

# CIMAPRO17-BA2-X1-ENG<sup>Q&As</sup>

E3 - Strategic Management Question Tutorial

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## QUESTION 1

A company makes and sells a range of products. The standard details per unit for one of these products, product X, are as follows.

	\$ per unit
Selling price	180
Variable material cost	40
Variable labour cost	60
Absorbed fixed production overhead	45
Profit	35

To meet sales demand, the company must obtain 2,000 units of product X next month. There is sufficient labour capacity to produce 1,500 of these units in-house during normal time. However, any production above this level would require

overtime working which would be paid at a premium of 50%.

The company can buy as many units of product X as it wishes next month from an external supplier at a price of \$120 per unit.

What is the total financial benefit to the company of purchasing the appropriate number of units from the external supplier rather than producing them in-house?

- A. \$20,000
- B. \$30,000
- C. \$27,500
- D. \$5,000

Correct Answer: D

## QUESTION 2

A company produces a single product for which the following cost data are available.

	\$ per unit
Direct material	3
Direct labour	4
Production overhead	2
Selling and distribution overhead	2

Analysis by the management accountant has shown that 100% of direct material cost and 50% of direct labour cost are variable costs. 50% of production overhead and 100% of selling and distribution overhead are variable costs.

What is the marginal cost per unit?

- A. \$6
- B. \$7
- C. \$8
- D. \$9

Correct Answer: B

**QUESTION 3**

Which of the following statements regarding variances is valid?

- A. Using higher quality material than standard could explain an adverse labour efficiency variance.
- B. Improved maintenance of production machinery could explain an adverse material usage variance.
- C. An adverse labour rate variance could explain a favourable labour efficiency variance.
- D. Poor supervision could explain a favourable labour rate variance.

Correct Answer: C

Reference: <https://accounting-simplified.com/management/variance-analysis/labor/rate.html>

**QUESTION 4**

A company has two production departments and two service departments (Maintenance and Stores). The overhead costs of each of the departments are as follows.

Production Dept. 1	Production Dept. 2	Maintenance	Stores
\$65,000	\$60,000	\$4,700	\$5,800

The following equations represent the reapportionment of each of the service department overheads to the other.

$$M = 4,700 + 0.1S \quad S = 5,800 + 0.2M$$

Where M = total Maintenance overhead after reapportionment from Stores  
 S = total Stores overhead after reapportionment from Maintenance  
 60% of the total Maintenance overhead and 50% of the total Stores overhead are to be apportioned to Production Department 1.

The total production overhead for Production Department 1 after reapportionment of the service departments' overhead costs is closest to:

- A. \$71,672
- B. \$75,500

C. \$70,720

D. \$71,821

Correct Answer: C

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## QUESTION 5

The following data are available for a company that produces and sells a single product.

The company's opening finished goods inventory was 2,500 units.

The fixed overhead absorption rate is \$8.00 per unit.

The profit calculated using marginal costing is \$16,000.

The profit calculated using absorption costing and valuing its inventory at standard cost is \$22,400.

The company's closing finished goods inventory is:

A. 3,300 units

B. 1,700 units

C. 3,900 units

D. 8,900 units

Correct Answer: A

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