

THE TRAINING PLACE OF EXCELLENCE

Basic Costing

Practice Assessment: Questions

Task 1.

(a) Costing uses a number of techniques to assist management.

Identify the following statements as being True or False by putting a tick in the relevant column of the table below.

Statement	True	False
Prime costs are an addition of all costs used to make a product		
Variances are the difference between budgeted and actual costs and income		
Classification by function requires costs to be set as materials, labour or other expenses		
LIFO costs closing inventory at the most recent costs		
Profit centres are usually smaller than investment centres in organisations		

(b) The table below lists some of the characteristics of financial and management accounting. Indicate the characteristics by putting a tick in the relevant column of the table below.

Characteristic	Financial accounting	Management accounting
Prepares in compliance with double entry		
This is used in calculating the tax liability		
Has no set structure and format		
Determines the profit for a business		

Task 2.

(a) Batta Ltd is a manufacturer of furniture. Classify the following costs it incurred by element (materials, labour or overheads) by putting a tick in the relevant column of the table below.

Cost	Materials	Labour	Overheads
Salary of the store manager			
Wood used in making tables			
Electricity used in the office			
Manufacturing equipment hire costs			

(b) Toos Ltd is in business as a farmer. Classify the following costs by nature (direct or indirect) by putting a tick in the relevant column of the table below.

Cost	Direct	Indirect
Wages of farmers		
Cost of seeds and compost		
Rent of farm paid to the landlord		
Electricity for farm stalls		

Task 3.

(a) Barle Ltd produces garden tools. Classify the following costs by function (production, admin, selling and distribution or finance) by putting a tick in the relevant column of the table below.

Cost	Production	Administration	Selling & distribution	Finance
Purchase of lights used for garden tools				
Cost of delivering garden tools to retail shops				
Fee paid for overdraft facility				
Salaries of receptionists				

(b) Muth Ltd is a manufacturer of dresses. Classify the following costs by their behaviour (fixed, variable, or semi-variable) by putting a tick in the relevant column of the table below.

Cost	Fixed	Variable	Semi-variable
Staff paid on a piecework basis			
Materials used in making the dresses			
Advertising budget for the year			
Telephone costs that include a standing charge and usage charge			

Task 4.

Terry Limited makes and sells carrier bags. It uses a numeric coding system for its one profit centre and three cost centres (production, administration, and distribution) as outlined in the table below. Each code has a sub-code so each transaction will be coded as **/**.

Profit/ cost centre	Cost code	Sub-classification	Sub-code
Sales	10	Whole sales	100
		Retail sales	200
Production	30	Direct cost	100
		Indirect cost	200
Administration	50	Direct cost	100
		Indirect cost	200
Distribution	70	Direct cost	100
		Indirect cost	200

You are required to classify the income and expense transactions shown in the transaction column of the table below using the code column for your answer.

Transaction	Code
Rolls of nylon used for the carrier bags	
Online advertising costs for the year	
Salary of factory security worker	
Wages of complaints department staff	
Sales to whole sellers	

Task 5.

Biyo Ltd has set up a new division as an investment centre for Project TAR. It uses an alpha coding system for investments, revenues and costs and then further classifies transactions numerically. This is outlined in the table below.

Activity	Code	Nature of transaction	Sub-code
Investments	AB	External	100
		Internal	200
Revenues	LM	Large	100
		Small	200
Costs	XY	Material	100
		Labour	200
		Overheads	300

You are required to code the following transactions using the table below. Each code should have five characters in the format **/****.

Transaction	Code
Sales of small TAR products	
Salaries for factory workers	
Shares sold to raise money to pay for machinery	
Overhead costs for the project	
Bank loan raised from a large bank to pay off set up costs	

Task 6.

(a) Identify the type of cost behaviour described in each statement by putting a tick in the relevant column of the table below.

	Fixed	Variable	Semi-Variable
Costs are £3 per unit and there is also a fixed cost of £2,500			
Costs are £3 per unit at 2,500 units and £3 per unit at 3,600 units			
Costs are £3 per unit at 2,000 units and £4 per unit at 1,500 units			

(b) Classify the following costs as either fixed or variable by putting a tick in the relevant column of the table below.

