



## **PAPER 8 COST ACCOUNTING**



## **INDEX COST ACCOUNTING**

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1. The main purpose of Cost Accounting is
- (a) to maximise profit.
  - (b) to help in inventory valuation.
  - (c) to enter into Price War with competitive Firms.
  - (d) to provide information to management for decision-making.

2. ----- is anything for which a separate measurement is required.
- (a) Cost Unit
  - (b) Cost Object
  - (c) Cost Driver
  - (d) Cost Centre

[MQP June 2024]

3. Which of the following is true about Cost control:
- (a) It is a corrective function
  - (b) It challenges the set standards
  - (c) It ends when targets achieved
  - (d) It is concerned with future

4. Cost Units used in Power Sector is:
- (a) Kilo Meter (K.M)
  - (b) Kilo-Watt-Hour (KWH)
  - (c) Number of Electric Points
  - (d) Machine Hours

5. Processes Costing method is suitable for
- (a) Transport Sector
  - (b) Chemical Industries
  - (c) Dam Construction
  - (d) Furniture-making

6. Distinction between Direct Cost and Indirect Cost is an example of----- classification
- (a) By Element
  - (b) By Function
  - (c) By Controllability
  - (d) By Variability

[Module]

7. The advantage of using IT in Cost Accounting does not include:
- (a) Single Point Data Entry
  - (b) Stock needs to be reconciled with Goods Received Note
  - (c) Reduction in multiplicity of documents
  - (d) Integration of various functions

8. A Taxi Provider charges minimum Rs.80 thereafter Rs. 12 per kilometre of distance travelled, the behaviour of Conveyance Cost is:
- (a) Fixed Cost
  - (b) Semi-Variable Cost
  - (c) Variable Cost
  - (d) Administrative Cost.

9. A Ltd has three Production Departments, and each department has two machines. which of the following cannot be treated as Cost Centre for cost allocation:
- (a) Machines under the Production Department
  - (b) Production Departments
  - (c) Both Production Department and Machines
  - (d) A Ltd

10. Which of the following is an example of functional classification of cost?
- (a) Semi-Variable Costs
  - (b) Fixed Cost
  - (c) Administrative Overheads
  - (d) Indirect Overheads.

[Module]



11. Ticket Counter in a Railway Station is an example of
- (a) Cost Centre
  - (b) Revenue Centre
  - (c) Profit Centre
  - (d) Investment Centre

12. Costs which are ascertained after they have been incurred are known as
- (a) Sunk Costs
  - (b) Imputed Costs
  - (c) Historical Costs
  - (d) Opportunity Costs

13. Generally, for the purpose of Cost Sheet preparation, costs are classified on the basis of -
- (a) Functions
  - (b) Variability
  - (c) Relevance
  - (d) Nature

14. Which of the following items is not excluded while preparing a Cost Sheet?
- (a) Goodwill written off
  - (b) Provision for Taxation
  - (c) Property Tax on Factory Building
  - (d) Transfer to Reserves

15. What is Prime Cost?
- (a) Total Direct Costs only
  - (b) Total Indirect Costs only
  - (c) Total Non-Production Costs
  - (d) Total Production Costs

16. Which of the following does not form part of Prime Cost
- (a) Cost of Packing
  - (b) Cost of Transportation Paid to bring materials to Factory
  - (c) GST paid on Raw Materials (where Input Credit cannot be claimed)
  - (d) Overtime Premium paid to Workers.

17. A Ltd received an order, for which it purchased a special frame for manufacturing. This is a part of:
- (a) Direct Materials
  - (b) Direct Expenses
  - (c) Factory Overheads
  - (d) Administration Overheads.

18. Which of the following are Direct Expenses? (1) Cost of Special Designs, Drawings or Layouts, (2) Hire of Tools or Equipment for a particular job, (3) Salesman's Wages, (4) Rent, Rates and Insurance of a Factory.
- (a) (1) and (2)
  - (b) (1) and (3)
  - (c) (2) and (3)
  - (d) (3) and (4)

19. Salary paid to Plant Supervisor is a part of
- (a) Direct Expenses
  - (b) Factory Overheads
  - (c) Quality Control Cost
  - (d) Administration Cost

20. Depreciation of Director's Laptop is treated as a part of:
- (a) Administration Overheads
  - (b) Factory Overheads
  - (c) IT Infrastructure Cost
  - (d) Research & Development Cost

21. A Manufacturing Company has set-up a lab for testing of products for compliance with standards. Salary of this Lab Staff are part of:
- (a) Works Overheads
  - (b) Quality Control Cost
  - (c) Direct Expenses
  - (d) Research & Development Cost

**22. Audit Fees paid to External Statutory****Auditors is part of -**

- (a) Administration Cost
- (b) Production Cost
- (c) Selling & Distribution Cost
- (d) Quality Control Cost

**23. Salary paid to Factory Stores Staff is part of:**

- (a) Factory Overheads
- (b) Production Cost
- (c) Direct Employee Cost
- (d) Direct Material Cost

**24. Canteen Expenses for Factory Workers are part of -**

- (a) Factory Overhead
- (b) Administration Cost
- (c) Marketing Cost
- (d) Direct Expenses

**25. A Company pays Royalty to State Government on the basis of production, it is treated as:**

- (a) Direct Material Cost
- (b) Quality Control Cost
- (c) Direct Expenses
- (d) Administration Overhead

**26. Which of the following is not an element of Works Overhead?**

- (a) Store Keeper's Salary
- (b) Plant Manager's Salary
- (c) Sales Manager's Salary
- (d) Product Inspector's Salary

**PAST PAPER, MTP & MQPS MCQ'S****27. Cost units used in power sector is called:**

- (a) Number of hours
- (b) Kilometer (KM)
- (c) Number of electric points
- (d) Kilowatt-hour (KWH)

[PP Dec 2021]

**28. Cost units of Automobile Industry is:**

- (a) Cubic meter
- (b) Number of vehicle
- (c) Bed Night
- (d) Number of calls

[PP Dec 2021]

**29. The allotment of whole items of cost of centers or cost unit is called:**

- (a) Overhead absorption
- (b) Cost allocation
- (c) None of these
- (d) Cost apportionment.

[PP Dec 2021]

**30. Audit fees paid to cost auditors is part of:**

- (a) Administration Cost
- (b) None of these
- (c) Selling & Distribution cost
- (d) Production cost.

