



FNSACC527

ASSESSOR GUIDE

Provide management accounting information

Assessment 1 of 3

Short Answer Questions



Assessment Details

Purpose of the Task

This task requires students to answer a set of written questions to demonstrate that they understand the knowledge required for this unit.



Assessment Information

Submission

You are entitled to three (3) attempts to complete this assessment satisfactorily. Incomplete assessments will not be marked and will count as one of your three attempts.

All questions must be responded to correctly to be assessed as satisfactory for this assessment.

Answers must be typed into the space provided and submitted electronically via the LMS. Hand-written assessments will not be accepted unless previously arranged with your assessor.

Reasonable adjustment

Students may request a reasonable adjustment for assessment tasks.

Reasonable adjustment usually involves varying:

- the processes for conducting the assessment (e.g. allowing additional time)
- the evidence gathering techniques (e.g. oral rather than written questioning, use of a scribe, modifications to equipment)

However, the evidence collected must allow the student to demonstrate all requirements of the unit.

Refer to the Student Handbook or contact your Trainer for further information.



Please consider the environment before printing this assessment.

Assessor Instructions for Assessment Task 1

Guidance to Assessors About this Task

Provide students with the date of submission for this task. Students can be given the opportunity to answer questions verbally if appropriate.

Record the outcome of this assessment in the Assessment Record Tool.

Benchmark responses for each question have been provided.

Short Answer Questions

Question 1

In your own words, briefly explain the following terminologies:

- a. Cost Element
- b. Cost Behaviour

[Approximately 20 to 50 words each]

Marking guide	
The student's responses may vary but must meet the sample responses below.	
Cost Element	Cost elements are factors in the cost of production or service delivery processes. Examples of these include materials, labour, and rent.
Cost Behaviour	Cost behaviour is associated with learning how costs change when there is a change in an organisation's level of activity. The costs that vary proportionately with the changes in the activity level are referred to as variable costs. The costs unaffected by changes in activity level are classified as fixed costs. A mixed cost has both the characteristics of variable and fixed cost.

Question 2

A factory producing and supplying automobile parts to local distributors has identified the months of December, January, and February to be the busiest months for orders, deliveries and services, with a sharp decline in orders during April, May, and June.

During the peak months, the factory employs a fixed number of contractual delivery personnel, factory workers, and project-based supervisors to meet this demand.

For this assessment, consider the following elements of production and delivery costs:

- Factory rent
- Salary for contractual employees
- Raw materials purchased
- Salary for regular employees

Complete the table below to identify and describe the cost behaviour of the production elements.

- i. Write the letters corresponding to the correct cost behaviour on the space provided:
 - a. Fixed cost
 - b. Variable cost

- c. Mixed cost
- ii. Briefly explain your answer in 15 to 30 words each.

	Cost Behaviour Classification	Cost Behaviour Description Guidance: Imagine how the peak and off-peak seasons affect each element's costs. [Approximately 15 to 30 words each.]
a. Factory rent	A	The cost for rent is not affected by the peak/off-peak seasons
b. Salary for contractual employees	B	Cost of salary is increased during the peak seasons and decreased during off-peak seasons
c. Raw materials purchased	B	Raw materials purchased are increased during the peak season and decreased during the off-peak season
d. Salary for regular employees	A	Salary for regular employees is not affected by the peak/off-peak seasons
e. Internet expenses (monthly rate + extra data usage charges)	C	Cost includes fixed monthly rate and variable data usage charges

Below are two [2] costs incurred by a printing company for two [2] months.

Identify the cost behaviour for each cost.

Cost	Month	Cost	Units Produced/ Delivered
Printing costs	Month 1	\$7,004.00	778
	Month 2	\$9,306.00	1,163
Delivery costs	Month 1	\$6,080.00	800
	Month 2	\$5,168.00	680
Advertising and marketing costs	Month 1	\$5,600.00	778
	Month 2	\$5,600.00	1,163

Question 3

Complete the table below to identify and describe the cost behaviour of the production elements.

- i. Write the letters corresponding to the correct cost behaviour on the space provided:
- Fixed cost
 - Variable cost

c. Mixed cost

In approximately 20 to 50 words, briefly explain your answer.

Costs	Cost behaviour	Explanation <i>(Approximately 20 to 50 words each)</i>
a. Printing Costs	C	Because the totals for these two [2] data periods differ, it is not a fixed cost. However, because the unit cost differs at the two activity levels, it is not a variable cost either. Since the cost is neither fixed nor variable, it is mixed.
b. Delivery Costs	B	Because the total cost is dependent on the number of units delivered, it is variable; or Because the unit cost is the same regardless of the number of units delivered, it is variable.
c. Advertising and marketing costs	A	Because the cost is the same independent of the units produced

Question 4

Determine whether the described cost is a Fixed Cost, a Variable Cost, or a Mixed Cost.