Costs	Fixed	Variable
Salaries of managers		
Hourly wages of factory workers		
Materials used for making each product		
Rent for factory		

Task 7.

(a) Identify whether the following costs are an overhead or not by putting a tick in the relevant column of the table below.

	Yes	No
Factory rent for the year		
Materials used in the production process		
Direct wages incurred		

(b) Ringsar Ltd makes a single product and a production level of 15900 units has the following cost details:

Materials	5300 kilos at £10 per kilo
Labour	7950 hours at £6.50 an hour
Overheads	£42000

Complete the table below to show the unit product cost at the production level of 20000 units.

Element	Unit product cost (£)
Material	
Labour	
Direct cost	
Overheads	
Total	

Task 8.

(a) Reorder all the following costs into a manufacturing account format for the year ended 31 March. You should write out each item, including figures, in the position where you want it to be on the list on the right side of the table below.

	£		£
Closing inventory of work in progress	23000		
Direct labour	67000		
Opening inventory of raw materials	30000		
Closing inventory of finished goods	41600		
Purchase of raw materials	51300		
Opening inventory of work in progress	48000		
Opening inventory of finished goods	69000		
Closing inventory of raw materials	35000		
Manufacturing overheads	50500		

(b) Enter the correct figures for the following costs which were not provided in part (a).

	£
DIRECT MATERIAL USED	
MANUFACTURING COST	
DIRECT COST	
COST OF GOODS MANUFACTURED	
COST OF GOODS SOLD	

Task 9.

You are told the opening inventory of a single raw material in the stores is 900 units at £9 per unit. During the month further purchases were made of 1500 units at £9.50 per unit and the following week, 1200 units were issued from stores.

(a) Identify the valuation method described in the statements below.

Characteristic	FIFO	LIFO	AVCO
The issue of 1200 units is costed at £11400			
The closing inventory is valued at £11400			
The closing inventory is valued at £11175			

(b) Identify whether each of the following statements is True or False by putting a tick in the relevant column.

Statement	True	False
AVCO values the issue at £10950		
FIFO costs the issue at £10950		
LIFO values the closing inventory at £10950		
FIFO values the closing inventory at £10950		

Task 10.

Jodey Ltd has the following movements in a certain type of inventory into and out of its stores for the month of May:

DATE	RECEIPTS		ISSUES	
	Units	Cost	Units	Cost
May 5	600	£1800		
May 8	800	£2800		
May 12	1350	£4860		
May 20			1500	
May 25	900	£3600		

Complete the table below for the issue and closing inventory values.

Method	Cost of issue on May 20 (£)	Closing inventory at 31 May (£)
FIFO		
LIFO		
AVCO		

Task 11.

- (a) An employee is paid £7.50 an hour and is expected to make 4 units per hour. For any excess production, the employee will be paid a bonus of £1.05 per unit. Complete the table below.

Payment method	True	False
During a 30 hour week, the employee produces 130 units and earns £230		
During a 36 hour week, the employee produces 150 units and earns a bonus of £6.30		
During a 45 hour week, the employee produces 170 units and earns £337.50		
During a 39 hour week, the employee produces 160 units and earns a bonus of £5.00		

- (b) CALOV Ltd pays a time-rate of £12.55 per hour to its direct labour for a standard 37-hour week. Any of the labour force working in excess of 37 hours is paid an overtime rate of £21.20 per hour. Calculate the wages for the week for the two workers in the table below.

Worker	Hours worked	Basic wage £	Overtime £	Gross wage £
J Edwards	40 hours			
L Rakowsky	42.5 hours			

Task 12.

Swata Ltd uses a piecework method to pay labour in one of its factories. The rate used is 1.75p per unit produced. Calculate the gross wage for the week for the three workers in the table below.

Worker	Units produced in a week	Gross wage £
B Toma	385 units	
I Ansome	392 units	
T Madewt	398 units	

Task 13.

