

AAT

AQ2016

Elements of Costing

EXAM KIT

This Exam Kit supports study for the following AAT qualifications:

AAT Foundation Certificate in Accounting – Level 2

AAT Foundation Diploma in Accounting and Business – Level 2

AAT Foundation Certificate in Bookkeeping – Level 2

AAT Foundation Award in Accounting Software – Level 2

AAT Level 2 Award in Accounting Skills to Run Your Business

AAT Foundation Certificate in Accounting at SCQF Level 5

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Features in this exam kit

In addition to providing a wide ranging bank of real exam style questions, we have also included in this kit:

- unit-specific information and advice on exam technique
- our recommended approach to make your revision for this particular unit as effective as possible.

You will find a wealth of other resources to help you with your studies on the AAT website:

www.aat.org.uk/

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Our Quality Co-ordinator will work with our technical team to verify the error and take action to ensure it is corrected in future editions.

UNIT-SPECIFIC INFORMATION

THE EXAM

FORMAT OF THE ASSESSMENT

The assessment will comprise ten independent tasks. Students will be assessed by computer-based assessment.

In any one assessment, students may not be assessed on all content, or on the full depth or breadth of a piece of content. The content assessed may change over time to ensure validity of assessment, but all assessment criteria will be tested over time.

The learning outcomes for this unit are as follows:

	Learning outcome	Weighting
1	Understand the cost recording system within an organisation	20%
2	Use cost recording techniques	60%
3	Provide information on actual and budgeted costs and income	20%
	Total	100%

Time allowed

90 minutes

PASS MARK

The pass mark for all AAT CBAs is 70%.



Always keep your eye on the clock and make sure you attempt all questions!

DETAILED SYLLABUS

The detailed syllabus and study guide written by the AAT can be found at:

www.aat.org.uk/

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EXAM TECHNIQUE

- Do not skip any of the material in the syllabus.
- Read each question *very* carefully.
- Double-check your answer before committing yourself to it.
- Answer **every** question – if you do not know an answer to a multiple choice question or true/false question, you don't lose anything by guessing. Think carefully before you **guess**.
- If you are answering a multiple-choice question, **eliminate first those answers that you know are wrong**. Then choose the most appropriate answer from those that are left.
- **Don't panic** if you realise you've answered a question incorrectly. Getting one question wrong will not mean the difference between passing and failing.

Computer-based exams – tips

- Do not attempt a CBA until you have **completed all study material** relating to it.
- On the AAT website there is a CBA demonstration. It is **ESSENTIAL** that you attempt this before your real CBA. You will become familiar with how to move around the CBA screens and the way that questions are formatted, increasing your confidence and speed in the actual exam.
- Be sure you understand how to use the **software** before you start the exam. If in doubt, ask the assessment centre staff to explain it to you.
- Questions are **displayed on the screen** and answers are entered using keyboard and mouse. At the end of the exam, you are given a certificate showing the result you have achieved.
- In addition to the traditional multiple-choice question type, CBAs will also contain **other types of questions**, such as number entry questions, drag and drop, true/false, pick lists or drop down menus or hybrids of these.
- In some CBAs you will have to type in complete computations or written answers.
- You need to be sure you **know how to answer questions** of this type before you sit the exam, through practice.

Section 1

PRACTICE QUESTIONS

COST CLASSIFICATION

FINANCIAL AND MANAGEMENT ACCOUNTING

1 FAMA

The table below lists some of the characteristics of financial accounting and management accounting systems.

Indicate two characteristics for each system by putting a tick in the relevant column of the table below:

<i>Characteristic</i>	<i>Financial accounting</i>	<i>Management accounting</i>
<ul style="list-style-type: none">• Have to be produced annually.• Analyses historic events to help produce forecasts.• Is always produced using accounting standards.• Is produced on an ad hoc basis when required.		

2 FINANCIAL AND MANAGEMENT

The table below lists some of the characteristics of financial accounting and management accounting systems.

Indicate two characteristics for each system by putting a tick in the relevant column of the table below:

<i>Characteristic</i>	<i>Financial accounting</i>	<i>Management accounting</i>
<ul style="list-style-type: none">• Must be presented as specified by the Companies Act and accounting standards.• Helps managers run the business on a day-to-day basis.• Used as the basis for the calculation of the organisation's tax charge.• Can include anything that managers feel is useful for the business.		

3 MAFA

The table below lists some of the characteristics of financial accounting and management accounting systems.

Indicate two characteristics for each system by putting a tick in the relevant column of the table below:

<i>Characteristic</i>	<i>Management accounting</i>	<i>Financial accounting</i>
<ul style="list-style-type: none"> • It is based on past events. • Its purpose is to provide information for managers. • It is based on future events. • It complies with company law and accounting rules. 		

4 FEATURES

The table below lists some features typical of financial accounting and management accounting systems.

Indicate which feature applies to which system by putting a tick in the relevant column of the table below:

<i>Feature</i>	<i>Financial accounting</i>	<i>Management accounting</i>
<ul style="list-style-type: none"> • Analysis of profit by cost centre. • Statement of profit or loss using format as dictated by accounting standards and company law. • Cash flow forecasts. • Cost per unit calculation. 		

COST AND PROFIT CENTRES

5 JEREMY

Jeremy operates a business that bakes bread. These are made in a small bakery and then sent to Jeremy's shop, where they are sold. Jeremy also has a small office where all of the administration is undertaken.

Identify whether the following departments are likely to be profit or cost centres by putting a tick in the relevant column of the table below:

<i>Department</i>	<i>Cost centre</i>	<i>Profit centre</i>
• Bakery		
• Shop		
• Office		

6 PRINT PLC

Print plc is a large company that prints and sells books. It is split into three divisions – binding, shops and marketing. The binding department prints the books. These are then either transferred to Print's chain of shops where they are sold to the public, or sold direct from the binding department to corporate clients. The marketing department produces all of Print's advertising.

Identify whether the following departments are likely to be profit or cost centres by putting a tick in the relevant column of the table below:

<i>Department</i>	<i>Cost centre</i>	<i>Profit centre</i>
<ul style="list-style-type: none"> • Binding • Shops • Marketing 		

7 HOOCH PLC

Identify whether the following definitions are of be profit, cost, or investment centres by putting a tick in the relevant column of the table below:

<i>Department</i>	<i>Cost centre</i>	<i>Profit centre</i>	<i>Investment centre</i>
<ul style="list-style-type: none"> • Hooch's manager has no responsibility for income or asset purchases and disposals. • Hooch's manager is assessed on the profitability of their department, as well as how effectively they have controlled their assets. • Hooch's manager is responsible for income and expenditure of their department only. 			

CLASSIFYING COSTS BY ELEMENT (MATERIALS, LABOUR OR OVERHEADS)**8 VVV LTD**

VVV Ltd manufactures toy planes.

Classify the following costs by element (materials, labour or overheads) by putting a tick in the relevant column of the table below:

<i>Cost</i>	<i>Materials</i>	<i>Labour</i>	<i>Overheads</i>
<ul style="list-style-type: none"> • Paint used on the planes. • Depreciation of the machines used in the factory. • Oil used on the machines in the factory. • Salary of worker assembling the planes. 			