Guidance: Write FC for Fixed Cost, VC for Variable Cost, and MC for Mixed Cost on the spaces provided below:

Marking guide	
Fixed Variable or Mixed Cost?	Cost
FC	a. An example of this is office rent expenses.
VC	b. This cost increases when more units are produced and decreases when fewer units are produced.
FC	c. These costs will incur even if no units are produced.
VC	d. An example of this is the cost of raw materials.
MC	e. An example of this is the cost of telephone expenses.

Question 5

List two (2) key features of typical organisational policies and procedures applying to costing systems, and discuss how they apply to organisations using different costing systems.

[Approximately 50 to 50 words each]

Marking guide	
<p>Two (2) features of organisational policies and procedures</p>	<p>a. b.</p> <p>Answers may include any two (2) of the following:</p> <ul style="list-style-type: none"> • How the organisation's procurement process ensures all purchasing expenses are accounted for. • How the organisation's costing policies help ensure that all overhead, including non-product fixed costs, are included when costing a service. • How the organisations' documentation policies ensure that expenses are recorded accurately.
<p>How do these apply to organisations using different Costing Systems. [Approximately 150 to 250 words depending on the key features listed]</p>	<p>The student's answers will vary depending on their listed key features. However, their discussion must relate to how the policies and procedures they've listed apply to an organisation's costing system.</p> <p>For example, the student may discuss:</p> <ul style="list-style-type: none"> • How the organisation's procurement process ensures all purchasing expenses are accounted for. <p>Policies and procedures likewise dictate the parameters of the procurement process according to inventory management (the kind or type of supplier, the order size, reorder point, economic order quantity) to control costs [ordering and carrying costs]. This applies to the screening and selection of suppliers, purchasing or procurement.</p> <ul style="list-style-type: none"> • How the organisation's costing policies help ensure that all overhead, including non-product fixed costs, are included when costing a service. <p>On the other side of the spectrum is the costing of the products offered. The policies and procedures aim to capture all the costs in the costing process, whether direct or indirect. This ensures that the business appropriately allocates its production costs to each product and that customers pay for their money's worth.</p> <ul style="list-style-type: none"> • How the organisation's documentation policies help ensure that expenses are recorded accurately. <p>Policies and procedures typically include the documentation process to help ensure that expenses are recorded accurately. This goes for every business regardless of the costing system employed. It is noteworthy that documentation is vital for reporting, review and audit processes.</p> <ul style="list-style-type: none"> ▪ Data processing in a costing system goes through several stages: collection, input, processing, output and storage. Therefore, policies and procedures should be implemented to ensure that the risks

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inherent in each stage are adequately addressed by applying various internal control activities.

Effective policies and procedures should address the following:

1. How data is entered into the system. Controls need to be implemented, which provide reasonable assurance about the accuracy, validity and completeness of data being entered (input controls).
2. How the data is processed once it is in the system. Controls need to be implemented which ensure data is processed accurately and correctly (processing controls).
3. How the outputs of the system are protected. The focus should be on controlling who can request outputs (user access privileges), how outputs are prepared, the format and content of outputs, and ensuring all outputs are accounted for.

Policies and procedures implemented should also allow for the operation of key general controls across the organisation. These controls relate to the overall environment in which the costing system operates. Examples include:

1. Physical controls - Concerned with protecting/restricting access to physical resources, e.g. keeping servers in a secure room and using locks to keep laptops secure.

2. Segregation of duties - Involves the separating of employee duties and responsibilities so that an individual employee cannot engage in fraudulent activity without being detected. Key functions should not be performed by the same person, i.e. record keeping, execution, custody, authorisation, and reconciliation.

3. User access to the system - Relates to users' access to the costing system. Users need to have an appropriate, secure password.

4. User risk awareness - Organisations need to ensure that the users of the costing system are aware of security threats and risks and that the organisation's policies are followed.

5. Data storage (backup) procedures & policies - Data is one of an organisation's most valuable resources. Therefore, policies relating to the access (restrict access), duplication, sending and storage (offsite backup critical) of data should be implemented.

Question 6

List and describe the five [5] key management information requirements.

[Approximate word count: 50 words or less each]

Marking guide	
Requirement	Description
i. Timely	Information should be communicated in time so that the recipient of the information is given ample time to make decisions based on the information received.
ii. Complete	Facts and figures should not be missing or concealed.
iii. Relevant	Information should be communicated to the right person, one who can utilise the information to make sound decisions.
iv. Accurate	Information should be fair and free from bias. It should not contain any arithmetical or grammatical errors.
v. Reliable	The data needs to be consistent across multiple records and does not contradict the information from other resources] according to best practice data quality research

Question 7

List two [2] key principles of budget preparation and explain how their implementation helps business organisations.