[PP Dec 2021]

**31. Which of the following is not an element of works overhead?**

- (a) Sales manager's salary
- (b) Factory repairman's wages
- (c) Product inspector's salary
- (d) Plant manager's salary

[PP Dec 2021]

**32. Notional and imputed costs mean the same thing.**

- (a) True
- (b) False
- (c) Partially True Partially False
- (d) None of these.

[PP Dec 2022]

**33. Cost which relates to an item where the input has an explicit physical relationship with the output is known as:**

- (a) Imputed Cost
- (b) Engineered Cost
- (c) Managed cost
- (d) Opportunity Cost

[PP Dec 2022]

**34. Cost object is anything for which a separate measurement of cost is required.**

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None of these.

[PP July 2023]

**35. The sum of direct labour and factory overhead is termed as:**

- (a) Sunk cost
- (b) Fixed cost
- (c) Conversion cost
- (d) Variable cost

[PP July 2023]

**36. For the purpose of cost sheet preparation, costs are classified based on:**

- (a) Nature
- (b) Functions
- (c) Relevance
- (d) Variability

[PP July 2023]

**37. Which one of the following classification is meant for distinction between Direct Cost and Indirect Cost?**

- (a) Variability
- (b) Function
- (c) Element
- (d) Controllability

[PP Dec 2024]

**38. Which one of the following costs is the value of the best alternative course of action that was not chosen?**

- (a) Sunk Cost
- (b) Relevant Cost
- (c) Economic Cost
- (d) Imputed Cost

[PP Dec 2024]

**39. SOTON Ltd., producing product NB provides the following information: Royalty paid on sales = Rs 50,000 Design charges paid for the product = Rs 20,000****Hire charges of equipment used for production = Rs 6,000****Direct expenses will be:**

- (a) Rs 76,000
- (b) Rs 80,000
- (c) Rs 60,000
- (d) None of the above

[PP Dec 2024]

**40. Costs which are ascertained after they have been incurred are known as**

- (a) Sunk Costs
- (b) Imputed Costs
- (c) Historical Costs
- (d) Opportunity Costs

[MQP June 2023]

**41. One of the major de-merit of a centralized purchase organization**

- (a) High initial costs
- (b) Classification of cost



- (c) Reference to the job  
(d) To determine the value of closing inventory

[MQP June 2023]

42. Royalty paid on sales ₹89,000 and Software development charges related to product is ₹22,000. Calculate Direct Expenses.

- (a) ₹1,11,100  
(b) ₹1,11,000  
(c) ₹1,11,110  
(d) ₹1,10,000

[MQP June 2023]

43. In process, conversion cost means \_\_\_\_\_

- (a) Cost of direct materials, direct labour, direct expenses  
(b) Direct labour, direct expenses, indirect material, indirect labour, indirect expenses  
(c) Prime cost plus factory overheads  
(d) All costs up to the product reaching the consumer, less direct material costs

[MQP June 2023]

44. A company has to pay a ₹1 per unit royalty to the designer of a product which it manufactures and sells. The royalty charge would be classified in the company's accounts as a \_\_\_\_\_

- (a) Direct expense  
(b) Production overhead  
(c) Administrative overhead  
(d) Selling overhead.

[MQP June 2023 &amp; Module]

45. Direct Expenses \_\_\_\_\_ includes imputed cost.

- (a) Shall  
(b) Shall not  
(c) Shall be  
(d) None of these

[MQP June 2024]

46. Fixed costs are treated as \_\_\_\_\_

- (a) Overhead costs  
(b) Prime costs  
(c) Period costs  
(d) Conversion costs

[MQP June 2024]

47. What is the primary objective of cost accounting?

- (a) Maximize profits  
(b) Record financial transactions  
(c) Provide financial statements  
(d) Facilitate cost control and decision-making

[MQP Dec 2024]

48. A company employs three drivers to deliver goods to its customers. The salaries paid to these drivers are:

- (a) a part of prime cost  
(b) a direct production expense  
(c) a production overhead  
(d) a selling and distribution overhead

[MQP Dec 2024 &amp; Module]

49. A company pays royalty to State Government on the basis of production, it is treated as:

- (a) Direct expenses  
(b) Factory overheads  
(c) Direct Material Cost  
(d) Administration Cost

[MQP Dec 2024]

50. \_\_\_\_\_ is a method of dealing with overheads which involves spreading common costs over cost centers on the basis of benefit received.

- (a) overhead absorption  
(b) overhead apportionment  
(c) overhead allocation  
(d) overhead analysis

[Module]



51. Which of the following is applicable for Cost Control?

- (a) It is related with the future  
(b) It is a corrective function  
(c) It ends when the targets are achieved  
(d) It challenges the standards set

[Module]

52. Ticket counter in a Metro Station is an example of

- (a) Profit centre  
(b) Investment centre  
(c) Cost centre  
(d) Revenue centre

[Module]

53. What does the term "opportunity cost" refer to in cost accounting?

- (a) Actual monetary expenditure  
(b) Cost of the next best alternative foregone  
(c) Fixed manufacturing costs  
(d) Variable selling expenses

[Module]

54. What type of cost is incurred to support multiple cost objects but cannot be directly traced to any specific one?

- (a) Direct Cost  
(b) Indirect Cost  
(c) Variable Cost  
(d) Fixed Cost

[Module]

55. If a business has an opportunity cost of Rs 10,000 for choosing one project over another, what is the economic cost?

- (a) Rs 10,000  
(b) Rs 0  
(c) The same as opportunity cost  
(d) Cannot be determined

[Module]

56. Which of the following is an appropriate example of Direct Expenses?

- (a) Rent for Warehouse  
(b) Royalty charged on Production  
(c) Bonus to Employees  
(d) Works Directors' Salaries

57. Which of the following items is not included in preparation of Cost Sheet in Single Costing?

- (a) Carriage Inward  
(b) Purchase Returns  
(c) Sales Commission  
(d) Interest Paid on Debt

58. Prime cost is \_\_\_\_\_

- (a) all costs incurred in manufacturing a product  
(b) the total of direct costs  
(c) the material cost of a product  
(d) the cost of operating a department

[Module]

59. In the context of cost elements, which category includes the cost of raw materials, direct labour, and direct expenses?

