



ICMAINTERNATIONAL
lead strategically

COMPUTER BASED EXAMINATIONS

Gateway Assessment-1

[MANAGERIAL LEVEL-1]

MODEL PAPER



**For
Members of
NIBAF-P**

Examination Department

MULTIPLE CHOICE QUESTIONS (MCQs):**(Each MCQ Carry 02 Marks)**

1. Which one of the following responsibility center is more self-sufficient?

A	Profit center
B	Investment center
C	Revenue center
D	Cost center

2. Which of the following is unlikely to be classified as a fixed cost with respect to the number of units produced and sold?

A	Property taxes on a headquarters building
B	Legal department salaries
C	Cost of leasing the company's mainframe computer
D	Production supplies

3. The best example of variable cost is:

A	interest charges.
B	the controller's salary
C	property tax.
D	materials in a unit of product.

4. A company increase its activity within the relevant range. Its fixed cost per unit will _____.

A	Increase
B	Decrease
C	Remain the same
D	None of the above

5. In payroll accounting, if the gross pay of an employee is Rs. 7,000, employee's tax is Rs. 1,000 and the other deductions are Rs. 500, then the net pay due to the employee is _____.

A	Rs. 7,500
B	Rs. 8,500
C	Rs.6,500
D	Rs. 5,500

6. What would be the productivity of a worker, if the standard output is 350 units and the worker has produced 400 units in a given period of time?

A	114%
B	87.5%
C	70 %
D	65%

7. An example of qualitative data is _____.

A	product cost
B	customer satisfaction
C	net income
D	inventory cost

8. The following cost data pertains to ABC Company;

Particulars	Amount in Rupees
Beginning work- in- process	10,000
Ending work- in-process	5,000
Direct materials used	20,000
Direct cost incurred in production	30,000
Indirect cost incurred in production	40,000
Beginning finished goods inventory	40,000
Ending Finished goods inventory	20,000

What should be the ABC Company's cost of goods manufactured?

A	Rs. 95,000
B	Rs. 75,000
C	Rs. 40,000
D	Rs. 50,000

9. Operating cost at high level of activity is Rs. 41,150 and at low level is Rs. 36,250. Output at high level of activity is 2,450 units and at low level it is 1,750 units. Variable cost per unit is _____.

A	Rs. 20.7
B	Rs. 16.8
C	Rs. 7.0
D	Rs. 18.4

10. Fixed cost of the period is Rs. 100,000 out of which 60% is charged to department 'A'. Variable cost is Rs. 50,000 and units produced in the period are 10,000. Per unit cost of department 'A' is _____.

A	Rs. 6
B	Rs. 11
C	Rs. 5
D	Rs. 10

11. Depreciation on a personal computer used in the marketing department of a manufacturing firm would be classified as _____.

A	a product cost that is fixed with respect to the company's output
B	a period cost that is fixed with respect to the company's output
C	a product cost that is variable with respect to the company's output
D	a period cost that is variable with respect to the company's output

12. Companies focused on decentralization typically categorizes their business segments into _____, profit center and investment center.

A	revenue center
B	cost center
C	sales center
D	responsibility center

13. Ensuring implementation of 'HR' policies by line managers is party of _____.

A	Line Functions
B	Co-ordinative Functions
C	Staff Functions
D	All of the above

14. Human capital refers to;

A	Education of a firm's workers
B	Training of a firm's worker
C	Skills and expertise of a firm's worker
D	All of the above

15. Your marketing department is currently researching the size, density, age and occupations of your target market. Which environment is being researched?

A	Demographic
B	Financial
C	Economic
D	Geographic

16. A technique that ensures production of a good unit every time is _____.

A	control chart.
B	zero defect
C	fail-safe
D	poka-yoke

17. When a manager monitors the work performance of workers in his department to determine if the quality of their work is 'up to standard', this manager is engaging in which function?

A	Planning
B	Controlling
C	Organizing
D	Leading

18. Corrective work, the cost of scrap and materials lost are the examples of:

A	internal failure costs
B	external failure costs
C	appraisal costs
D	preventative costs

19. A _____ is an interactive system that provides the user with easy access to decision model and data from wide range of sources in order to support semi structured decision-making tasks.

A	Management Information System
B	Decision Support System
C	Enterprise System
D	Transaction Processing System

20. _____ are the specialists who design systems based on the needs of the user and are usually involved during the initial phase of System Development Life Cycle (SDLC).

