AAT LEVEL 3 MANAGEMENT ACCOUNTING TECHNIQUES (MATS) PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

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How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

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Questions

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1. Which condition describes when a favourable variance occurs?

A. When the actual cost is less than budgeted cost or when actual revenue exceeds budgeted revenue

B. When the actual cost exceeds budget

C. When revenue is below budget

D. When there is no variance

2. Which cost is included in absorption costing but not in prime cost?

A. Fixed production overheads

B. Direct materials

C. Direct labour

D. Variable overhead

3. What is Marginal cost?

A. Sum of direct and fixed costs

B. Sum of direct materials and direct labour

C. Sum of direct and variable (indirect) costs

D. Sum of fixed production overheads

4. Which of the following are indirect expenses?

A. Royalty costs

B. Rent, rates, gas, water, electricity, depreciation and insurance

C. Wages

D. Sub-contracted charges

5. Apportionment of overheads means that when an overhead relates to more than one production centre it is spread across the applicable centres. True or false?

A. It is spread across the applicable centres

B. It is not spread across centres

C. It is charged to service centres only

D. It is ignored

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6. Which formula gives the variable cost per unit?

A. Total variable cost / activity level

B. Total fixed cost / units produced

C. Variable cost per unit + activity level

D. Constant cost per unit

7. Standard cost is defined as

A. Budgeted cost for the entire period only

B. The average cost of material usage

C. Carefully predetermined unit cost, used as a target against which variances are tracked

D. Actual cost incurred during production

8. Which of the following is NOT an attribute of good information?

A. Accurate

B. Complete

C. Cost beneficial

D. Confidential

9. Inventory holding period: If inventories are 250,000 and COS is 1,000,000, what is the holding period in days?

A. 30 days

B. 91 days

C. 365 days

D. 180 days

10. Cost classification by nature classifies costs according to their relation to cost units as which pair?

A. Direct costs and indirect costs

B. Fixed costs and variable costs

C. Product costs and period costs

D. Sunk costs and opportunity costs

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Answers

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1. A
2. A
3. C
4. B
5. B
6. A
7. C
8. D
9. B
10. A

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Explanations

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1. Which condition describes when a favourable variance occurs?

A. When the actual cost is less than budgeted cost or when actual revenue exceeds budgeted revenue

B. When the actual cost exceeds budget

C. When revenue is below budget

D. When there is no variance

Favourable variance occurs when actual results are better than planned: costs come in below the budget or revenue comes in above the budget. In variance analysis, you compare what actually happened with what you planned. Lower actual costs reduce expenses against the budget, and higher actual revenue increases income against the budget, both boosting profit. For example, budgeted costs of 100 but actual costs of 90 are favourable; budgeted revenue of 200 but actual revenue of 210 is also favourable. The opposite—actual costs exceeding the budget or revenue falling short—produces an unfavourable variance. If actual results match the budget, there is no variance.

2. Which cost is included in absorption costing but not in prime cost?

A. Fixed production overheads

B. Direct materials

C. Direct labour

D. Variable overhead

The key idea is the difference between absorption costing and prime cost. Absorption costing assigns all manufacturing costs to the product, so direct materials, direct labour, and all overheads (both fixed and variable) are included in the product cost. Prime cost, however, includes only the direct inputs—direct materials and direct labour—and excludes overheads entirely. Fixed production overheads are therefore included in absorption costing but not in prime cost. Direct materials and direct labour are prime costs and would appear in both methods, and while overheads like variable overhead are also absorbed, the example that clearly shows the distinction is fixed production overheads.

3. What is Marginal cost?

A. Sum of direct and fixed costs

B. Sum of direct materials and direct labour

C. Sum of direct and variable (indirect) costs

D. Sum of fixed production overheads

Marginal cost is the additional cost of producing one more unit. In the short run, fixed costs do not change with output, so they aren't part of the increment. The extra unit adds the variable costs, including direct materials, direct labour, and any variable overhead (indirect variable costs). So the marginal cost equals the sum of direct costs and variable costs. That's why the option describing direct and variable (indirect) costs is the best fit. The other options include fixed costs or omit parts of the variable costs, which is why they aren't correct.

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4. Which of the following are indirect expenses?

A. Royalty costs

B. Rent, rates, gas, water, electricity, depreciation and insurance

C. Wages

D. Sub-contracted charges

Indirect expenses are costs that cannot be traced to a single product and are treated as overheads that support the whole operation. Rent, rates, utilities (gas, water, electricity), depreciation and insurance fit this idea because they're incurred to run the entire business or factory and aren't tied to producing one specific item. Wages can be direct when they relate to workers who manufacture a particular product, and sub-contracted charges or royalties can be direct if they're tied to a specific product or service; they're not automatically overheads. Because the listed group contains classic overhead items that are commonly allocated to products as indirect costs, it is the best match.