- (a) Prime Cost  
(b) Conversion Cost  
(c) Overhead Cost  
(d) Indirect Cost

[Module]

60. What is the formula for calculating the cost of production in a manufacturing entity?

- (a) Total Cost - Opening Stock  
(b) Opening Stock + Purchases - Closing Stock  
(c) Direct Materials + Direct Labour + Factory Overhead  
(d) Selling Price - Gross Profit

[Module]



61. Which of the following is deducted from the total cost to calculate the net profit?

- (a) Selling Expenses
- (b) Opening Stock
- (c) Direct Materials
- (d) Indirect Labour

[Module]

62. If direct materials cost 20,000, direct labour is 15,000, and direct expenses are 5,000, what is the prime cost?

- (a) 40,000
- (b) 35,000
- (c) 20,000
- (d) 15,000

[Module]

63. If fixed manufacturing costs are ₹ 50,000 and the number of units produced is 5,000, what is the fixed cost per unit?

- (a) 10
- (b) 5
- (c) 50
- (d) 0.1

[Module]

64. If the direct materials consumed are ₹ 30,000, direct labour is ₹ 20,000, and factory overhead is ₹ 15,000, what is the total manufacturing cost?

- (a) 50,000
- (b) 65,000
- (c) 30,000
- (d) 20,000

[Module &amp; MQP Dec 2024]

65. If the gross profit is ₹ 40,000, selling expenses are ₹ 10,000, and administrative expenses are ₹ 5,000, what is the net profit?

- (a) 40,000
- (b) 35,000
- (c) 25,000
- (d) 15,000

[Module]

66. Prime cost plus variable overhead is known as

- (a) Factory cost
- (b) Marginal cost
- (c) Cost of production
- (d) Total cost

[MQP June 2023]

67. Cost of Sales = Cost of Production + \_\_\_\_\_

- (a) Selling and distribution overhead rate per unit
- (b) Factory overhead cost
- (c) Direct labour
- (d) None of the above

[MQP Dec 2023]

**FILL IN THE BLANKS.**

68. Historical costs that cannot be recovered by any decision made now or in the future are called \_\_\_\_\_

69. Factory overhead costs are all manufacturing costs incurred in the factory except for \_\_\_\_\_ and \_\_\_\_\_ and \_\_\_\_\_

70. The sum of direct labour and factory overhead is termed \_\_\_\_\_

71. Product costs are \_\_\_\_\_ costs, that is, they are until they are sold; whereas period costs are matched immediately against the \_\_\_\_\_ in the period in which it is earned.

72. Variable costs change \_\_\_\_\_ in direct proportion to changes in output.

73. The net revenue forgone as a result of the rejection of an alternative is called an \_\_\_\_\_

74. Three inventory accounts are commonly used in manufacturing firms. They are raw materials, \_\_\_\_\_, and finished goods.

75. The beginning finished goods inventory plus the \_\_\_\_\_, minus the \_\_\_\_\_



ending finished goods inventory equals the cost of goods sold for a manufacturer.

76. The cost of direct materials used is the \_\_\_\_\_ plus \_\_\_\_\_ minus the ending inventory of direct materials.

77. A variable cost is \_\_\_\_\_ per unit.

**ANSWER KEY**

1. D	2. B	3. C	4. B	5. B	6. A	7. B	8. B	9. D	10. C
11. B	12. C	13. A	14. C	15. A	16. A	17. B	18. A	19. B	20. A
21. B	22. A	23. A	24. A	25. C	26. C	27. D	28. B	29. B	30. A
31. A	32. A	33. B	34. A	35. C	36. B	37. C	38. C	39. A	40. C
41. A	42. B	43. B	44. A	45. B	46. C	47. D	48. D	49. A	50. B
51. C	52. D	53. B	54. B	55. A	56. B	57. D	58. B	59. A	60. C
61. A	62. A	63. A	64. B	65. C	66. B	67. A			

**FILL IN THE BLANKS**

68. sunk costs	69. direct materials, direct labour, direct expenses	70. conversion cost	71. inventoriable, assets, revenue	72. in total
73. opportunity cost	74. work-in-process	75. cost of goods manufactured	76. beginning inventory of direct materials, purchases	77. constant

**1. Direct Material can be classified as -**

- (a) Fixed Cost
- (b) Variable Cost
- (c) Abnormal Cost
- (d) Regular Cost

[Module]

**2. Direct Material is a -**

- (a) Administration Cost
- (b) Selling and Distribution Cost
- (c) R&D Cost
- (d) None of these

[Module]

**3. In most of the manufacturing industries, the most important element of Cost is -**

- (a) Material
- (b) Labour
- (c) Overheads
- (d) None of the above

[Module]

**4. Which of the following is considered to be Normal Loss of Materials?**

- (a) Loss due to accidents
- (b) Pilferage
- (c) Loss due to breaking the bulk
- (d) Loss due to careless handling of materials

[Module]

**5. Which of the following is NOT Considered as Normal Loss of Material?**

- (a) Loss due to evaporation due to prevalent weather conditions
- (b) Loss due to Pilferage
- (c) Loss due to breaking the bulk
- (d) Loss due to transferring of liquid materials from container to another

**6. In which of following methods of Pricing, costs lag behind the current economic values?**

- (a) Last-in-First Out Price
- (b) First-in-First Out Price
- (c) Replacement Price
- (d) Weighted Average Price

**7. At the Economic Ordering Quantity level, the following is true on an annual basis**

- (a) Ordering Cost is minimum
- (b) Carrying Cost is minimum
- (c) Ordering Cost is equal to the Carrying Cost
- (d) Purchase Price is minimum

**8. Continuous Stock Taking is a part of -**

- (a) Annual Stock Taking prevalent
- (b) Perpetual Inventory
- (c) ABC Analysis
- (d) Bin Cards

**9. In which of the following methods, issues of materials are priced at pre-determined rate?**

- (a) Inflated Price Method
- (b) Standard Price Method
- (c) Replacement Price Method
- (d) Market Price Method.

[Module]

**10. When Material Prices fluctuate widely, the method of pricing that gives absurd results is -**

- (a) Simple Average Price
- (b) Weighted Average Price
- (c) Moving Average Price
- (d) Inflated Price.

**11. When prices fluctuate widely, the method that will smooth out the effect of fluctuations is**

- (a) Simple Average
- (b) Weighted Average
- (c) FIFO
- (d) LIFO

[Module]

**12. Under the FSN system of Inventory Control, Inventory is classified on the basis of:**

- (a) Volume of material consumption
- (b) Frequency of usage of items of inventory
- (c) Criticality of the item of inventory for production
- (d) Value of items of inventory.

