

**CAT Paper 2 : Information for Management Control**  
**Mock Test : 1**  
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**Time allowed : 2 hours**  
**Passing mark : 28 out of 50 (56 marks)**

1. Which of the following concerning LAN and WAN is incorrect?
  - a. WAN will send data over telecommunication links
  - b. LAN will often use a larger computer as s file server
  - c. WAN can link two or more LAN using gateways
  - d. The geographical area covered is greater than LAN ( )
  
2. Financial accounting provides the primary source of information for:
  - a. Decision making in the finishing department
  - b. Improving customer service
  - c. Preparing the income statement for shareholders
  - d. Planning next year's operating budgeting ( )
  
3. A manufacturing plant produces two product lines: football equipment and hockey equipment. Direct costs for the football equipment line are the :
  - a. Beverages provided daily in the plant break room
  - b. Monthly lease payments or a specialised piece of equipment needed to manufacture the football helmet
  - c. Salaries of the clerical staff that work in the company administrative offices
  - d. Utilities paid for the manufacturing plant ( )
  
4. Which three of the following is contained in the main store of the central processing unit?
  - a. Data to be transmitted to peripheral devices
  - b. Input data
  - c. Printer interface
  - d. Program instructions
  - e. Network cabling ( ) ( ) ( )
  
5. What does MHz measure in computer terms?
  - a. The 'clock' speed of the computer in millions of cycles per second
  - b. The frequency the computer sends and receives signals from a telephone connection
  - c. The rate at which the user can type characters on the keyboard
  - d. The 'clock' speed of the computer in millions of cycles per minute ( )
  
6. Which of the following best describes a central processing unit (CPU)?
  - a. It is a piece of computer equipment for processing data
  - b. It is created by a computer programmer
  - c. It is a programmed computer unit
  - d. It contains all the computer programmes ( )

7. Which three of the following are examples of computer storage media?  
a. Batch  
b. Hard drive  
c. Magnetic tape  
d. ISDN  
e. CD Rom ( ) ( ) ( )
8. It is advisable to make 'back-up' copies of computer files, in case:  
a. The files on the hard disk have not been updated  
b. The system 'goes down'  
c. The files on the hard disk have not been named appropriately  
d. The files on the hard disk are damaged or lost ( )
9. Which three of the following are considered to be three main classifications of computers?  
a. Portable  
b. Microcomputer  
c. Mini  
d. Unix  
e. Mainframe ( ) ( ) ( )
10. A type of software that replicates itself within a computer system and attaches itself to other programs is known as a :  
a. Virus  
b. Bug  
c. Packet  
d. WAN ( )
11. Under the UK Data Protection Act 1998 personal data shall only be processed if at least one of a number of conditions has been met. Which of the following is incorrect in relation to those conditions?  
a. Personal data can be lawfully processed with the implied consent of the subject  
b. Personal data can be lawfully processed where processing is in the public interest  
c. Personal data can be lawfully processed to protect the vital interest of the subject  
d. Personal data can be lawfully processed as a result of a contractual arrangement ( )
12. Which of the following terms of information would be least essential to gather when signing in a visitor?  
a. The visitor's name  
b. The purpose of visit  
c. The time of arrival and leaving  
d. The persona or department being visited ( )

13. Two statements follow about the purpose of an email system:
- i. The purpose of an email system is to send and receive data a computer can work with
  - ii. The purpose of an email system is to send and receive messages quickly and cheaply
- a. Both statements are false
  - b. Statement 1 is true and statement 2 is false
  - c. Both statements are true
  - d. Statement 1 is false and statement 2 is true ( )

14. You receive a sheet of paper containing the following.

276852	11/12/98
739961	6/7/96
945925	9/9/99

In themselves, these numbers represent:

- a. Information
  - b. Indexing
  - c. Classification
  - d. Data ( )
15. Computer systems are extremely useful for processing accounting information. Which of the following is not an advantage of a computerised accounting system compared to a manual system?
- a. It is easy to find where mistakes have been made
  - b. Less training is required to use the computer system
  - c. Double entry is automatic
  - d. Data is analysed quickly ( )
16. Which one of the following would be included in the financial accounts, but may not be excluded from the cost accounts?
- a. Direct material costs
  - b. Depreciation of storeroom handling equipment
  - c. Bank interest and charges
  - d. Factory manager salary ( )
17. What is the most appropriate definition of an office
- a. A room where many people use IT to do their work
  - b. A centre for exchanging information between businesses
  - c. A centre for information and administration
  - d. A place where information is stored ( )

