**1.** If ΣX = 100, ΣY = 400, ΣX² = 2,040, ΣY² = 32,278, ΣXY = 8,104, and n = 5, which of the following values for a and b are correct in the formula Y = a + bX? (4 marks)  
A. 28, –2.6  
B. 28, +2.6  
C. –28, –2.6  
D. –28, +2.6

**2.** Use the following cost data to answer questions 2 to 4:  
20,000 liters of liquid were put into a process at the beginning of the month at a cost of Shs. 440,000. The output of finished product was 17,000 liters. The normal level of waste in this process is 20%, and the waste which is identified at the end of the process can be sold at Sh 5 per liter.  
What is the cost per unit? (2 marks)  
A. Shs 26.25  
B. Shs 25  
C. Shs 24.7  
D. Shs 25.5

**3.** What is the cost of output from the process? (2 marks)  
A. Shs 420,000  
B. Shs 395,295  
C. Shs 446,250  
D. Shs 440,000

**4.** Abnormal loss or gain value? (2 marks)  
A. Abnormal loss Shs 26,250  
B. Abnormal gain Shs 26,250  
C. Abnormal loss Shs 24,705  
D. Abnormal gain Shs 24,705

**5.** Which of the following is a feature of job costing? (2 marks)  
A. Production is carried out in accordance with the wishes of the customer.  
B. It is associated with continuous production of large volumes of low-cost items.  
C. It establishes the cost of services rendered.  
D. It uses equivalent units.

**6.** The overhead absorption rate for product Y is $2.50 per direct labour hour. Each unit of Y requires 3 direct labour hours. Inventory of product Y at the beginning of the month was 200 units, and at the end of the month was 250 units. What is the difference in the profits reported for the month using absorption costing compared with marginal costing? (2 marks)  
A. The absorption costing profit would be $375 less.  
B. The absorption costing profit would be $125 greater.  
C. The absorption costing profit would be $375 greater.  
D. The absorption costing profit would be $1,875 greater.

**7.** What is the marginal costing gross contribution? (2 marks)  
A. Shs 74,200  
B. Shs 72,800  
C. Shs 81,200  
D. Shs 70,000

**8.** What is the marginal costing profit for the month? (2 marks)  
A. Shs 45,400  
B. Shs 46,800  
C. Shs 53,800  
D. Shs 72,800

**9.** What is the absorption costing profit for the month? (2 marks)  
A. Shs 45,200  
B. Shs 45,400  
C. Shs 46,800  
D. Shs 48,400

**10.** Following cost data relate to question 10 and 11:  
A company absorbs overheads based on labour hours. Data for the latest period are as follows:  
Budgeted labour hours: 8,500, Budgeted overheads: $148,750, Actual labour hours: 7,928, Actual overheads: $146,200  
Based on the data given above, what is the labour hour overhead absorption rate? (2 marks)  
A. $17.20 per hour  
B. $17.50 per hour  
C. $18.44 per hour  
D. $18.76 per hour

**11.** Based on the data given above, what is the amount of under-/over-absorbed overhead? (2 marks)  
A. $2,550 under-absorbed overhead  
B. $7,460 over-absorbed overhead  
C. $2,550 over-absorbed overhead  
D. $7,460 under-absorbed overhead

**12.** Economic order quantity (EOQ)? (2 marks)  
A. 5,000 units  
B. 2,236 units  
C. 4,000 units  
D. 3,500 units

**13.** Total relevant inventory costs? (2 marks)  
A. Shs 15,875,000  
B. Shs 250,000  
C. Shs 560,000  
D. Shs 16,165,000

**14.** What is the bonus due? (2 marks)  
A. Shs 0  
B. Shs 420  
C. Shs 300  
D. Shs 1,000

**15.** What is the employee's gross pay? (2 marks)  
A. Shs 700  
B. Shs 1,000  
C. Shs 1,120  
D. Shs 2,000

**16.** An employee is paid on a piecework basis. The basis of the piecework scheme is as follows:  
1 to 100 units – Shs 25 per unit,  
101 to 200 units – Shs 35 per unit,  
201 to 299 units – Shs 45 per unit.  
Only the additional units qualify for the higher rates. Rejected units do not qualify for payment. During a particular day, the employee produced 250 units, of which 31 were rejected as faulty. What did the employee earn for their day's work? (2 marks)  
A. Shs 6,855  
B. Shs 8,250  
C. Shs 9,855  
D. Shs 11,250

**17.** A company manufactures a single product, M. Budgeted production output of product M during August is 200 units. Each unit of product M requires 6 labour hours for completion. Labour is paid at a rate of Sh70 per hour. What is the direct labour cost budget for August? (2 marks)  
A. Sh67,200  
B. Shs 105,000  
C. Shs 100,800  
D. Shs 84,000