**13. Form used for making a formal request to the Purchasing Department to purchase materials is a -**

- (a) Material Transfer Note
- (b) Purchase Requisition Note
- (c) Bill of Materials
- (d) Material Requisition Note.

**14. Which of the following is evaluated in a Supplier Decision?**

- (a) Financial Background
- (b) Quality of Materials
- (c) Time for Delivery
- (d) All of the above

**15. Classification of Materials on the basis of their Importance in Value is called -**

- (a) EOQ Analysis
- (b) Stock Level Analysis
- (c) ABC Analysis
- (d) Value Analysis

**16. Issue Request by Production Department to Stores Department is called**

- (a) Request for Proposal
- (b) Stores Requisition
- (c) Purchase Requisition
- (d) Consumption Statement

**17. For Return of Excess Materials from Production Department to Stores, the document used is...**

- (a) Material Return Note
- (b) Stores Debit Note
- (c) Shop Credit Note
- (d) All the above (same)

**18. Which of the following is NOT related to a Standard List of Materials and Components?**

- (a) Consumption Statement
- (b) Bill of Materials
- (c) Material Specification List
- (d) Material List

**19. Formal Request to Purchase Department to procure materials from Suppliers is called.**

- (a) Purchase Order
- (b) Purchase Requisition
- (c) Purchase A/c
- (d) Purchase Offer

**20. Which of the following is NOT a Stores related Record?**

- (a) Bin Cards
- (b) Stock Control Cards
- (c) Job Cards
- (d) Stores Ledger

**21. Which of the following is not recorded on a Bin Card?**

- (a) Material Received from Supplier
- (b) Material Issued to Production Depts
- (c) Inter Department Transfers
- (d) Loss of Materials



22. What is the formula for Re Order Level?

- (a) Minimum Usage X Minimum Lead Time
- (b) Minimum Usage X Maximum Lead Time
- (c) Maximum Usage X Minimum Lead Time
- (d) Maximum Usage X Maximum Lead Time

23. (ROL + ROQ (-) Minimum Usage X Minimum Lead Time) is the computation formula for...

- (a) Maximum Level
- (b) Minimum Level
- (c) Average Level
- (d) Danger Level

24. Inventory Turnover Ratio is expressed in -

- (a) Rupees
- (b) Percentage
- (c) Times
- (d) Any of the above

25. Generally, a ----T/o Ratio and ----days Average Inventory Held is preferable.

- (a) High, Less
- (b) Low, High
- (c) Low, Low
- (d) High, High

26. Pricing of Materials in the order in which they are purchased is called..... Method

- (a) Specific Identification
- (b) FIFO
- (c) LIFO
- (d) Orderly

27. Under LIFO, the Closing Stock of Inventory will be valued generally at .....prices.

- (a) Latest
- (b) Earliest
- (c) Average
- (d) Inflated

28. Landed Cost of Materials does NOT include...

- (a) Cost of Containers
- (b) Carriage Inwards
- (c) Stock Insurance
- (d) Unloading Charges

29. Cost of Abnormal Loss of Materials is

- (a) Debited to Costing P&L
- (b) Credited to Costing P&L
- (c) Included in Landed Cost
- (d) Included in OH

30. If RM Requirement is 18,250 units p.a., Ordering Cost is Rs.50 and Carrying Cost Rs.0.1 per day, EOQ =

- (a) 4,272 units
- (b) 224 units
- (c) 8,162 units
- (d) None of the above

31. Which of these is a treatment for Rectification Cost of Normal Defectives?

- (a) Charged to General OH
- (b) Charged to Good Products
- (c) Charged to Specific Department
- (d) All of the above

32. Material Returned to Vendor is treated as

- In the Stores Ledger.
- (a) Suspense
- (b) Receipt
- (c) Issue
- (d) Stock



33. Which of these is NOT used in the context of Material Cost Control?

- (a) Goods Received Note
- (b) Bill of Materials
- (c) Stores Requisition
- (d) Profit Reconciliation Statement

34. The Production Planning Department prepares a List of Materials and Stores required for the completion of a specific job order. This List is known as

- (a) Bin Card
- (b) Bill of Material
- (c) Material Requisition Slip
- (d) Production Planning Note

#### PAST PAPER, MQPS & MODULE MCQ'S

35. In which of the following methods, issue of materials are priced at per-determined rate?

- (a) Specific price method
- (b) Standard price method
- (c) Inflated price method
- (d) Replacement price method

[PP. Dec. 2019]

36. JIT deals with controlling defects in time.

- (a) True
- (b) False
- (c) Partly true Partly False
- (d) None

[PP. Dec. 2022]

37. Stores Ledger is maintained inside the stores by the store-keeper.

- (a) True
- (b) False
- (c) Partly true Partly False
- (d) None

[PP. July 2023, Module]

38. Continuous stock taking is an essential feature of the perpetual inventory system.

- (a) True
- (b) False
- (c) Partly true Partly False
- (d) None

[PP. July 2023, Module]

39. VED analysis is used primarily for control of work-in-progress.

- (a) True
- (b) False
- (c) Partly true Partly False
- (d) None

[PP July 2023]

40. Primary packing is a part of

- (a) Direct Material Cost
- (b) Production Overhead
- (c) Selling Overhead
- (d) Distribution Overhead

[PP Dec. 2023]

41. S & Co., which is using batch costing, provides the following information:

Annual demand for the components	4,800 units
Setting up cost per batch	₹50
Manufacturing cost per unit	₹100
Carrying cost per unit	12% per annum

On the basis of the above, Economic Batch Quantity of the firm is

- (a) 100 units
- (b) 200 units
- (c) 300 units
- (d) 400 units

[PP Dec. 2023]



42. In which of the following methods of pricing, costs lag behind the Current economic values?

- (a) Replacement price method
- (b) Weighted average price method
- (c) FIFO price method
- (d) LIFO price Method

[PP June 2024]

43. Following information is available:

Opening stock -4,000

Closing stock -6,400

Material consumed -31,200

On the above basis, what is the Inventory Turnover Ratio?