A	Database Administrator
B	Systems Analyst
C	Quality assurance personnel.
D	Security architect

21. What is a device called that can safely store and manage encryption keys and is used in servers, data transmission, and log files by the banks?

A	Hardware Security Module (HSM)
B	Private key
C	Public key
D	Trusted Operating System Module (TOS)

22. What is the primary reason that an IS auditor would verify that the process of post implementation review of an application was completed after a release?

A	To make sure that. users are appropriately trained
B	To verify that the project was within budget
C	To check that the project meets expectations
D	To determine whether proper controls were implemented

23. _____ is a person who try to break the security of, and gain access to, someone else's system without being Invited to do so.

A	Script Kiddies
B	Cracker
C	IS Personnel
D	End User

24. Hardware _____ report identifies CPU, I/O, Power and storage failures which should be reviewed by IS Department.

A	Availability
B	Asset Management
C	Error
D	Utilization

25. An organization having a number of offices across a wide geographical area has developed a Disaster Recovery Plan (DRP). Using actual resources, which of the following is the most cost effective test of the DRP?

A	Full Operational test
B	Preparedness test
C	Paper test
D	Regression test

DESCRIPTIVE QUESTIONS:

26. Define Cost Accounting & its benefits.

(Marks 04)

Cost accounting is a system for recording data and producing information about costs for the products produced by an organization and/or the services it provides. It is also used to establish costs for particular activities or responsibility centers.

- Cost accounting involves a careful evaluation of the resources used within the enterprise.
- The techniques employed in cost accounting are designed to provide financial information about the performance of the enterprise and possibly the direction that future operations should take.

27. Explain uses of Standard Costing.

(Marks 04)

The uses of standard costing Standard costing has a variety of uses but its two principal ones are as follows.

- (a) To value inventories and cost of production for cost accounting purposes. It is an alternative method of valuation to methods like FIFO.
- (b) To act as a control device by establishing standards (planned costs), highlighting (via variance analysis) activities that are not conforming to plan and thus alerting management to areas which may be out of control and in need of corrective action.

28. The Oak manufacturing industries has the following information relating to applied and actual factory overhead;

Factory Overhead Control	Rs.30,000
Applied Factory Overhead	Rs.36,000
Cost of Merchandise Sold	Rs.35,000
Ending Work in Process Inventory	Rs. 2,800
Ending Finished Goods Inventory	Rs.4,200

Required:

- (a) What should the balance in the factory overhead control account be at the end of the period?
- (b) Allocate the under or over- applied factory overhead to;
- Cost of merchandise sold
 - Ending Work in process inventory
 - Ending Finished Goods Inventory

(Marks 04)

Suggested Solution:

- a) The factory overhead control account has a credit balance of Rs. 6,000 (Rs. 30,000-36,000)
 b) The over-applied balance is allocated as follows:

Balances before Allocation

Cost of merchandise sold	Rs. 35,000
Ending work in process inventory	Rs. 2,800
Ending finished goods inventory	Rs. 4,200
	Rs. 42,000

To cost of merchandise sold $\frac{Rs.35,000}{Rs.42,000} \times Rs.6,000 = Rs. 5,000$

To ending work in process inventory $\frac{Rs.2,800}{Rs.42,000} \times Rs.6,000 = Rs. 400$

To ending finished goods inventory $\frac{Rs.4,200}{Rs.42,000} \times Rs.6,000 = Rs. 600$

29. For the following data, calculate EOQ;

(Marks 04)

Estimated requirement for the next year	2,400 units
Cost of item per unit	Rs.1.50
Ordering Cost per unit	Rs. 20.00
Inventory carrying cost (%of average inventory investment)	10%

Suggested Solution:

$$\text{Economic order quantity} = \sqrt{\frac{2 \times \text{Annual required units} \times \text{cost per order}}{\text{cost per unit of material} \times \text{carring cost percentage}}}$$

$$\text{EOQ} = \sqrt{\frac{2 \times 2,400 \times Rs.20}{Rs.1.50 \times 10\%}}$$

$$\Rightarrow \sqrt{\frac{96,000}{0.15}}$$

$$\Rightarrow \sqrt{640,000}$$

$$\Rightarrow 800 \text{ units}$$

30. (a) What is Idle Time Variance?

(b) Mehran Company uses standard costing system, the cost data for manufacturing 8,000 units are as follows:

	Standard Cost	Actual Cost
Direct Labour	2,000 hours @ Rs.11.00	2,300 hours @ Rs.12.00

Required:

Compute Labour Time Variance.

