

AAT

AQ2016

Management Accounting: Decision and Control

EXAM KIT

This Exam Kit supports study for the following AAT qualifications:

AAT Professional Diploma in Accounting – Level 4

AAT Level 4 Diploma in Business Skills

AAT Professional Diploma in Accounting at SCQF Level 8



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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 eight 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	Analyse a range of costing techniques to support the management accounting function of an organisation	10%
2	Calculate and use the standard costing to improve performance	40%
3	Demonstrate a range of statistical techniques to analyse business information	10%
4	Use appropriate financial and non-financial performance techniques to aid decision making	30%
5	Evaluate a range of cost management techniques to enhance value and aid decision making	10%
	Total	100%

Time allowed

2 hours 30 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

COLLECTION OF COST INFORMATION

1 HIGH – LOW

X has recorded their units of production and their total costs for the past six months.

	<i>Production units</i>	<i>Total costs</i>
Jan	11,150	£60,000
Feb	12,345	£66,000
Mar	11,766	£63,080
Apr	13,055	£69,500
May	12,678	£67,500
Jun	13,100	£69,750

The management of X wish to know the total fixed cost and variable cost per unit.

Variable cost per unit is £

Fixed costs in total are £

2 HILOW

Y has recorded their units of production and their total costs for the past six months.

	<i>Production units</i>	<i>Total costs £</i>
Jan	420	4,600
Feb	450	4,965
Mar	430	4,750
Apr	460	5,000
May	440	4,900
Jun	410	4,500

The management of Y wish to know the total fixed cost and variable cost per unit.

Variable cost per unit is £

Fixed costs in total are £

3 STEPPED

A company has achieved the following output levels and total costs:

Volume of production (units)	25,000	29,000
Total cost	£418,750	£458,750

Total cost includes a fixed element which steps up by £25,000 at an activity level of 27,000 units.

The variable cost per unit is constant.

The variable cost per unit is £

4 STEEPLE

A company has achieved the following output levels and total costs:

Volume of production (units)	2,000	2,400
Total cost	£15,000	£21,000

Total cost includes a fixed element which steps up by £5,000 at an activity level of 2,100 units.

The variable cost per unit is constant.

The variable cost per unit is £

5 PEN

A company has achieved the following output levels and total costs:

Volume of production (units)	20,000	23,400
Total cost	£150,000	£192,000

Total cost includes a fixed element which steps up by £25,000 at an activity level of 21,100 units.

The variable cost per unit is constant.

The variable cost per unit is £

6 POPPY

A company has achieved the following output levels and total costs:

Volume of production (units)	28,000	34,000
Total cost	£38,750	£48,750

Total cost includes a fixed element which steps up by £2,500 at an activity level of 30,000 units.

The variable cost per unit is constant.

The variable cost per unit is £

7 LAPEL

Lapel Ltd has produced three forecasts of activity levels for the next period for one of its bins. The original budget involved producing 50,000 bins, but sales and production levels of between 60,000 and 70,000 bins are now more likely.

Complete the table below to estimate the production cost per bin (to 3 decimal places) at the three different activity levels.

Bins made	50,000	60,000	70,000
Costs:	£	£	£
Variable costs:			
Direct materials	5,250		
Direct labour	2,250		
Overheads	11,100		
Fixed costs:			
Indirect labour	9,200		
Overheads	15,600		
Total cost	43,400		
Cost per bin	0.868		

The following budgeted annual sales and cost information relates to bin types A and B:

<i>Product</i>	<i>A</i>	<i>B</i>
Units made and sold	300,000	500,000
Machine hours required	60,000	40,000
Sales revenue (£)	450,000	600,000
Direct materials (£)	60,000	125,000
Direct labour (£)	36,000	70,000
Variable overheads (£)	45,000	95,000

Total fixed costs attributable to A and B are budgeted to be £264,020.

Complete the table below (to 2 decimal places) to show the budgeted contribution per unit of A and B sold, and the company's budgeted profit or loss for the year from these two products.

	A (£)	B (£)	Total (£)
Selling price per unit			
Less: variable costs per unit			
Direct materials			
Direct labour			
Variable overheads			
Contribution per unit			
Sales volume (units)			
Total contribution			
Less: fixed costs			
Budgeted profit or loss			

8 SLUSH

A company has produced three forecasts of demand levels for the next quarter. The original budget was to produce 10,000 litres per quarter, but demand levels of 14,000 litres and 18,000 litres are also now feasible.

Complete the table below to estimate the production cost per litre at the three different demand levels.

Litres made	10,000	14,000	18,000
Costs:	£	£	£
Variable costs:			
Direct materials	1,200		
Direct labour	1,000		
Overheads	1,600		
Fixed costs:			
Indirect labour	700		
Overheads	1,600		
Total cost	6,100		
Cost per litre (to 2 d.p.)	0.61		