- (a) 7.8
- (b) 5
- (c) 6
- (d) 3

[PP June 2024]

44. A company requires 1,00,000 units of an item annually. The cost per unit is ₹10. Ordering cost is 500 per order and inventory carrying cost is 50% per unit per annum. The Economic Order Quantity (EOQ) in this case is \_\_\_\_\_.

- (a) 4,470 units
- (b) 4,472 units
- (c) 6,420 units
- (d) 6472 units

[PP June 2024]

45. Which of the following method is used for evaluation of equivalent production when prices are fluctuating in the market?

- (a) FIFO method
- (b) LIFO method
- (c) Simple average method
- (d) Weighted average method

[PP June 2024]

46. If the raw material prices are suffering from inflation, which of the following methods of valuing stock will give the lowest gross profit?

- (a) LIFO method
- (b) FIFO method
- (c) Replacement cost
- (d) Inflated price method

[PP Dec 2024]

47. Bin card is a record of both quantities and value.

- (a) True
- (b) False
- (c) Partly true Partly False
- (d) None

[MQP June 2023]

48. Which of the following closely matches with Just In Time (JIT)

- (a) Decision package
- (b) Cost of utilities
- (c) Production strategy
- (d) Replacement method

[MQP June 2023]

49. Materials which can be identified with the given product unit of cost centre is called as indirect materials

- (a) True
- (b) False
- (c) Partly true Partly False
- (d) None

[MQP June 2023]

50. Which of the following would not be used to estimate standard direct material prices?

- (a) The availability of bulk purchase discounts
- (b) Purchase contracts already agreed
- (c) The forecast movement of prices in the market
- (d) Performance standards in operation

[MQP Dec 2023]



51. At the economic ordering quantity level, the following is true:

- (a) The ordering cost is minimum
- (b) The carrying cost is minimum
- (c) The ordering cost is equal to the carrying cost
- (d) The purchase price is minimum

[MQP Dec 2023]

52. Perpetual inventory system enables management to ascertain stock at any time without physical inventory being taken.

- (a) True
- (b) False
- (c) Partly true Partly False
- (d) None

[Module]

53. Purchase requisition is usually prepared by the storekeeper.

- (a) True
- (b) False
- (c) Partly true Partly False
- (d) None

[Module]

54. In centralized purchasing all purchases are made by the purchasing department.

- (a) True
- (b) False
- (c) Partly true Partly False
- (d) None

[Module]

55. Weighted average method of pricing issue of materials involves adding all the different prices and dividing by the number of such prices.

- (a) True
- (b) False
- (c) Partly true Partly False
- (d) None

[Module]

56. Material returned note is prepared to keep a record of return of surplus materials to stores

- (a) True
- (b) False
- (c) Partly true Partly False
- (d) None

[Module]

57. Waste and Scrap of material have small realization value.

- (a) True
- (b) False
- (c) Partly true Partly False
- (d) None

[Module]

58. Bin card are not the part of accounting records.

- (a) True
- (b) False
- (c) Partly true Partly False
- (d) None

[Module]

59. Store Ledger is maintained inside the stores of store keeper.

- (a) True
- (b) False
- (c) Partly true Partly False
- (d) None

[Module]





## ANSWER KEY

1. B	2. D	3. A	4. C	5. B	6. B	7. C	8. B	9. B	10. A
11. B	12. B	13. B	14. D	15. C	16. B	17. D	18. A	19. B	20. C
21. C	22. A	23. A	24. C	25. A	26. B	27. B	28. C	29. A	30. B
31. D	32. C	33. D	34. B	35. B	36. B	37. B	38. A	39. B	40. B
41. B	42. C	43. C	44. B	45. D	46. A	47. B	48. C	49. B	50. D
51. C	52. A	53. A	54. A	55. B	56. A	57. B	58. B	59. B	

## Explanations:

## Q 40.

Reason: Primary packing is the one which is essential to put the product in saleable condition. Hence, it is treated as a part of production cost.

## Q41.

200 units

Working Note:

$$\begin{aligned} \text{EBQ} &= (2 \times \text{Annual required} \times \text{Setting up cost per batch} / \text{Carrying cost per unit})^{1/2} \\ &= (2 \times 4,800 \times 50 / (100 \times 12\%))^{1/2} \\ &= 200 \text{ units.} \end{aligned}$$

## Q43.

Working Note:

$$\begin{aligned} \text{Inventory turnover ratio} &= \text{Material Consumed} / \text{Average stock of material} \\ &= 31,200 / [(4,000 + 6,400) / 2] = 31,200 / 5,200 = 6 \end{aligned}$$

## Q. 44

4,472 units

Working Note:

Annual Demand = 1,00,000 units

Carrying cost =  $10 \times 150\% = \text{Rs. } 5$

$$\text{EOQ} = (2 \times \text{Annual demand} \times \text{Ordering cost} / \text{Carrying cost})^{1/2}$$

$$\text{EOQ} = (2 \times 1,00,000 \times 500 / 5)^{1/2}$$

$$\text{EOQ} = 4,472 \text{ units (Approx.)}$$



- Idle Time is the time under which
  - Full Wages are paid to workers
  - No Output is produced by the workers
  - Both (a) and (b)
  - None of the above.
- Idle Time is –
  - Time spent by workers in Factory
  - Time spent by workers in Office
  - Time spent by workers off their work
  - Time spent by workers on their job

[PP June 2018, Dec. 2021, Module]
- When a Direct Worker is paid on a monthly fixed salary basis, the following is true:
  - There is no Idle Time Lost
  - There is no Idle Time Cost.
  - Idle Time Cost is separated and treated as Overhead.
  - Salary is fully treated as Factory Overhead Cost

[PP June 17]
- Cost of Idle Time due to non-availability of Raw Material is
  - Charged to Overhead Costs
  - Charged to respective Jobs
  - Charged to Costing Profit and Loss Account
  - Charged to Supplier

[PP Dec. 2017 & 2018, MQP June 2023, Module]
- Time and Motion Study is conducted by
  - Time Keeping Department
  - Personnel Department
  - Payroll Department
  - Engineering Department

[PP Dec. 2021, Dec. 2022]
- Wages Sheet is generally prepared by Employee Costing
  - Time-Keeping Department
  - Personnel Department
  - Payroll Department
  - Engineering Department
- Identify, which one of the following, does not account for increasing Labour Productivity
  - Job Satisfaction
  - Motivating Workers
  - High Labour Turnover
  - Proper Supervision and Control.