[Approximately 150 to 250 words depending on the key principles nominated]

Principle 1	
Principle 2	
How do these principles help budget preparation?	

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The student must provide two [2] key principles of budget preparation. Although responses may vary, the student's answer must refer to any two [2] of the following:

- a. The budget should quantify the organisation's operations and programs' financial and non-financial inputs and outputs.
- b. There should be adequate guidance so that all management levels work on the same assumptions, targeted objectives, and plans.
- c. Participants in the budgeting process should understand how their activities fit into the entire organisation and what constraints will be placed on them and their activities.
- d. Participation in the budgeting process should be encouraged at each level within the organisation.
- e. The development of the budget should be structured to involve the people who will be responsible for implementing the budget.
- f. Individuals and departments should be given the freedom and authority to influence and accept their performance levels and assume the responsibility for achievement.
- g. The budget preparation should be structured so that there is a high probability of attaining goals and objectives. However, if objectives are not achieved, the reasons should be clear.

The student must also explain how these principles help budget preparation. Answers will vary, so the student's answers should be reviewed accordingly. The general idea is that following these principles during budget preparation will assist in minimising implementation difficulties and increase the accuracy of the budget preparation process and the budget itself. Below is an example:

The principles serve as the guidelines (what, when, where, why, and how) within which a budget is prepared to help minimise implementation difficulties. The principles impliedly set factors such as the required resources (whether tangible or not), the people who should be involved, inputs and outputs, and even the time frames.

Question 8

List two [2] examples of best practices in budget preparation and explain how their implementation helps business organisations.

[Approximately 150 to 250 words depending on the best practices nominated]

Best practice 1	
Best practice 2	
How do these practices help business organisations?	
Marking guide	

The student must provide two [2] key principles of budget preparation. Although the wording may vary, the student's answer must refer to any two [2] of the following:

- a. Firm evaluation framework or having appropriate metrics
- b. Incorporate long-term perspectives of the organisation
- c. Establish linkages to broad organisational goals
- d. Focus budget decisions on results and outcomes
- e. Involve and promote effective communication with stakeholders
- f. Provide incentives to management and employees

The student must also explain how these practices help business organisations. Answers will vary, so the student's answers should be viewed accordingly. The general idea is that following these best practices will help decision-makers make informed choices about the provision of services and capital assets and to promote stakeholder participation and ownership in the process. Below is an example:

These practices help improve the visibility of performance monitoring and streamline the decision-making process. They also minimise budget negotiation issues arising from differing interests and priorities.

Question 9

Match the following costing systems to their correct descriptions.

- A. Direct costing
- B. Activity-based costing
- C. Process costing
- D. Job costing

Guidance: Write the letter corresponding to your answer in the spaces provided.

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B	It focuses on processes that incur costs and enables management to view costs from the perspective of what causes the cost.
A	The fixed manufacturing overhead is not debited to the work-in-process account but is written off as an expense in the period it is incurred.
D	A hybrid cost accounting system is suitable for organisations that manufacture batches of similar products.
C	Costs accumulated by each department or step through which the product passes are allocated to inventories according to the number of units completed by each department.

Question 10

Briefly discuss how variance analysis relates to costing system integrity.

[Approximately 150 to 200 words]

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- The student's answers may vary. However, the following points must be covered in the student's discussion:
- Essentially, the greater the integrity of the costing system, the more accurate and reliable the variance analysis will be
- Demonstration of knowledge of what a variance analysis is: the quantitative investigation of the difference between actual and planned behaviour.
- Explanation of how variance analysis determines the integrity of costing systems, this may include but is not limited to:
- By studying the efficiency and success of business decisions based on data gathered from costing systems
- Studying the different variances to determine the costing system's efficiency

A sample response is provided for you below.

Variance analysis points out the aspects that need to be investigated. Whether the variance is favourable or not, it is worthwhile to look into the causes. These variances often point to lapses in management judgment [e.g. change in suppliers – one who has a lower price but lower quality, hiring an experienced individual who has a higher salary versus hiring two (2) inexperienced individuals for lower salaries]. Variance analysis ensures that all the costs going into the product or service are value-adding and relevant.

Assessment checklist:

Students must have completed all questions within this assessment before submitting. This includes:

1	Ten (10) short answer questions are to be completed in the spaces provided.	<input type="checkbox"/>
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Congratulations, you have reached the end of Assessment 1!

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