IQM4011

LEVEL 4 · CONTROLLED ASSESSMENT

INTO QUALIFICATIONS

Management Accounting and Financial Decision-Making

Sample management accounting closed-book examination

Candidate question paper

Duration
2 hours

Total marks
100

Assessment window
Sample assessment

Assessment set
Set S of 2026

Response instruction
Follow the response instructions shown for each section.

Release timing
exam release

Paper
IQM4011 A1

Assessment set ID
2026-S

INTO QUALIFICATIONS LEARNER ID

DELIVERY CENTRE ID (OPTIONAL)

EXAM DATE
_____

ASSESSMENT SET
Set S of 2026

Do not open this paper until instructed. Follow the response instructions in this paper.

FOR MARKER USE ONLY

Marker initials	**Mark / 100**

About this sample assessment

Secure invigilated closed-book two-hour examination sampling cost behaviour, costing, CVP, budgeting, variances, performance indicators, investment appraisal, ethics and interpretation. Source form: Section A has 20 multiple-choice questions (20 marks) and Section B has three compulsory constructed-response questions (20, 30 and 30 marks), total 100 marks. Closed-book: no notes, books or other materials are permitted. Calculator use: A non-programmable, non-graphing scientific calculator is required. Calculators with computer algebra systems (CAS), text, image or document storage, internet capability or other communication functions are not permitted. Phones, tablets and smart watches are not permitted. No additional materials are permitted. This assessment is completed under controlled conditions. Students must not use generative AI at any stage of the assessment.

Mcqs

1

Management accounting primarily supports:

- A: only tax filing
- B: internal planning and decisions
- C: external audit opinions
- D: share registration

2

Selling price £32, variable cost £20. Contribution per unit:

- A: £20
- B: £32
- C: £52
- D: £12

3

A fixed monthly licence fee plus a charge per call is:

- A: semi-variable
- B: fixed
- C: variable
- D: sunk

4

Absorption costing includes which in product cost?

- A: dividend
- B: income tax
- C: fixed production overhead
- D: selling commission only

5

Cost drivers for activities are central to:

- A: ABC
- B: marginal costing
- C: payback
- D: incremental budgeting

6

Actual sales 7,000 units, breakeven 5,500. Margin of safety:

- A: 5,500 units
- B: 7,000 units
- C: 1,500 units
- D: 12,500 units

7

Relevant cost is typically:

- A: past sunk cost
- B: unavoidable allocated cost
- C: book depreciation only
- D: future incremental cash flow

8

A budget requiring justification of each activity from zero is:

- A: incremental
- B: zero-based
- C: flexible
- D: fixed

9

Standard quantity 2kg/unit; output 1,000 units; actual usage 2,100kg. At £3/kg, material usage variance:

- A: £300 favourable
- B: £6,300 adverse
- C: £300 adverse
- D: £6,000 favourable

10

Actual hours 900; standard hours for output 1,000; rate £12. Labour efficiency variance:

- A: £1,200 favourable
- B: £10,800 adverse
- C: £12,000 favourable
- D: £1,200 adverse

11

ROI is generally profit divided by:

- A: revenue
- B: capital employed/investment
- C: variable costs
- D: inventory only

12

Residual income is divisional profit less:

- A: sales tax
- B: variable cost
- C: depreciation only
- D: imputed capital charge

13

A balanced scorecard includes financial and:

- A: tax only
- B: inventory only
- C: share price only
- D: customer, process, learning/growth perspectives

14

Payback estimates:

- A: accounting profit margin
- B: time to recover initial cash investment
- C: total discounted value
- D: capital employed

15

A positive NPV at the required rate usually indicates:

- A: cash flows are certain
- B: project has zero risk
- C: estimated value is added
- D: payback is immediate

16

A constraint means a limiting:

- A: resource or capacity
- B: profit definition
- C: sales invoice
- D: depreciation method

17

A favourable material price variance might be offset by:

- A: lower price by definition
- B: higher waste/quality problems
- C: higher sales
- D: no production

18

A budget target perceived as impossible may encourage:

- A: perfect motivation
- B: lower uncertainty
- C: guaranteed efficiency
- D: dysfunctional behaviour

19

Sensitivity analysis tests:

- A: effect of changing an input assumption
- B: past actuals only
- C: one accounting entry
- D: the audit opinion

20

Relevant ethical conduct in reporting includes:

- A: concealing adverse results
- B: changing data to meet bonus
- C: transparent evidence and no deliberate bias
- D: omitting assumptions

Constructed Questions

21 [20 marks]

Morrow Gear makes one product selling at £45 per unit. Variable production cost is £24 and monthly fixed costs are £42,000. Capacity is 3,200 units. Calculate contribution/unit, breakeven units, breakeven revenue and margin of safety if sales are 2,700 units. A one-off customer offers 500 extra units at £35 each; no extra fixed costs are required, but overtime adds £3 variable cost per special-order unit. Advise whether to accept if normal demand is unaffected and capacity is available. Explain two qualitative considerations.

22 [30 marks]

Aster Components budgets 4,000 units using 8,400 kg at standard £5/kg and 3,800 labour hours at £14/hour. Actual output is 4,200 units, using 9,030kg at £5.20/kg and 4,050 hours at £13.50/hour. Prepare a flexible direct-cost budget for actual output of 4,200 units using only the supplied standard usage rates and standard rates, and compare it with actual direct material and labour costs. Show clear workings. Calculate material price and usage variances and labour rate and efficiency variances. Explain what the combined pattern may indicate, evaluate whether the budget assumptions remain suitable given the variances and evidence limits, and recommend proportionate follow-up.

23 [30 marks]

Lumen Ltd considers a machine costing £90,000. Expected net cash inflows: Year 1 £35,000; Year 2 £32,000; Year 3 £30,000; Year 4 £20,000. Discount rate 10%; factors: Y1 .909, Y2 .826, Y3 .751, Y4 .683. Calculate NPV and conventional payback. Recalculate NPV if each operating inflow is 15% lower. Evaluate the decision and state one limitation of each method.