5. Apportionment of overheads means that when an overhead relates to more than one production centre it is spread across the applicable centres. True or false?

A. It is spread across the applicable centres

B. It is not spread across centres

C. It is charged to service centres only

D. It is ignored

Apportionment is the process of sharing overhead costs that cannot be traced to a single cost centre among the centres that use or are affected by that cost, using a rational basis such as floor area, headcount, or machine hours. When an overhead relates to more than one production centre, it is allocated across those centres in proportion to the chosen basis. This ensures each centre bears a fair portion of the overhead relative to its use of the resource. So the statement is true: overheads related to multiple production centres are spread across the applicable centres. The alternative ideas would misrepresent how shared overheads are treated—for example, not spreading them, charging only to service centres, or ignoring them would distort costing.

6. Which formula gives the variable cost per unit?

A. Total variable cost / activity level

B. Total fixed cost / units produced

C. Variable cost per unit + activity level

D. Constant cost per unit

The thing being calculated is the variable cost per unit, which captures how much cost varies for each unit of output. To get that rate, you divide the total variable cost by the level of activity (for example, the number of units produced). This works because variable costs change in direct proportion to output, so the per-unit amount remains the same for a given cost behavior. Dividing total fixed cost by units produced would give the fixed cost per unit, not the variable portion. Adding the variable cost per unit to the activity level isn't a meaningful calculation for a per-unit rate. A constant cost per unit isn't a calculation either and doesn't reflect how variable costs behave with changes in output.

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7. Standard cost is defined as

A. Budgeted cost for the entire period only

B. The average cost of material usage

C. Carefully predetermined unit cost, used as a target against which variances are tracked

D. Actual cost incurred during production

Standard cost is a carefully predetermined unit cost used as a target against which variances are tracked. It's set for materials, labor, and overhead based on normal operating conditions and expected efficiency, so managers can compare what actually happened with what should have happened for each unit produced. This per-unit benchmark lets you calculate variances—price, usage, and efficiency—so you can analyze performance and control costs, rather than just looking at what was actually spent or what was planned for the whole period. It isn't the total budget for the period, nor the actual cost incurred, nor simply the observed average cost of material usage; it's a planned, standard reference per unit that guides planning and performance measurement.

8. Which of the following is NOT an attribute of good information?

A. Accurate

B. Complete

C. Cost beneficial

D. Confidential

What makes information useful for decision making is its quality: it should be accurate so you're not acting on false data, and complete so you have all the necessary details. It also helps if the information is cost-beneficial—that is, the benefits you gain from using it exceed the costs of gathering and processing it. Confidentiality, on the other hand, concerns protecting sensitive data from unauthorized access. It's a security requirement, not a measure of the information's quality. You can have highly accurate and complete information that is confidential, or confidential information that isn't particularly useful. But the security aspect does not define how good the information itself is.

9. Inventory holding period: If inventories are 250,000 and COS is 1,000,000, what is the holding period in days?

A. 30 days

B. 91 days

C. 365 days

D. 180 days

Inventory holding period shows how many days, on average, inventory stays before being sold. It is calculated as (Average inventory ÷ Cost of sales) × 365. With average inventory of 250,000 and COS of 1,000,000, the ratio is 0.25. Multiplying by 365 gives 91.25 days, so about 91 days. The other options would require different ratios (for example, 30 days would need a much smaller ratio, 180 days about 0.493, and 365 days about 1), which isn't the case here.

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10. Cost classification by nature classifies costs according to their relation to cost units as which pair?

A. Direct costs and indirect costs

B. Fixed costs and variable costs

C. Product costs and period costs

D. Sunk costs and opportunity costs

The key idea here is whether a cost can be traced directly to a specific cost unit. When a cost can be linked to a particular product or cost unit, it's a direct cost. If it cannot be traced to a single unit, it's an indirect cost and needs to be allocated across units, often as overhead. This distinction—traceable (direct) versus not traceable (indirect)—is what "cost classification by nature" uses. Examples help: the wages of workers who directly assemble a product are a direct cost, while the factory maintenance, depreciation, and utilities that support production but aren't tied to any one unit are indirect costs. The other pairings describe different ideas. Fixed versus variable relates to how costs change with activity level, not whether they can be traced to a cost unit. Product versus period splits costs by function or timing rather than traceability. Sunk versus opportunity costs involve different concepts of cost in decision making and do not address how costs relate to cost units.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://aatlvl3mats.examzify.com

We wish you the very best on your exam journey. You've got this!

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