[PP July 2023]
- For reducing the Labour Cost per unit, which of the following factors is the most important?
  - Low Wage Rates
  - Longer hours of work
  - Higher Productivity or Efficiency
  - Strict control and supervision

[PP Dec. 2019, MQP June 23]
- Which of the following formula is appropriate in measuring Labour Turnover?
  - Number of Persons Replaced / Average Number of Workers
  - Numbers of Persons Separated / Number of Workers at the beginning of the year
  - (Number of persons replaced + number of persons separated) / (number of persons at the beginning + the number of persons at the end of the year)
  - None of the above



10. Time Booking refers to a method wherein ——— of an employee is recorded.

- (a) Attendance
- (b) Book Keeping details
- (c) Health Status
- (d) Time spent on a particular job.

11. Employee Cost includes of an employee is recorded.

- (a) Wages and Salaries
- (b) Allowances and Incentives
- (c) Payment for Overtime
- (d) All of the above.

12. If the time saved is less than 50% of the Standard Time, then the Wages under Rowan and Halsey Premium Plan on comparison gives

- (a) More wages to workers under Rowan plan than Halsey plan
- (b) More wages to workers under Halsey plan than Rowan plan
- (c) Equal wages under two plans
- (d) None of the above

[MQP Dec. 2024, 2023, Module]

13. Standard Time of a job is 60 hours and guaranteed time rate is Rs.30 per hour. What is the amount of wages under Rowan plan if job is completed in 48 hours?

- (a) Rs.1,620
- (b) Rs.1,728
- (c) Rs.1,800
- (d) Rs.1,440

14. Standard Time of a job is 60 hours and guaranteed time rate is Rs.30 per hour. What the amount of Bonus under Halsey plan if job is completed in 45 hours?

- (a) Rs.1,620
- (b) Rs.1,440

- (c) Rs.180
- (d) Rs.1,728

15. Important factors for control of employee cost can be

- (a) Time and Motion Study
- (b) Control over idle time and overtime
- (c) Control over employee turnover
- (d) All of the above.

16. Out of the following methods attendance is marked by recognizing an employee based on physical and behavioural traits

- (a) Punch Card Attendance method
- (b) Bio- Metric Attendance system
- (c) Attendance Register method
- (d) Token Method.

17. If overtime is required for meeting urgent orders, the Overtime Premium should be charged as

- (a) Respective job
- (b) Overhead Cost
- (c) Costing P & L A/c
- (d) None of above.

[Module]

18. Keeping a record of Total Time spent by the worker inside the Factory is called –

- (a) Time Keeping
- (b) Time Booking
- (c) Time Managing
- (d) Time Recording

19. Time Booking refers to keeping a record of-

- (a) Time spent by workers on their jobs
- (b) Time spent by workers in factory
- (c) Time spent by workers without work
- (d) Time spent by workers other than working hours

20. Which of these is a Manual Method of Time Keeping?

- (a) Dial Time Recorder
- (b) Punch Cards
- (c) Biometric Devices
- (d) Metal Discs

21. Time lost between finish of one job and start of next job is an example of .....

- (a) Lost Time
- (b) Elapsed Time
- (c) Normal Idle Time
- (d) Abnormal Idle Time

22. Overtime is -

- (a) Actual Hours being more than Normal Time
- (b) Actual Hours being more than Standard Time
- (c) Standard Hours being more than Actual Hours
- (d) Actual Hours being less than Standard Time

[PP July 2023, Module]

23. Persistent Overtime Work may signify...

- (a) Understaffing
- (b) Labour Inefficiency
- (c) Limited Production Facilities
- (d) All of the above

24. Wages attributable to Normal Idle Time is treated as

- (a) Direct Wages
- (b) Production OH
- (c) Either of the above
- (d) None of the above

25. Which of these is NOT a measure for controlling Overtime and its Cost?

- (a) Effective Supervision
- (b) Retrenchment of Workers
- (c) Proper Definition of Standard Time
- (d) Sanction for OT Work

26. Rate of Change in Labour Force of a Firm during a period is called.

- (a) Labour Turnover Ratio
- (b) Labour Utilisation Ratio
- (c) Labour Cost Ratio
- (d) Labour Change Ratio

27. In the context of Labour Turnover, Number of Workers left and discharged is called...

- (a) Accession
- (b) Replacement
- (c) New Recruitment
- (d) Separation

28. (Hours Worked x Rate per Hour) is the computation of Wages under

- (a) Incentive System
- (b) Piece Rate System
- (c) Attendance System
- (d) Time Rate System

29. Under Halsey System, generally, Bonus is computed as———X Time Saved X Rate per hour

- (a) 30%
- (b) 50%
- (c) 70%
- (d) Actual Hrs + Std Hrs

30. A Worker will earn equal wages under Halsey and Rowan System, if Time Saved equals -

- (a) 50% of Std Time
- (b) 50% of Actual Time
- (c) 1/2 of Total Time
- (d) 1/2 of Lost Time

31. Evaluating an Individual's performance on the job is called -

- (a) Job Evaluation
- (b) Personnel System
- (c) Merit Rating
- (d) Scoring System



32. Labour Efficiency (based on Time) is given by the Formula...

- (a) Std Time/Actual Time
- (b) Actual Time/Std Time
- (c) Idle Time/Std Time
- (d) Idle Time/Actual Time

33. If Wages per day of 8 hours is Rs.500, Std Output is 100 units, Actual Output is 120, Piece Rate Wages=

- (a) Rs.500
- (b) Rs.600
- (c) Rs.62.5
- (d) Rs.5

34. If Std Time 8 hours, Actual Time is 6 hours, Rate 19 per hour is Rs.100, Rowan Wages =

- (a) Rs.600
- (b) Rs.150
- (c) Rs.750
- (d) Rs.700

35. If Actual Output in 8 hours is 700 units, Standard Output is 90 units per hour, Efficiency Ratio is

- (a) 97.22%
- (b) 102.86%
- (c) 100%
- (d) 77.78%

36. What is the treatment of Incentive Bonus to Workers in Cost Accounting?

- (a) Appropriation of Profit
- (b) Abnormal Cost
- (c) Deferred Cost
- (d) Direct Wages

37. An efficient worker always gets more bonus under Rowan Plan than under 50% Halsey Plan.

- (a) True
- (b) False

[PP June 2013, Dec. 2013]

38. A worker has a time rate of 15/hour. He has taken 48 hours to finish a job where Standard time is 60 hours. His total wages including Rowan Bonus for the week is:

- (a) 92
- (b) 840
- (c) 820
- (d) 864

[PP June 2014]

39. In a certain week, the time allowed to a worker for Job X was 48 hours. He took 30 hours for the job. If the hourly effective rate of earnings of the worker under Rowan Plan is 55, find the normal hourly rate of wages.