(Marks 04)

Suggested Solution:

a) The **direct labour idle time variance** 'occurs when the hours paid exceed the hours worked and there is an extra cost caused by this idle time. Its computation increases the accuracy of the labour efficiency variance'.

b) Labour Time variance:

	Hours
Standard time	2,000
Actual time used	2,300
Unfavorable	300
Variance = $300 \times 11 =$	(Rs.3,300)

31. List down any ten factory overhead expenses. (05)

(Marks 04)

- 1) Supervisors' salaries
- 2) Indirect labor
- 3) Overtime premium
- 4) Factory supplies
- 5) Repairs and maintenance
- 6) Electric power
- 7) Fuel
- 8) Water
- 9) Unemployment taxes
- 10) Workmen's compensation
- 11) Hospitalization insurance
- 12) Pensions
- 13) Vacations and holidays
- 14) Group insurance
- 15) Depreciation
- 16) Property tax
- 17) Insurance (fire)

32. (a) Define Marginal Costing.

(b) Company A produces a single product with the following budget;

Selling Price	Rs.10.00 per unit
Direct Materials	Rs.3.00 per unit
Direct Labour	Rs. 2.00 per unit
Variable Production Overhead	Re. 1 per unit
Fixed Production Overhead	Rs.10,000 per month

The fixed overhead absorption rate is based on volume of 5,000 units per month.

Required:

Calculate the following:

- (i) Variable Cost per Unit
- (ii) Contribution Margin
- (iii) Operating Profit

(Marks 04)

Suggested Solution:

(a) Marginal Costing:

Marginal Costing charges products with only those manufacturing costs that vary directly with volume. Only prime costs (direct material and direct labour) plus variable factory overhead expenses are assigned to inventories, both work in process and finished goods and to the cost of goods sold. Thus, these variable costs are charged to the product while manufacturing costs are totally expensed in the current period.

(b)

(i) **Solution:**

Variable Cost Per Unit:

Direct material	3
Direct Labour	2
Variable Production Overhead	1
Total Variable Cost	6

(ii) **Contribution Margin:**

Sales (4,800*10)	48,000
Variable cost of Selling Units (4,800*10)	28,800
Contribution Margin	19,200

(iii) **Operating Profit:**

Contribution Margin	19,200
(10,000/5000*4800)	9,600
Operating Profit	9,600

33. Define 'the marketing concept'?

(Marks 04)

One definition of the marketing concept is 'a management orientation or outlook, that accepts that the key task of the organization is to determine the needs, wants and values of a target market and to adapt the organization to delivering the desired satisfaction more effectively and efficiently than its competitors'.

34. Explain how the performance of an organization is measured.

(Marks 04)

Organizational performance is the accumulated results of all the organization's work activities. Three frequently used organizational performance measures include (1) productivity, which is the output of goods or services produced divided by the inputs needed to generate that output; (2) effectiveness, which is a measure of how appropriate organizational goals are and how well those goals are being met; and (3) industry and company rankings compiled by various business publications.

35. Define Performance Measurement System.

(Marks 04)

Performance measurement is the process of assessing the proficiency with which a reporting entity succeeds, by the economic acquisition of resources and their efficient and effective deployment, in achieving its objectives. Performance measures may be based on non-financial as well as on financial information.

36. Define Database and its type?

(Marks 04)

A database is an integrated collection of logically related data elements. Database consolidates records previously stored in separate files into a common pool of data elements that provide data for many applications. The data stored in a database are independent of the application programs using them and of the type of storage devices on which they are stored. Continuing developments in information technology and its business applications have resulted in the evolution of several major types of databases.

1. Operational Database
2. Distributed Database
3. External Databases
4. Hypermedia Databases

37. How data is stored in Relational Database Management System (RDBMS)?

(Marks 02)

RDBM store data in the form of tables, with most commercial relational database management systems using Structured Query Language (SQL) to access the database. However, since SQL was invented after the initial development of the relational model, it is not necessary for RDBMS use.

38. Write down minimum three advantages of computer assisted-audit techniques?

(Marks 04)

1. Greater productivity through:
 - Reduced audit cycle. The periodicity of audits can be increased due to process automation.
 - Automated repetitive tasks reduces the time required for audits and fatigue
 - Focused time on critical functions
 2. Simplified project documentation due to automation
 3. Reducing Costs by:
 - Lowering EDP costs. Extra outputs for auditors are not required from EDP department.
 - Minimizing software maintenance costs. Most CAATs can be customized easily, without writing or adding programs.
- Reducing travel costs. Auditors can perform audits without travel by using remote login and extracting data from live database.

THE END