

# THE TRAINING PLACE OF EXCELLENCE

## Basic Costing

### Practice Assessment: Answers

1a.

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.

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	✓	

2a.

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

b.

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

3a.

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.

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			✓

4.

Transaction	Code
Rolls of nylon used for the carrier bags	30/100
Online advertising costs for the year	70/200
Salary of factory security worker	30/200
Wages of complaints department staff	50/200
Sales to whole sellers	10/100

5.

Transaction	Code
Sales of small TAR products	LM/200
Salaries for factory workers	XY/200
Shares sold to raise money to pay for machinery	AB/200
Overhead costs for the project	XY/300
Bank loan raised from a large bank to pay off set up costs	AB/100

6a.

	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.

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

7a.

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

b.

Element	Unit product cost (£)
Material	53,000
Labour	51,675
Direct cost	104,675
Overheads	42,000
Total	146,675

8a & b.

	£		£
Closing inventory of work in progress	23000	Opening inventory of raw materials	30000
Direct labour	67000	Purchase of raw materials	51300
Opening inventory of raw materials	30000	Closing inventory of raw materials	-35000
Closing inventory of finished goods	41600	DIRECT MATERIAL USED	46300
Purchase of raw materials	51300	Direct labour	67000
Opening inventory of work in progress	48000	DIRECT COST	113300
Opening inventory of finished goods	69000	Manufacturing overheads	50500
Closing inventory of raw materials	35000	MANUFACTURING COST	163800
Manufacturing overheads	50500	Opening inventory of work in progress	48000
		Closing inventory of work in progress	-23000
		COST OF GOODS MANUFACTURED	188800
		Opening inventory of finished goods	69000
		Closing inventory of finished goods	-41600
		COST OF GOODS SOLD	216200

9a.

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

b.

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		✓

10.

Method	Cost of issue on May 20 (£)	Closing inventory at 31 May (£)
FIFO	4960	8100
LIFO	5385	7740
AVCO	5160	7900

11.

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.

Worker	Hours worked	Basic wage £	Overtime £	Gross wage £
J Edwards	40.0 hours	464.35	63.60	527.95
L Rakowsky	42.5 hours	464.35	116.60	580.95

12.

Worker	Units produced in a week	Gross wage £
B Toma	385 units	673.75
I Ansome	392 units	686.00
T Madewt	398 units	696.50

13.

Worker	Hours worked	Units produced	Basic wage £	Bonus £	Gross wage £
R Butler	33	200	546.15	5.00	551.15
S Douglas	38	220	628.90	0	628.90
L Howard	41	259	678.55	32.50	711.05

14a.

	A	B	C	D	E	F
1		Variable cost £	Fixed cost	Total cost	Sales Revenue £	Profit/(loss)
2	March	140800	29000	169800	176000	6200
3	April	132000	29000	161000	165000	4000
4	May	149600	29000	178600	187000	8400
5	Total	422400	87000	509400	528000	18600

b.

	A	B	C	D	E	F
5		=B2+B3+B4	=C2+C3+C4	=D2+ D3+D4	=E2+E3+E4	=F2+F3+F4

15.

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	✓	

16a.

	A	B	C	D	E
1		Budget £	Actual £	Variance £	A/ F
2	Income	79500	82200	2700	F
3	Materials	18300	19000	-700	A
4	Labour	24050	26100	-2050	A
5	Overheads	13900	12000	1900	F

b.

	D
1	Variance £
2	=C2-B2
3	=B3-C3
4	=B4-C4
5	=B5-C5

17a. A-Z Sort and £8100 will appear in cell C5

b.

	A	B	C	D	E	F
1		Budget £	Actual £	Variance £	Adverse/ Favourable	Significant/ Not significant
2	Direct materials	59000	61050	-2050	Adverse	Not significant
3	Direct labour	62000	67500	-5500	Adverse	Significant
4	Production overheads	55500	51000	4500	Favourable	Significant
5	Administration overheads	48300	50600	-2300	Adverse	Not significant
6	Selling and distribution overheads	50000	47250	2750	Favourable	Significant

c.

	D
1	Variance £
5	=B5 - C5