Reun Ltd uses a time-rate method with bonus to pay its direct labour in one of its factories. The time-rate used is £16.55 per hour and a worker is expected to produce 6 units an hour. Anything over this and the worker is paid a bonus of £2.50 per unit. Calculate the basic wage, bonus and gross wage for the week for the three workers in the table below.

Worker	Hours worked	Units produced	Basic wage £	Bonus £	Gross wage £
R Butler	33	200			
S Douglas	38	220			
L Howard	41	259			

Task 14.

Tops Ltd makes a single product and has the following income and expenditure data:

Sales revenue	£11.00 per unit
Variable costs	£8.80 per unit
Fixed costs	£29000 per month

The number of units sold by Tops Ltd during the review period is as follows:

March	16000 units
April	15000 units
May	17000 units

The spreadsheet below has been partly formatted in order to provide income and expenditure information for the three months.

(a) Complete the formatting of the spreadsheet by selecting column headings from the picklist. Insert figures in the cells for April, May and Total.

	A	B	C	D	E	F
1		Variable cost £			Sales Revenue £	
2	March	140800	29000	169800	176000	6200
3	April					
4	May					
5	Total					

Picklist:

Total cost; Variable cost; Profit/(loss); Sales revenue; Fixed cost.

(b) Insert the formulas in the table below that you need for cells B5, C5, D5, E5 and F5 from the table above.

	A	B	C	D	E	F
5						

Task 15.

Listed below are four statements about the spreadsheets.

Identify whether each statement is true or false by putting a tick in the relevant column.

Statement	True	False
A spreadsheet workbook can be made up of several work sheets		
Information entered into a spreadsheet cannot be changed once it is saved		
Numeric and non-numeric data can be edited using formula in a spreadsheet		
Charts can be used in a spreadsheet to present information to managers		

Task 16.

Torre Ltd has the following actual results for the month of November, which it wishes to compare with the November budget.

Income	£82200
Costs:	
Materials	£19000
Labour	£26100
Overheads	£12000

(a) Enter the above data into the spreadsheet below, calculate the variance for each item of income and cost, and determine and indicate whether it is adverse or favourable.

	A	B	C	D	E
1		Budget £	Actual £	Variance £	A/ F
2	Income	79500			
3	Materials	18300			
4	Labour	24050			
5	Overheads	13900			

(b) Insert the formulas in the table below that you used for cells D2, D3, D4 and D5 of the spreadsheet above.

	D
1	Variance £
2	
3	
4	
5	

Task 17.

(a) Below is an extract of the spreadsheet for Vicky Ltd for the last year.

	A	B	C	D
1		Budget £	Variance £	A / F
2	Income	109800	6400	Favourable
3	Materials	38000	8100	Adverse
4	Labour	31000	5600	Adverse
5	Overheads	22500	3900	Favourable

To re-order rows 2 to 5 of the spreadsheet above, so that the variances in column C are presented in ascending order of size, which sort button would you use? Answer yes or no for each button by placing a tick in the relevant column.

	Yes	No
A ↓ Z ↓ Sort		
Z ↓ A ↓ Sort		

When the rows are sorted correctly, which variance would appear in cell C5? Tick ONE box.

Variance £	Appears in cell C5
6400	
8100	
3900	

5600	
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(b) The following spreadsheet shows budgeted costs and variances for last month for Saw Ltd. It is company policy to provide managers with a variance report highlighting significant variances, which is any variance of 5% or more.

Complete the spreadsheet below.

	A	B	C	D	E	F
1		Budget £	Actual £	Variance £	Adverse/ Favourable	Significant/ Not significant
2	Direct materials	59000	61050			
3	Direct labour	62000	67500			
4	Production overheads	55500	51000			
5	Administration overheads	48300	50600			
6	Selling and distribution overheads	50000	47250			

(c) Insert the formula in the table below that you used to calculate the variance in D5 of the spreadsheet above.

	D
1	Variance £
5	