IQN MA Exam

Volume: 80 Questions

Question No : 1
On 1 February 2011, Hopper Co acquired 480,000 of the 600,000 ordinary shares of Space Co at a price of $4·28 per share. At that date the book value of the net assets of Space Co was $2,356,920, and the fair value of land owned by Space Co exceeded the book value by $110,000.
Assuming that the full fair value method of valuation is used, what is the value of goodwill on acquisition?

A. $168,864

B. $211,080

C. $101,080

D. $80,864

Answer: C

Question No : 2
Toshi Ltd currently sets its selling price at $10, which achieves a 25% mark-up on variable cost.
Annual production and sales volume is 100,000 units and annual fixed costs are $80,000.
How much would the selling price need to be increased in order to double profit if costs, production and sales volume remain unchanged?

A. 12%

B. 17%

C. 20%

D. 25%

Answer: A

Question No : 3
Hyginus Co depreciates plant at a rate of 25% per annum on the reducing balance basis. On 1 November 2011 a new machine was acquired. The invoice included the following items:
Machine$105,000 Installation$25,000 Testing$5,000 Maintenance for 12 months to 31 October 2012$6,000
What total charge should be made against profit for the year to 31 October 2012 in respect of the

machine?

A. $35,250

B. $62,250

C. $33,750

D. $39,750

Answer: D

Question No : 4
Consider the following statements:
(i)Users must be able to compare an entity's results to its results in previous years and to the results of other entities. To ascertain this objective, accounting policies must be applied consistently both within the financial statements and from one period to the next. Users must be informed of any changes of accounting policy or accounting estimate and must be able to see the effects of such changes.
(ii)Financial statements must seek to represent faithfully the transactions which have taken place during the year.
What accounting concepts are reflected by the above two statements?

A. (i) Accruals; (ii) Going concern

B. (i) Materiality; (ii) Comparability

C. (i) Comparability; (ii) Reliability

D. (i) Neutrality; (ii) Comparability

Answer: C

Question No : 5
SolutionCo has prepared budgets based on the following assumptions:
Sales volume three months to 30 September 2011:85,720 units three months to 31 December 2011:94,560 units Inventory volume at 1 July 2011:10% of sales for the next three months at 1 October 2011:75% of sales for the next three months
What is the budgeted production volume for the three months to 30 September 2011?

A. 86,383 units

B. 87,200 units

C. 84,240 units

D. 86,604 units

Answer: C

Question No : 6
Devin Co sells a single product at a selling price of $85. Direct costs are $38 per unit and overheads are $24 per unit. 60% of overheads represent the recovery of fixed costs. Both sales and production are budgeted to be 50,000 units.
How many units to be sold to reach at the breakeven point (to the nearest unit)?

A. 14,724

B. 19,251

C. 25,532

D. 31,304

Answer: B

Question No : 7
Coolbreeze Co manufactures refrigerators. The company isorganizedon a divisionalised basis and has two divisions (compressor and cabinet).

A. Head office has imposed the transfer price.

B. The management of the compressor division are seeking to restrict the quantity produced.

C. Some additional costs are incurred on external sales.

D. The transfer price has been set to allow the cabinet division to compete through lower prices.

Answer: C

Question No : 8
The accountant of Repati Co has discovered that the value of a prepayment has been understated.

How are the financial statements affected when the prepayment is corrected?

A. Assets: No change, Liabilities: Reduced, Capital: Increased

B. Assets: Increased, Liabilities: No change, Capital: Reduced

C. Assets: Reduced, Liabilities: Reduced, Capital: No change

D. Assets: Increased, Liabilities: No change, Capital: Increased

Answer: D

Question No : 9
The cost of one of the products produced by Veetee Co is currently calculated as follows:
Direct costs$5.78 Overheads$9.38 (based on 0.4laborhours per unit) Total cost$15.16
A cost analysis exercise indicated that there are two categories of overhead costs, processing and handling. The table below shows the total cost of each activity, and the volume of the associated cost drivers.
Activity Cost Cost drivers Volume of cost driver
Processing$17,500Laborhours2,187.5
Handling$33,810Purchase orders48,300
Six purchase orders are required for each unit produced.
If the data from the cost analysis exercise is used as the basis for Activity Based Costing, what is the revised cost per unit?

A. $7·40

B. $13·18

C. $14·48

D. $8·70

Answer: B

Question No : 10
Dalf Co calculates the margin of safety for each of its products separately. Data for one product are shown below:
Selling price per unit$85 Variable cost per unit$53 Budgeted sales volume80,000 units Margin of safety22%
What is the value of fixed costs attributed to the product?

A. $3,307,200

B. $1,996,800

C. $2,560,000

D. $616,000

Answer: B

Question No : 11
Silur Co buys and restores items of exclusive vintagejewelry. At 31 May 2009, the company had three items in inventory. Details of the items were:
NecklaceBraceletPendant Purchase cost12,00031,00045,000 Expected selling price25,00038,00053,000 Restoration costs to date6,0005,0002,000 Further costs before sale2,0003,0001,000
What was the total value of Silur's inventory at 31 May 2009?

A. $88,000

B. $100,000

C. $106,000

D. $107,000

Answer: B

Question No : 12
Capac Co uses activity based costing (ABC). Overhead costs for the next year are:
Expense Total expenditure Volume of activity $
Set up costs1,139,2003,200 set ups Raw material handling 488,9005,000 materials orders
One of the company's products is manufactured in batches of 500 units, with each batch requiring one set up and 50 materials orders.
Using ABC, what is the overhead cost of 220 units?

A. $10.49

B. $453.78

C. $2,307.80