18. In relation to the effective communication of management information which of the following statements is false?
- a. Applying a house style to reports makes it easier for employee to locate information
  - b. The use of visuals can often enhance the clarity and therefore a reader's understanding of points in a report
  - c. An executive summary, that gives the main points of a report, both saves the time of managers and make the report more understandable
  - d. An ad hoc report can be less concise than one that is regularly produced because its purpose is less clear
  - e. Management reports should avoid swamping the reader with too much detail

( )

19. Which one of these statements is incorrect?

- a. A real-time system is a system which is updated using batch processing
- b. A real-time system is one which offers online input, online processing an online file enquiry
- c. A real-time system is one which receives continually changing data and processes the data with sufficient speed to affect the source
- d. A real-time system is in which output can be simultaneous with input

( )

20. Mugs Ltd is a small company with a team of 6 employees making mugs. They are all paid \$6.50 an hour and work a 35-hour week. During week 8, the team made 300 mugs. What is the labour cost of one mug?

- a. \$0.76
- b. \$4.55
- c. \$6.07
- d. \$36.40

( )

21. Prime cost is :

- a. The total of all direct costs
- b. The total of all cost incurred in the manufacturing a product
- c. The same as the fixed cost of a cost unit
- d. Any cost that does not vary with changes in output levels

( )

22. A company makes one delivery per week to all of its customers. The cost of these deliveries is:

- a. Selling and distribution cost
- b. Production overhead
- c. Prime cost
- d. Direct production expense

( )

23. A company has recorded that the total cost incurred by their sales department was \$269,750 in a month when 4,500 units were sold. They had previously ascertained that fixed costs incurred in the sales department were \$200,000 every month. What is the variable cost per sale?

- a. \$15.50
- b. \$21.51
- c. \$44.44

d. \$59.94 ( )

24. Which would be the most appropriate basis for apportioning machinery insurance costs to cost centres within a factory?

- a. Number of machines
- b. Operating hours of machinery
- c. Floor area occupied by the machinery
- d. Value of machinery ( )

25. Cost centres are:

- a. Functions or locations for which costs are ascertained and related to cost units for control purposes
- b. Amount of expenditure attributable to various activities
- c. Units of a product or service for which costs are ascertained ( )
- d. A section of an organisation for which budgets are prepared and control is exercised

26. Pillow Ltd has a ROCE of 160% last year. Find its profit made last year if it reported a sales of \$200,000 and a capital employed of \$50,000

- a. \$400,000
- b. \$320,000
- c. \$125,000
- d. \$80,000 ( )

27. A business calculates its overhead absorption rate to be \$32 per machine hour, based on an estimated that the production overheads would be \$216,000 in the coming year. How many machine hours did the business anticipate working?

- a. 7,200
- b. 7,167
- c. 6,750
- d. 6,718 ( )

28. Which of the following items might be a cost centre within the management accounting system of a university or college of further education?

- (i) Business Studies department
  - (ii) A student
  - (iii) A college building
  - (iv) The university itself
- a. All of the above
  - b. (i) and (ii)
  - c. (i) and (iii)
  - d. (i), (ii) and (iv) ( )

29. Grant is an assembly worker in the main assembly plant. Details of his gross pay for the week are as follows:

Basic pay for normal hours worked: 38 hours at \$5 per hour	\$190
Overtime: 8 hours at time and a half	\$ 60
Gross pay	\$250

Included in the gross pay is the 10 hours of idle time because of the absence of any output from the machining department. The indirect labour cost in his total gross pay is:

- a. \$110
  - b. \$20
  - c. \$50
  - d. \$70
- (      )

30. You have been asked to design a computerised inventory system. Which three of the following documents would be essential input sources to monitor inventory levels?

- a. Suppliers invoices
  - b. Goods returned notes
  - c. Material requisition notes
  - d. Payroll slips
  - e. Goods received notes
- (      )(      )(      )

31. Spreading common cost over cost centres on the basis of benefit received is known as

- a. Overhead apportionment
  - b. Overhead absorption
  - c. Overhead analysis
  - d. Overhead allocation
- (      )

32. Which member of the staff is likely to raise a goods received note?

- a. Delivery driver
  - b. Store clerk
  - c. Finance director
  - d. Receivables ledger clerk
- (      )

33. If fixed costs are \$1 million, variable costs are \$10 per unit, sales are \$30 per unit and budgeted sales are 80,000 units. What is the breakeven point in revenue?

- a. \$50,000
  - b. \$150,000
  - c. \$1,000,000
  - d. \$1,500,000
- (      )

34. Which of the following methods would be the most appropriate for informing a colleague of a meeting taking place later the same day?