- (a) 50
- (b) 45
- (c) 40
- (d) 60

[PP June 2014]

40. Under Halsey-Weir Plan, bonus equals to 33% of wages of the time saved.

- (a) True
- (b) False

[PP Dec. 2017]

41. Overtime premium is directly assigned to cost object.

- (a) True
- (b) False

[PP Dec. 2019]

42. Idle time and idle facility are the same.

- (a) True
- (b) False

[PP Dec. 2022]



43. Wages paid for abnormal idle time is added to wages for calculating prime cost.

- (a) True
- (b) False

[PP July 23]

44. Time allowed for a job is 80 hours. A worker takes 68 hours to complete the job. Time rate per hour is 15. Total earnings of the worker under the Rowan Bonus Plan is

- (a) 1,020
- (b) 1,200
- (c) 1,173
- (d) 1,110

[PP Dec. 2023]

45. In P Ltd., labour force at the beginning of July 2023 was 3,800 and at the end of July 2023 was 4,200. During the month, 50 workers left while 80 workers were discharged. 560 workers were engaged out of which only 60 were appointed in the vacancy created by the number of workers separated and the rest on account of expansion scheme. On the basis of above information, Labour Turnover Ratio of the firm by Flux Method is

- (a) 14.00%
- (b) 3.25%
- (c) 1.50%
- (d) 8.63%

[PP June 2024]

46. MR. KUNT a worker has time rate of 45 per hour, he takes 40 hours to complete a job. If time allowed for a job is 48 hours, what will be total earning of Mr. Kunt under Rowan Plan (Bonus Scheme)?

- (a) 2,100
- (b) 2,160
- (c) 2,200
- (d) None of the above

[PP Dec. 2024]

47. In which of the following incentive plan of payment, wages on time basis are not guaranteed?

- (a) Halsey Plan
- (b) Rowan Plan
- (c) Taylor's differential piece rate system
- (d) Gantt's task and bonus system

[MQP Dec. 2024, 2023, Module]

48. Under Taylor's differential piece rate scheme, if a worker fails to complete the task within the standard time, then he is paid

- (a) 83% of the piece work rate
- (b) 175% of the piece work rate
- (c) 67% of the piece work rate
- (d) 125% of the piece work rate

[MQP June 2024, Module]

49. Which one of the following is related to the calculation of labour turnover.

- (a) Replacement method
- (b) Cost of utilities
- (c) Decision package
- (d) Direct expenses

[MQP June 23]

50. Labour turnover is measured by

- (a) Number of workers replaced / average number of workers
- (b) Number of workers left / number in the beginning plus number at the end
- (c) Number of workers joining / number in the beginning of the period
- (d) All of these

[Module]

51. Labour productivity is measured by comparing

- (a) Total output with total man-hours
- (b) Added value for the product with total wage cost
- (c) Actual time and standard time
- (d) All of the above

[Module]



52. Direct employee cost shall be presented as a separate cost head in the financial statement.

- (a) True  
(b) False

[Module]

53. As per the Payment of Bonus Act, 1965 the maximum limit of bonus is 20% of gross earning

- (a) True  
(b) False

[Module]

54. Flux method means for measurement of labour turnover

- (a) True  
(b) False

[Module]

55. Is overtime premium is directly assigned to cost object?

- (a) True  
(b) False

[Module]

56. Time recording clocks can be successfully used for recording time of workers in large undertakings.

- (a) True  
(b) False

[Module]

57. Idle time arises only when workers are paid on time basis

- (a) True  
(b) False

[Module]

58. Personnel department is concerned with proper recruitment, placement and training of workers

- (a) True  
(b) False

[Module]

59. Wages paid for abnormal idle time are added to wages for calculating prime cost

- (a) True  
(b) False

[Module]

60. The two principal systems of wage payment are payment on the basis of time and payment on the basis of work done

- (a) True  
(b) False

[Module]

61. The piece rate system of wage payment cannot be successfully applied where quantity of output can be measured

- (a) True  
(b) False

[Module]

### Fill in the Blanks:

62. In \_\_\_\_\_ systems, two piece rates are set for each job.  
63. In Halsey plan, a worker gets bonus equal to \_\_\_\_\_ of the time saved.  
64. Under Gantt Task and Bonus Plan, no bonus is payable to a worker, if his efficiency is less than \_\_\_\_\_.  
65. Cost of normal idle time is charged to \_\_\_\_\_.  
66. Idle time arises only when workers are paid on \_\_\_\_\_ basis.

### ANSWER KEY

1. C	2. C	3. B	4. C	5. D	6. C	7. C	8. C	9. A	10. D
11. D	12. A	13. B	14. C	15. D	16. B	17. A	18. A	19. A	20. D
21. C	22. A	23. D	24. C	25. B	26. A	27. D	28. D	29. B	30. A
31. C	32. A	33. B	34. C	35. A	36. D	37. B	38. D	39. C	40. A
41. A	42. B	43. B	44. C	45. D	46. A	47. C	48. A	49. A	50. A
51. D	52. B	53. A	54. A	55. A	56. A	57. A	58. A	59. A	60. A
61. B									

### Fill in the Blanks:

62. Taylor's differential piece rate	63. 50%	64. 100%	65. Factory overhead	66. Time
--------------------------------------	---------	----------	----------------------	----------



1. "Fixed Overhead Costs are not affected in monetary terms during a given period by a change in output". But this statement is valid provided:
  - (a) Increase in Output is not substantial
  - (b) Increase in Output is substantial
  - (c) Both (a) and (b)
  - (d) None of the above.
2. ----- Capacity is defined as actually utilised capacity of a plant.
  - (a) Theoretical
  - (b) Installed
  - (c) Practical
  - (d) Idle
3. Maximum Possible Productive Capacity of a plant when no operating time is lost is its -
  - (a) Normal Capacity
  - (b) Practical Capacity
  - (c) Theoretical Capacity
  - (d) Capacity based on Sales Expectancy
4. The allotment of whole items of cost to Cost Centres or Cost Units is called:
  - (a) Cost Absorption
  - (b) Cost Apportionment
  - (c) Cost Allocation
  - (d) Cost Determination

