MGT 705 – Quiz # 2 – Solved

Activity based cost-centres are also known as _________.
Select correct option:

Activity cost pools
Activity cost rivers
Activity cost seas
Activity cost oceans
(Lecture 10 - \PPT slide) With ABC systems, many activity based cost-centers (called activity cost pools) are established, whereas with traditional systems overheads are pooled by departments and described as cost centers.

Unit level contribution margin is calculated as follows:
Select correct option:

Conversion costs + unit level activities costs
Sales revenue - unit level activities costs
Sales revenue + unit level activities costs
Prime costs + unit level activities costs
(Lecture 13– PPT slide)
A unit level contribution margin is calculated for each individual product. This is derived by deducting the cost of unit level activities from sale revenue.

Selecting course of action is the _______ stage of planning process.
Select correct option:

first
second
forth
fifth
(Lecture **17** – PPT slide)
Stages in the Planning Process
Stage 1 – Establishing Objectives:

Stage 2 – Identify Potential Strategies

Stage 3 – Evaluation of strategic options

Stage 4 – Select course of action

Stage 5 – Implementation of long-term plans

Stages 6 & 7 – Monitor actual outcomes & respond to divergences

Which of the following expenses can be measured through cost drivers?

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Select correct option:

Salary of the marketing staff
Interest on bank overdraft
Depreciation of machinery
Rent of factory building

Cost drivers include number of production runs for production scheduling and number of purchase orders for purchasing activity
These cost drivers are appropriate for measuring consumption of expenses such as machine energy costs, depreciation related to machine usage and indirect labor employed in production centers

In ________ systems, the overheads are assigned according to the activities.
Select correct option:

Allocation based costing
Activity based costing
Area based costing
Action based costing
Lecture 10
An Activity based costing - ABC system assigns overheads to each major activity (rather than departments).

Activity based costing refers to measurement of indirect ________ for decision making.
Select correct option:

irrelavent costs
sunk costs
Opportunity costs
relevant costs

- Lecture 10
- The measurement of indirect relevant cost for decision making using Activity Based Costing techniques will be examined.

In which of the following pricing policies, low prices are charged from the customers?
Select correct option:

Price penetration
Price skimming
Price keeping
price negotiation
(Lecture 16 – PPT slide)

MGT 705 – Quiz # 2 – Solved

- A **penetration pricing policy** is based on the concept of charging low prices initially with the intention of gaining rapid acceptance of the product.
- Such a policy is appropriate when close substitutes are available or when markets are easy to enter.

In activity based costing profitability analysis, we categorize costs according to their __________ levels.
Select correct option:

mechanical
production
hierarchical
All of the given options
(Lecture **13** – PPT slide)
The approach of activity based profitability analysis is to categorize costs according to their hierarchical levels

Decision making process refers to:
Select correct option:

Planning
Control
Both planning and control
None of the given options

________ is(are) the example of outsourcing.
Select correct option:

Cleaning
Machinery
photocopying
All of the given options

Outsourcing

- Outsourcing is the process of obtaining goods and services from outside suppliers instead of producing the same goods or providing the same services within the organization. Many organizations outsource some of their activities such as maintenance of certain machinery, cleaning, photocopying and packaging.

Lecture 7 PPT slide

________ is/are example(s) of Production Overheads.
Select correct option:

Supervisor's Salary
Heating Charges
Depreciation
All of the given options

Budget contains which of the following:
Select correct option:

Cash inflow
Cash outflow
Sales revenue
All of the given options
(Lecture 1 - PPT silde)

- The budget is the financial plan for implementing management decisions.
- Expressed in terms of cash inflows and outflows, sales revenues and expenses.
- The master budget consists of a budgeted profit and loss account, balance sheet and a cashflow statement.

Internal Users of accounting information refers to:
Select correct option:

Management of the organization
Creditors of the Organization
Shareholders of the organization
Banks/Financial institutions
(Lecture # 1 – PPT Slide)
Users …

- Users can be divided into 2 categories:
  – Internal users within the organization
  – External users i.e. shareholders, creditors
- Management accounting is for internal users
- Financial accounting information is for external users

_________ is the third stage of product life cycle.
Select correct option:

Introduction
Growth
Decline

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Maturity
(Lecture 16 – PPT slide)

Product life-cycle

- Many products have a product life cycle consisting of four stages:
  - Introductory – product is launched, minimal awareness and acceptance.
  - Growth – sales begin to expand because of introductory promotions
  - Maturity – sales taper off as new customers are exhausted.
  - Decline – sales diminish as the product is replaced with new and better versions.

Unit-level activities consume resources in proportion to the number of _________ manufactured.
Select correct option:

batches
units
goods
articles

Unit-level activities consume resources in proportion to the number of units produced.
(Lecture 12 – PPT slide)

Admin expenses are categorized as ____________.
Select correct option:

Prime cost
Period cost
Conversion cost
All of the given options

In target costing, marketing factors and customer research provide the basis for determining __________.
Select correct option:

cost price
manufacturing costs
overhead costs
selling price

Target Costing

- In target costing the starting point is the determination of the target selling price.

(Lecture 15 – PPT slide)

MGT 705 – Quiz # 2 – Solved

Variable cost includes:
Select correct option:

Direct Material cost
Direct Material cost and Direct Labour cost
Direct Material cost, Direct Labour cost and Energy Cost
All of the given Options

Which method(s) seperate(s) fixed and variable costs consists of examining past costs and related activity?
Select correct option:

Basic
Break-even analysis
High-low
All of the given options

- The high-low method to separate fixed and variable costs consists of examining past costs and related activity.

(Lecture 4 – PPT slide)