

3.7 Which of the following items might be a suitable cost unit within the credit control department of a company?

- (i) Stationery cost
- (ii) Customer account
- (iii) Cheque received and processed

- A Item (i) only
- B Item (ii) only
- C Item (iii) only
- D Items (ii) and (iii) only

**(2 marks)**

3.8 Which of the following best describes a period cost?

- A A cost that relates to a time period which is deducted as expenses for the period and is not included in the inventory valuation.
- B A cost that can be easily allocated to a particular period, without the need for arbitrary apportionment between periods.
- C A cost that is identified with a unit produced during the period, and is included in the value of inventory. The cost is treated as an expense for the period when the inventory is actually sold.
- D A cost that is incurred regularly every period, eg every month or quarter.

**(2 marks)**

3.9 A company employs four supervisors to oversee the factory production of all its products. How would the salaries paid to these supervisors be classified?

- A As a direct labour cost
- B As a direct production expense
- C As a production overhead
- D As an administration overhead

**(2 marks)**

3.10 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?

- A (i) and (ii) only
- B (i) and (iii) only
- C (ii) and (iii) only
- D (i), (ii) and (iii)

**(2 marks)**

3.11 Which of the following describes a cost centre?

- 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

**(2 marks)**

3.12 The overhead expenses of a company are coded using a five digit coding system, an extract from which is as follows:

<i>Cost centre</i>	<i>Code no</i>	<i>Types of expense</i>	<i>Code no</i>
Machining	10	Indirect materials	410
Finishing	11	Depreciation of production machinery	420
Packing	12	Indirect wages	430
Stores	13	Maintenance materials	440
Maintenance	14	Machine hire costs	450
		Depreciation of non-production equipment	460

The coding for the hire costs of a packing machine is 12450.

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

- A Annual factory power cost where 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 Weekly total labour cost when there is a fixed wage for a standard 40 hour week but overtime is paid at a premium rate.
- 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 Total direct material cost for a period where the supplier charges a constant amount per unit for all units supplied up to a maximum charge for the period.

**(2 marks)**

- 4.15 An organisation manufactures a single product. The total cost of making 4,000 units is \$20,000 and the total cost of making 20,000 units is \$40,000. Within this range of activity the total fixed costs remain unchanged.

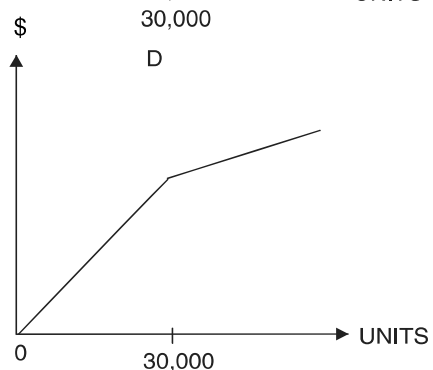
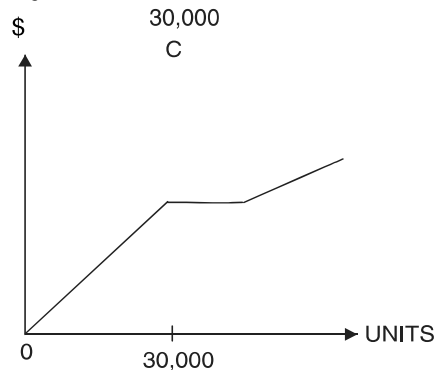
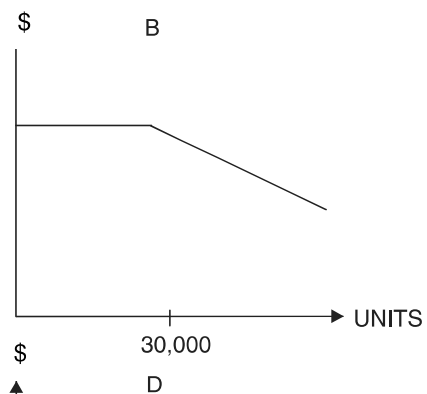
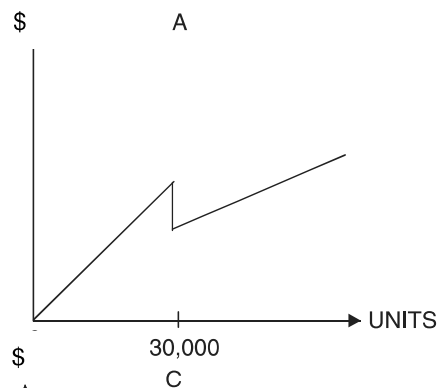
What is the variable cost per unit of the product?

- A \$0.80
- B \$1.20
- C \$1.25
- D \$2.00

**(2 marks)**

- 4.16 When total purchases of raw material exceed 30,000 units in any one period then all units purchased, including the initial 30,000, are invoiced at a lower cost per unit.

Which of the following graphs is consistent with the behaviour of the total materials cost in a period?



**(2 marks)**

4.17 The total cost of production for two levels of activity is as follows:

	<i>Level 1</i>	<i>Level 2</i>
Production (units)	3,000	5,000
Total cost (\$)	6,750	9,250

The variable production cost per unit and the total fixed production cost both remain constant in the range of activity shown.

What is the level of fixed costs?

- A \$2,000      C \$3,000  
B \$2,500      D \$3,500
- (2 marks)**

4.18 The following question is taken from the December 2011 exam paper.

The following shows the total overhead costs for given levels of a company's total output.

<i>Cost</i>	<i>Output</i>
\$	Units
4,000	1,000
7,000	2,000
10,000	3,000
9,500	4,000

A step up in fixed costs of \$500 occurs at an output level of 3,500 units.

What would be the variable overhead cost per unit (to the nearest \$0.01) using the high-low technique?

- A \$1.67 per unit  
B \$1.83 per unit  
C \$2.75 per unit  
D \$3.00 per unit
- (2 marks)**

**(Total = 36 marks)**

**5**

## Presenting information

**10 mins**

5.1 The cost of materials for product A are as follows.

Material W: \$2,250  
Material X: \$3,000  
Material Y: \$3,600  
Material Z: \$150

If the material proportions were displayed on a pie chart, how many degrees would material Y represent?

- A 90 degrees      C 144 degrees  
B 120 degrees      D 204 degrees
- (2 marks)**

The following information relates to questions 5.2 to 5.3.

	<i>Number of ice-creams sold</i>			
	<i>April</i>	<i>May</i>	<i>June</i>	<i>July</i>
Mint choc chip	600	760	725	900
Chocolate	300	335	360	525
Strawberry	175	260	310	475
Blueberry	75	90	100	90