**18.** What is the total cost of job number 1012? (2 marks)  
A. Shs 17,000  
B. Shs 20,000  
C. Shs 24,000  
D. Shs 25,000

**19.** What is the quoted price for the job? (2 marks)  
A. Shs 21,250  
B. Shs 24,000  
C. Shs 25,000  
D. Shs 30,000

**20.** What is the expected profit? (2 marks)  
A. Shs 900,000  
B. Shs 2,700,000  
C. Shs 1,800,000  
D. Shs 1,500,000

**21.** What is the breakeven point in units and margin of safety? (4 marks)  
A. 22,500 units and 22,500 units  
B. 15,000 units and 30,000 units  
C. 30,000 units and 15,000 units  
D. 20,000 units and 25,000 units

**22.** If the company intends to make a profit of Shs 1,200,000 next period, what is the sales revenue (in Shs) that will earn the profit? (2 marks)  
A. Shs 6,000,000  
B. Shs 7,500,000  
C. Shs 5,000,000  
D. Shs 7,200,000

**23.** What was the fixed production overhead absorbed amount during year 4? (2 marks)  
A. $384,000  
B. $405,000  
C. $432,000  
D. $459,000

**24.** By how much was the fixed production overhead under or over absorbed? (2 marks)  
A. Under absorbed by $27,000  
B. Under absorbed by $72,000  
C. Under absorbed by $75,000  
D. Over absorbed by $27,000

**25.** When preparing a material purchases budget, what does the quantity to be purchased equal? (2 marks)  
A. Usage quantity + opening inventory of raw materials + closing inventory of finished goods  
B. Usage quantity – opening inventory of raw materials + closing inventory of raw materials  
C. Sales quantity – opening inventory of finished goods – closing inventory of finished goods  
D. Sales quantity + opening inventory of finished goods – closing inventory of raw materials

**26.** Which of the following would be the most appropriate basis for apportioning machinery insurance costs to cost centres within a factory? (2 marks)  
A. The number of machines in each cost centre  
B. The floor area occupied by the machinery in each cost centre  
C. The value of the machinery in each cost centre  
D. The operating hours of the machinery in each cost centre

**27.** A firm has to pay a 20c per unit royalty to the inventory of a device which it manufactures and sells. How would the royalty charge be classified in the firm's accounts? (2 marks)  
A. Selling expense  
B. Direct expense  
C. Production overhead  
D. Administrative overhead

**28.** Which of the following describes a cost centre? (2 marks)  
A. A unit of output or service for which costs are ascertained  
B. A function or location for which costs are ascertained  
C. A segment of the organisation for which budgets are prepared  
D. An amount of expenditure attributable to a particular activity

**29.** A company manufactures and sells toys and incurs the following three costs:  
(i) Rental of the finished goods warehouse  
(ii) Depreciation of its own fleet of delivery vehicles  
(iii) Commission paid to sales staff  
Which of these are classified as distribution costs? (2 marks)  
A. (i) and (ii) only  
B. (i) and (iii) only  
C. (ii) and (iii) only  
D. (i), (ii) and (iii)

**30.** A production worker is paid a salary of $650 per month, plus an extra 5 cents for each unit produced during the month. How is this type of labour cost best described? (2 marks)  
A. A variable cost  
B. A fixed cost  
C. A step cost  
D. A semi-variable cost

**31.** What type of cost is supervisor salary costs, where one supervisor is needed for every ten employees added to the staff? (2 marks)  
A. A fixed cost  
B. A variable cost  
C. A mixed cost  
D. A stepped fixed cost

**32.** A company employs four supervisors to oversee the factory production of all its products. How would the salaries paid to these supervisors be classified? (2 marks)  
A. As a direct labour cost  
B. As a direct production expense  
C. As a production overhead  
D. As an administration overhead

**33.** A company manufactures and sells toys and incurs the following three costs:  
(i) Rental of the finished goods warehouse  
(ii) Depreciation of its own fleet of delivery vehicles  
(iii) Commission paid to sales staff  
Which of these are classified as distribution costs? (2 marks)  
A. (i) and (ii) only  
B. (i) and (iii) only  
C. (ii) and (iii) only  
D. (i), (ii) and (iii)

**34.** A company employs three drivers to deliver goods to its customers. The salaries paid to these drivers are: (2 marks)  
A. A part of prime cost  
B. A direct production expense  
C. A production overhead  
D. A selling and distribution overhead

**35.** Factory overheads can be absorbed by which of the following methods?  
(i) Direct labour hours  
(ii) Machine hours  
(iii) As a % of prime cost  
(iv) Shs x per unit  
A. (i), (ii), (iii) or (iv)  
B. (i) or (ii) only  
C. (i), (ii) or (iii) only  
D. (ii), (iii) or (iv) only

