

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.

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!

Questions

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1. In marginal costing all fixed costs are

- A. Product costs
- B. Period costs
- C. Variable costs
- D. Direct costs

2. Profit formula: Which statement is correct?

- A. Profit = Revenue - Fixed costs
- B. Profit = Revenue - Variable costs
- C. Profit = Revenue - Variable costs = Contribution - Fixed costs
- D. Profit = Contribution - Fixed costs

3. What are the 2 types of inventory control system?

- A. Fixed quantity system and continuous review system
- B. Periodic review system and JIT system
- C. Fixed quantity system and periodic review system
- D. Fixed quantity system and stock-control system

4. In ABC, after grouping overheads into cost pools and identifying cost drivers, which step comes next?

- A. Calculate cost driver rates (budgeted cost pool/budget cost driver)
- B. Absorb overheads based on demand
- C. Determine production quantity
- D. Set a single overhead rate

5. Periodic review inventory control means replenishment orders are placed at what times?

- A. When inventory falls below a fixed level
- B. Immediately when stock runs out
- C. At fixed intervals regardless of level
- D. Only when supplier indicates

6. Which formula converts profit to cash?

- A. Profit + cash inflows - cash outflows + non cash items = cash
- B. Cash inflows - cash outflows + non cash items = cash
- C. Profit - cash inflows + cash outflows - non cash items = cash
- D. Cash + depreciation - amortization = cash

7. Which statement about prime cost is true?

- A. It includes fixed overheads
- B. It excludes direct materials
- C. It is the sum of direct materials, direct labour, and direct expenses
- D. It includes the cost of marketing

8. Which inventory valuation method provides higher profits when prices are falling?

- A. AVCO
- B. FIFO
- C. LIFO
- D. Specific identification

9. Under absorption costing, fixed production costs are included in inventory as part of product costs.

- A. Yes; fixed production costs are included in inventory as product costs
- B. No; fixed production costs are treated as period costs
- C. Only when production volume exceeds a threshold
- D. They are excluded from cost of sale

10. Material usage is calculated as which of the following?

- A. Production Units Plus Material Used Per Unit
- B. Material Usage Equals Production Units Times Material Used Per Unit
- C. Sales Minus Wastage
- D. Wastage Plus Material Cost Per Unit

Answers

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

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Explanations

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1. In marginal costing all fixed costs are

- A. Product costs
- B. Period costs**
- C. Variable costs
- D. Direct costs

In marginal costing, costs are split by behavior: variable costs change with the level of output, while fixed costs stay the same regardless of how much is produced. Because fixed costs do not vary with production, they are not attached to individual units. Instead, they are treated as period costs and charged to the income statement for the period in which they are incurred. This is why all fixed costs are period costs in marginal costing. Product costs, by contrast, include only variable manufacturing costs; fixed manufacturing overhead is not included in the per-unit cost under this method.

2. Profit formula: Which statement is correct?

- A. Profit = Revenue - Fixed costs
- B. Profit = Revenue - Variable costs
- C. Profit = Revenue - Variable costs = Contribution - Fixed costs**
- D. Profit = Contribution - Fixed costs

Profit is what's left after all costs are covered, and it helps to split costs into variable (changing with output) and fixed (unchanging). The amount you get when you subtract variable costs from revenue is the contribution—the money available to cover fixed costs and, after those are covered, to become profit. So profit can be written as revenue minus variable costs, and that same amount equals contribution minus fixed costs. This makes the option that shows both expressions the clearest and most complete statement of how profit relates to revenue, variable costs, fixed costs, and contribution. The other options miss parts of the picture: subtracting fixed costs from revenue ignores variable costs, and subtracting variable costs from revenue gives contribution, not final profit, until fixed costs are accounted for.

3. What are the 2 types of inventory control system?

- A. Fixed quantity system and continuous review system
- B. Periodic review system and JIT system
- C. Fixed quantity system and periodic review system**
- D. Fixed quantity system and stock-control system

The two main ways inventory is reviewed and orders are placed are fixed quantity (order a constant amount each time) and periodic review (place orders at fixed time intervals). In the fixed quantity system, you trigger an order when stock falls to a reorder point, ordering a fixed quantity each time to bring stock back up. In the periodic review system, you review and order at regular intervals, with the order size sized to cover expected demand during the interval plus any safety stock. These two capture the common approaches to controlling stock levels: how often you review and how much you reorder. Other options mix in approaches that aren't considered the standard two categories here—continuous or perpetual review is often viewed as the same idea as fixed quantity in practice, JIT is more about a broader production/flow philosophy, and a generic stock-control system isn't a specific inventory-control framework.

4. In ABC, after grouping overheads into cost pools and identifying cost drivers, which step comes next?

- A. Calculate cost driver rates (budgeted cost pool/budget cost driver)**
- B. Absorb overheads based on demand
- C. Determine production quantity
- D. Set a single overhead rate

Once overheads have been grouped into cost pools and their drivers identified, the next step is to translate those budgets into a usable price for each driver. This means calculating the cost driver rates by dividing the budgeted overhead for each pool by the budgeted level of its driver. These rates become the amounts used to apply or absorb overheads to products or services based on actual consumption of each driver. For example, if a pool has budgeted overhead of £120,000 and the driver is 24,000 machine hours, the rate is £5 per machine hour. When actual hours are known, you multiply by the rate to allocate overhead accordingly. Absorbing overheads based on demand is something you do after the rates exist; production quantity is not what creates the rate in ABC, and using a single overhead rate contradicts the multiple-rate approach of activity-based costing.

