S4 BAFS Practice Paper 2 | job costing, variances, bad debts, inventory, depreciation and ratios

Senior Secondary BAFS

S4 BAFS practice paper with answers: job costing and overhead absorption, material variances, bad debts allowance, FIFO, depreciation and liquidity ratios.

1. Job costing and overhead absorption (16 marks)

Give amounts in dollars and the absorption rate as a whole number.

#	Question
1	(a) A factory budgets manufacturing overhead of $240,000 and 8,000 direct labour hours. Calculate the overhead absorption rate per direct labour hour.
2	(b) Job J1 uses direct materials of $48,000 and 1,200 direct labour hours at $90 per hour. Calculate the overhead absorbed and the total manufacturing cost of the job.
3	(c) Actual overhead for the year is $258,000 and actual hours equal budgeted hours. Calculate the amount of over- or under-absorption.
4	(d) State two possible causes of under-absorption and explain why job costing suits made-to-order production.

2. Standard cost variances (18 marks)

Each unit has a standard usage of 2.5 kg at a standard price of $12 per kg.

#	Question
5	(a) Calculate the standard material cost per unit; output for the month was 4,200 units, so find the standard quantity and total standard material cost.
6	(b) Actual material used was 10,800 kg at $13 per kg. Calculate the material price variance and state whether it is favourable or adverse.
7	(c) Calculate the material usage variance and state whether it is favourable or adverse.
8	(d) Calculate the total material variance and reconcile it with actual and standard cost; state which department is mainly responsible for each variance.

3. Trade receivables, bad debts and allowance (16 marks)

The allowance is 3 per cent of closing trade receivables.

#	Question
9	(a) Opening receivables were $480,000; credit sales were $1,850,000, receipts $1,720,000 and bad debts written off $16,000. Calculate closing receivables.
10	(b) Calculate the allowance for doubtful debts required at the year end.

#	Question
11	(c) The opening allowance was $14,400. Calculate the bad debts expense charged to profit or loss for the year, allowing for the write-off.
12	(d) Explain how the allowance method differs from direct write-off in the financial statements, and why the allowance method better matches the matching principle.

4. Inventory cost flow: FIFO and weighted average (18 marks)

Opening inventory 200 units at $40 each; 300 units bought in March at $44; 500 units bought in July at $50; 700 units sold at $90 each.

#	Question
13	(a) Calculate the total units and total cost of goods available for sale, and the weighted average unit cost to two decimal places.
14	(b) Using FIFO, calculate the cost of sales and the closing inventory value.
15	(c) Using the weighted average method, calculate the cost of sales and the closing inventory value.
16	(d) Calculate the difference in gross profit between the two methods and explain why FIFO reports higher profit when prices are rising.

5. Depreciation: straight line and reducing balance (16 marks)

A machine costs $360,000 with an estimated residual value of $40,000 and a useful life of 8 years.

#	Question
17	(a) Calculate the annual depreciation charge under the straight line method.
18	(b) Calculate the accumulated depreciation and net book value at the end of year 5 under the straight line method.
19	(c) Using the reducing balance method at 25 per cent a year, calculate the depreciation for years 1 and 2 and the net book value at the end of year 2.
20	(d) Explain why the reducing balance method suits assets with high wear or rapid technological change, and why its charge never falls below the residual value.

6. Liquidity and profitability ratios (16 marks)

Give ratios to two decimal places and percentages to one decimal place.

#	Question
21	(a) Current assets are $620,000, including inventory of $240,000, and current liabilities are $310,000. Calculate the current ratio and the quick ratio.
22	(b) Sales are $2,400,000, gross profit $720,000 and net profit $168,000. Calculate the gross profit margin and the net profit margin.

#	Question
23	(c) Total assets are $1,400,000 and total liabilities $700,000. Calculate the return on total assets, using net profit over total assets, and the gearing ratio of total liabilities to total assets.
24	(d) Inventory is 38.7 per cent of current assets. Compare the current and quick ratios and comment on the short term solvency of the company.

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