**36.** Over-absorbed overheads occur when (2 marks)  
A. Absorbed overheads exceed actual overheads  
B. Absorbed overheads exceed budgeted overheads  
C. Actual overheads exceed absorbed overheads  
D. Actual overheads exceed budgeted overheads

**37.** The following items may be used in costing batches.  
(i) Actual material cost  
(ii) Actual manufacturing overheads  
(iii) Absorbed manufacturing overheads  
(iv) Actual labour cost  
Which of the above are contained in a typical batch cost? (2 marks)  
A. (i), (ii) and (iv) only  
B. (i) and (iv) only  
C. (i), (iii) and (iv) only  
D. (i), (ii), (iii) and (iv) only

**38.** Last year, Bryan Air carried excess baggage of 250,000kg over a distance of 7,500 km at a cost of Shs 3,750,000 for the extra fuel. What is the cost per kg-km? (2 marks)  
A. Shs 0.002 per kg-km  
B. Shs 2.00 per kg-km  
C. Shs 33.33 per kg-km  
D. Shs 500.00 per kg-km

**39.** Which of the following statements is correct? (2 marks)  
A. Management accounting systems provide information for use in fulfilling legal requirements  
B. Management accounting systems provide information for the use of decision-makers within an organisation  
C. Management accounting systems provide information for use by shareholders  
D. Management accounting systems provide information for use by tax authorities

**40.** Which of the following best describes a controllable cost? (2 marks)  
A. A cost which arises from a decision already taken, which cannot, in the short run, be changed.  
B. A cost for which the behaviour pattern can be easily analysed to facilitate valid budgetary control comparisons.  
C. A cost which can be influenced by its budget holder.  
D. A specific cost of an activity or business which would be avoided if the activity or business did not exist.

**41.** An organisation manufactures a single product. The total cost of making 4,000 units is Shs 20,000 and the total cost of making 20,000 units is Shs 40,000. Within this range of activity, the total fixed costs remain unchanged. What is the variable cost per unit of the product? (2 marks)  
A. Shs 0.8  
B. Shs 1.2  
C. Shs 1.25  
D. Shs 1.30

**42.** What is the total fixed costs? (2 marks)  
A. Shs 16,800  
B. Shs 15,200  
C. Shs 15,000  
D. Shs 14,800

**43.** What is the cost estimate for 15,000 units? (2 marks)  
A. Shs 28,800  
B. Shs 33,200  
C. Shs 33,750  
D. Shs 42,000

**44.** The following data relates to questions 45, 46, and 47:  
Average daily usage: 400 units  
Maximum daily usage: 520 units  
Minimum daily usage: 180 units  
Lead time for replenishment of stock: 10 to 15 days  
Reorder quantity: 8,000 units  
What is the reorder level which avoids stock outs? (2 marks)  
A. 7,800 units  
B. 6,000 units  
C. 2,700 units  
D. 5,800 units

**45.** What is the minimum inventory level? (2 marks)  
A. 1,400 units  
B. 2,800 units  
C. 2,000 units  
D. 1,500 units

**46.** What is the maximum stock level? (2 marks)  
A. 15,800 units  
B. 12,600 units  
C. 10,000 units  
D. 14,000 units

**47.** A company plans to sell 50,000 units of product RQ next year. Opening inventory of RQ is expected to be 5,000 units, and the company plans to increase inventory by 50 percent by the end of the year. How many units of product R should be produced next year? (2 marks)  
A. 52,500 units  
B. 47,500 units  
C. 50,000 units  
D. 45,000 units

**48.** Each unit of product BETA requires 3 kg of raw material. Next month's production budget for product BETA is 60,000 units. Opening inventories: Raw materials 15,000 kg, Planned closing inventories: Raw materials 10,000 kg. How many kilograms of raw materials should be purchased next month? (2 marks)  
A. 180,000 kg  
B. 185,000 kg  
C. 175,000 kg  
D. 190,000 kg

**49.** Each unit of product Echo takes five direct labour hours to make. Next month's budgets are as follows: Opening inventories of finished goods 3,000 units, Planned closing inventories of finished goods 7,000 units, Budgeted sales of Echo 36,000 units. All inventories of finished goods must have successfully passed the quality control check. What is the direct labour hours budget for the month? (2 marks)  
A. 200,000 hrs  
B. 180,000 hrs  
C. 195,000 hrs  
D. 215,000 hrs

**50.** Each unit of product Echo takes five direct labour hours to make. Next month's budgets are as follows: Opening inventories of finished goods 3,000 units, Planned closing inventories of finished goods 7,000 units, Budgeted sales of Echo 36,000 units. All inventories of finished goods must have successfully passed the quality control check. What is the direct labour hours budget for the month? (2 marks)  
A. 200,000 hrs  
B. 180,000 hrs  
C. 195,000 hrs  
D. 215,000 hrs