) method of investment appraisal?

	(✓)
The method ignores the size of the investment and length of the investment period.	[✓]
If a company uses both IRR and NPV they can give conflicting results.	
The IRR does not consider the whole life of the project	
IRR ignores the time value of money	

MCQ

Question 7 (4 marks)

Time Co is considering an investment, and the project accountant has provided the following information:

	Year 0	Year 1	Year 2	Year 3
Capital investment	10000			
Sales income		12000	14000	14000
Operating costs		8000	9000	8000

The cost of capital is 10% and discount factors are provided below.

Year 1	0.909
Year 2	0.826
Year 3	0.751

What is the net present value of the project?

Enter your answer to the nearest \$ and do not use any commas or full stops in your answer.

[\$2272]

INSERT VALUE

LCCI Level 3 Certificate in Cost and Management Accounting – Learning outcome 9 & 10

3 questions – students to be given 1 random question from this bank of questions. Type of question highlighted in yellow.

Question 1 (2 marks)

Which one of the following statements explains the purpose of the reconciliation of the trade receivables control account?

	✓
To ensure that entries in the control account agree with the total of the receivables' ledger.	[✓]
To ensure that receipts from credit customers have been accounted for.	
To ensure that invoices raised relating to credit customers have been accounted for.	
To ensure that entries in the control account agree with the total of the receivable's ledger, which guarantees there are no errors or omissions.	

MCQ

Question 2 (2 marks)

Which one of the following management information system controls would be classed as an integrity control?

	✓
Authorisation of data entry	[✓]
Passwords	

Fire alarms	
Locked doors	

MCQ

Question 3 (2 marks)

Which one of the following internal controls does **not** help to ensure that all sales invoices are properly recorded in individual customers' accounts in the receivables' ledger?

	✓
Credit limits set by responsible officials for all credit customers.	[✓]
Receivables account maintained independent of the receivable's ledger clerk.	
Monthly statements of amounts outstanding prepared and despatched to customers.	
Aged receivables listing prepared and reviewed by a responsible official.	

MCQ