- a. Memo
  - b. Telephone
  - c. Letter
  - d. Report
- (      )

35. Ken wants to calculate the company's breakeven point from the following data:

Selling price per unit	\$6	
Variable production cost per unit	\$1.20	
Variable selling price per unit	\$0.40	
Fixed production cost per unit based on a budgeted 10,000 units per annum		\$4
Fixed selling cost per unit based on budgeted 10,000 units per annum		\$0.80

- a. 8,334 units
- b. 9,091 units
- c. 10,909 units
- d. 10,910 units ( )

36. Which of the following statements are true in relation to breakeven analysis?

- (i) Breakeven analysis is the study of interrelationship between costs , volume and profit at a fixed level of activity
  - (ii) Breakeven point is the level of sales where total contribution equals fixed costs
  - (iii) At the breakeven point the company makes neither a profit nor a loss
  - (iv) The quantity we need to sell n order to break even is found by dividing the fixed costs by the contribution per unit
- a. (i) and (iii)
  - b. (i), (ii) and (iii)
  - c. (i), (iii) and (iv)
  - d. (ii), (iii) and (iv) ( )

37. Jack has runs his vehicle recovery business for a number of years. His main problem is keeping track of the wide range of vehicle parts he has to maintain. Which of the following would be most useful in solving his problems?

- a. Customer database
- b. Supplier database
- c. Stock control database
- d. Employee database

38. Which of the following is a good definition of a dot matrix printer?

- a. It is the same as a laser printer
- b. It forms letters by combination of dots
- c. It only prints dots for diagrams  
It always prints in draft form
- d. None of the above ( )

39. If the sales price per unit is \$20, fixed costs are \$500,000 and the breakeven point is 100,000 units, what is the contribution to sales ratio?

- a. 15%
- b. 25%
- c. 50%
- d. 75% ( )

40. Fixed costs equal \$12,000, unit contribution margin equals \$20 and the number of units sold equal 1,600. Operating income is :
- \$12,000
  - \$20,000
  - \$32,000
  - \$40,000
- (      )

41. If the breakeven point is 100 units and each unit sells for \$50, then:
- Selling 125 units will result in a profit
  - Sales of \$4,000 will result in a loss
  - Sales of \$5,000 will result in zero profit
  - All of these answers are correct
- (      )

42. Assuming a constant mix of 3 units of Small for every 1 unit of Large.

	Small	Large	Total
Sales	\$20	\$30	
Unit variable cost	\$14	\$18	
Fixed cost			\$48,000

The breakeven point in units would be:

- 4,800 units of Small and 1,600 units of Large
  - 1,200 units of Small and 400 units of Large
  - 1,600 units of Small and 4,800 units of Large
  - 400 units of Small and 1,200 units of Large
- (      )
43. In multiproduct situations, when sales mix shifts toward the product with the highest contribution margin then:
- Total revenues will decrease
  - Breakeven quantity will increase
  - Total contribution margin will decrease
  - Operating income will increase
- (      )

44. The following reflect the performance of a cost centre for the last year in \$:

	Actual	Flexed
Materials	40,720	40,000
Labour	92,376	85,000
Expenses	8,291	10,000

Cost variances of greater than 7.5% are brought to the attention of the managers responsible for investigation. Which variances will be investigated?

- Materials and labour only
  - Labour only
  - All three
  - Labour and expenses
- (      )
45. Which of the following costs would not be the concern of the supervisor of a production department?
- Material costs
  - Maintenance costs



- c. Finance lease payments
- d. Labour costs ( )

46. Which of the following would not be considered to be an objective of budgeting?

- a. Resource allocation
- b. Expansion
- c. Performance evaluation
- d. Authorisation ( )

47. Which of the following is not a possible cause of an adverse material usage variance?

- a. Defective materials
- b. Stricter quality control
- c. Increased process
- d. Theft ( )

48. Which one of the following is the correct description of a flexible budget?

- a. A budget that can be changed according to circumstances
- b. A budget that is open to negotiation
- c. A budget that is used for planning purposes only
- d. A budget that is adjusted according to actual activity ( )

49. Company C has a sales budget of 4,000 units for the year at a selling price of \$2.50 per unit. 4,160 units were actually sold in the year for a total revenue of \$9,984. What is the activity/volume variance, comparing fixed budget with flexible budget?

- a. \$416 F
- b. \$400 F
- c. \$16 F
- d. \$416 A ( )

50. Stephans Inc currently makes a subassembly for its main product. The cost per unit are as follows:

Direct materials	\$1
Direct labour	\$10
Variable overhead	\$5
Fixed overhead	\$8

Bill Company has contacted Stephans with an offer to sell him 5,000 of the subassemblies for \$22 each. If Stephan buys the subassemblies from Bill Company, he will not need to incur \$25,000 of fixed costs. Should Stephans make or buy?

- a. Buy; savings of \$20,000
- b. Buy; savings of \$50,000
- c. Make; savings of \$60,000
- d. Make; savings of \$5,000 ( )