5. Periodic review inventory control means replenishment orders are placed at what times?

- A. When inventory falls below a fixed level
- B. Immediately when stock runs out
- C. At fixed intervals regardless of level**
- D. Only when supplier indicates

Periodic review means you check and place replenishment orders at fixed, regular intervals. At each review, you assess current stock and order enough to bring the inventory up to a predetermined target level, regardless of how much stock you have at that moment. This differs from continuous review, where an order is triggered as soon as stock falls to a reorder point. So the timing of orders is set by the schedule, not by the stock level.

6. Which formula converts profit to cash?

- A. Profit + cash inflows - cash outflows + non cash items = cash**
- B. Cash inflows - cash outflows + non cash items = cash
- C. Profit - cash inflows + cash outflows - non cash items = cash
- D. Cash + depreciation - amortization = cash

Converting profit to cash requires removing the effects of items that affect profit but not cash, and then incorporating the actual cash movements from operating activities. Profit is an accrual measure, so you add back non-cash charges like depreciation and amortization because they reduce profit without using cash. You also adjust for the net cash flow from operating activities, which is cash receipts from customers minus cash payments to suppliers, employees, and others. So starting with profit, you add the net cash inflow from operations (cash inflows minus cash outflows) and you add back non-cash items. The result represents the cash generated. For example, if profit is 100, depreciation is 20 (a non-cash item), and net cash from operations is 30, then cash on hand would be $100 + 30 + 20 = 150$. Other options either omit the non-cash adjustments or apply signs inconsistently, which would not correctly translate accrual profit into cash.

7. Which statement about prime cost is true?

- A. It includes fixed overheads
- B. It excludes direct materials
- C. It is the sum of direct materials, direct labour, and direct expenses**
- D. It includes the cost of marketing

Prime cost is the direct input into making a product that can be traced straight to production. It includes the costs that are directly tied to the unit of output: direct materials, direct labour, and direct expenses (costs directly attributable to production, such as specific charges for tools or royalties tied to production). It excludes overheads (like fixed overheads) and any selling or marketing costs. So the true statement is that prime cost is the sum of direct materials, direct labour, and direct expenses. The other options aren't correct because fixed overheads are part of manufacturing overhead, not prime cost; direct materials are included in prime cost, not excluded; and marketing costs are selling expenses, not production costs.

8. Which inventory valuation method provides higher profits when prices are falling?

- A. AVCO**
- B. FIFO
- C. LIFO
- D. Specific identification

When prices are falling, the latest costs are the lowest. Using those lower costs to value the cost of goods sold reduces COGS, which raises the profit on the sale. For example, imagine three units on hand with costs 10, 9, and 8. If you sell two units at a price of 12 each, the profits under different methods look like this: - LIFO (latest costs first): $\text{COGS} = 8 + 9 = 17$; $\text{profit} = 24 - 17 = 7$. - FIFO (oldest costs first): $\text{COGS} = 10 + 9 = 19$; $\text{profit} = 24 - 19 = 5$. - Average cost: average cost is 9, so $\text{COGS} = 18$; $\text{profit} = 24 - 18 = 6$. - Specific identification could vary depending on which specific items are sold, but the lowest COGS (and thus the highest profit) in this deflationary scenario comes from using the latest, lowest costs. Thus, in a falling-price environment, the inventory method that uses the most recent costs for COGS tends to produce the highest profits.

9. Under absorption costing, fixed production costs are included in inventory as part of product costs.

- A. Yes; fixed production costs are included in inventory as product costs**
- B. No; fixed production costs are treated as period costs
- C. Only when production volume exceeds a threshold
- D. They are excluded from cost of sale

Under absorption costing, all manufacturing costs are attached to the product, so fixed production costs are allocated to units produced and carried in inventory. This means those fixed costs become part of the product's value on the balance sheet and are not expensed in the period they're incurred. When goods are sold, the fixed production costs that were included in inventory flow into cost of goods sold along with the variable costs. This approach aligns the expense of production with the revenue from the goods sold. The other ideas don't fit because fixed production costs are not treated as period costs under absorption costing, there's no threshold that changes this treatment, and those costs do not stay excluded from cost of sale—they are included in inventory and later moved to cost of sales when sold.

10. Material usage is calculated as which of the following?

- A. Production Units Plus Material Used Per Unit
- B. Material Usage Equals Production Units Times Material Used Per Unit**
- C. Sales Minus Wastage
- D. Wastage Plus Material Cost Per Unit

Material usage is the total quantity of material actually consumed to produce the output. Since each unit requires a specific amount of material, you multiply the number of units produced by the material used per unit to get the total material usage. For example, 10,000 units at 0.25 kg per unit equals 2,500 kg of material used. This approach directly scales the per-unit material requirement across all units produced. The other methods don't produce a quantity of material used: adding production units to material per unit mixes incompatible measures, while using sales minus wastage or wastage with cost per unit blends financial figures with material quantities rather than giving total consumption.

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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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