[Module]

5. Charging to a Cost Center, those overheads that result solely for the existence of that Cost Center is known as -
  - (a) Allocation
  - (b) Apportionment
  - (c) Absorption
  - (d) Allotment
6. Charging of common Overheads Cost to various Cost Centers, using appropriate bases is known as
  - (a) Allocation
  - (b) Apportionment
  - (c) Absorption
  - (d) Allotment

[MQP Dec 2023, Module]

7. Distribution of Service Department Overheads Cost to Production Departments, using different assumptions and methods is known as -
  - (a) Allocation
  - (b) Apportionment
  - (c) Absorption
  - (d) Re-Apportionment
8. Absorption means charging of Overheads to-
  - (a) Cost Centers
  - (b) Cost Objects
  - (c) Cost Drivers
  - (d) Cost Pools

[MQP June 2024, Module]



9. Which of the following is NOT a Service Department?
  - (a) Costing Department
  - (b) Machining Department
  - (c) Time Keeping Department
  - (d) Stores Department
10. Which of the following is a Service Department?
  - (a) Refining Department
  - (b) Machining Department
  - (c) Receiving Department
  - (d) Finishing Department
11. Packing Cost is part of -
  - (a) Production Cost
  - (b) Selling Cost
  - (c) Distribution Cost
  - (d) It may be any of the above
12. Primary Packing Cost is a part of:
  - (a) Direct Material Cost
  - (b) Production Cost
  - (c) Selling Overheads
  - (d) Distribution Overheads.
13. Directors Remuneration is a part of -
  - (a) Production Overhead
  - (b) Administration Overhead
  - (c) Selling Overhead
  - (d) Distribution Overhead.

[Module]

[Module]

14. Which of the following is not the classification of Overhead based on its functionality?
  - (a) Factory Overhead
  - (b) Administrative Overhead
  - (c) Fixed Overhead
  - (d) Selling Overhead.
15. Advertisement Expense is an example of:
  - (a) Distribution Overhead
  - (b) Production Overhead
  - (c) Selling Overhead
  - (d) Administration Overhead.
16. Which of the following is not treated as a Manufacturing Overhead?
  - (a) Lubricants
  - (b) Cotton Waste
  - (c) Apportioned Administration Overheads
  - (d) Night Shift Allowance paid to a Factory Worker due to general work pressure.
17. Normal Capacity of a Plant refers to the difference between -
  - (a) Maximum Capacity and Practical Capacity
  - (b) Practical Capacity and Normal Capacity
  - (c) Practical capacity and estimated idle capacity as revealed by long term sales trend
  - (d) Maximum Capacity and Actual Capacity.

[MQP June 2023, MQP Dec 2023]

[Module]



18. The difference between Actual Factory Overhead and Absorbed Factory Overhead will be usually at the minimum level, provided pre-determined overhead rate is based on:

- (a) Maximum Capacity
- (b) Direct Labour Hours
- (c) Machine Hours
- (d) Normal Capacity

19. When Absorbed Overhead is higher than the amount of Overhead incurred, it is called -

- (a) Under-absorption of Overhead
- (b) Over-absorption of Overhead
- (c) Proper absorption of Overhead
- (d) Re-absorption of Overhead

20. When Absorbed Overhead is less than the amount of Overhead incurred, it is called -

- (a) Under-absorption of Overhead
- (b) Over-absorption of Overhead
- (c) Proper absorption of Overhead
- (d) Re-absorption of Overhead

21. Which of the following overhead cost may not be apportioned on the basis of Direct Wages?

- (a) Workers' Holiday Pay
- (b) Perquisites to Workers
- (c) ESI Contribution
- (d) Managerial Salaries

22. Selling and Distribution Overheads are absorbed on the basis of

- (a) Rate per unit sold
- (b) Percentage on Works Cost
- (c) Percentage of Sales Value
- (d) Any of the above

[MQP June 2023 Dec 2023 & Module]

### PAST PAPER, MQPS & MODILE MCQ'S

23. Which Method of absorption of factory overheads Do you suggest in a concern which Produces only one uniform time of product?

- (a) Direct labour rate
- (b) Percentage of direct wages basis
- (c) Machine hour rate
- (d) A rate per units of output

[PP Dec 2021 Module]

24. Which of the following is usually classed as Discretionary Fixed Costs?

- (a) Supervisors' wages
- (b) Depreciation
- (c) Rent
- (d) Research and Development Cost

[PP Dec. 2022]

25. Cost of idle time arising due to non-availability of raw material is charged to factory overheads.

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

[PP. July 2023]



26. Under absorption of overheads means that actual overheads are \_\_\_\_\_ than absorbed overheads.

- (a) More
- (b) Less
- (c) Both
- (d) None

[PP. July 2023]

27. \_\_\_\_\_ is that part of practical capacity which is not utilised due to factors like temporary lack of orders, bottlenecks and machine breakdown etc.

- (a) Idle Capacity
- (b) Normal Capacity
- (c) Excess Capacity
- (d) None

[PP. July 2023]

28. Following information is available:

Overhead incurred	₹ 3,00,000
Overhead recovered	₹ 2,00,000
Cost of sales	₹ 5,00,000
Finished goods	₹ 4,00,000
Work-in-progress	₹ 3,50,000

From the above, Supplementary Overhead Rate to recover the under absorbed overhead is \_\_\_\_\_.

- (a) ₹0.20
- (b) ₹0.25
- (c) ₹0.08
- (d) ₹0.29

[PP. Dec 2023]

29. \_\_\_\_\_ is a method of dealing with overheads which involves spreading Common costs over cost centres on the basis of benefit received.

- (a) Overhead analysis
- (b) Overhead apportionment
- (c) Overhead allocation
- (d) Overhead absorption

[PP. June 2024]

30. When costing loss is ₹ 5,600, administrative overhead under-absorbed being ₹ 600, the loss as per financial accounts should be \_\_\_\_\_.

- (a) 5,000
- (b) 5,600
- (c) 6,200
- (d) None of the above

[MQP Dec 2023, & June 2024]

31. Administration overheads are usually absorbed as a percentage of \_\_\_\_\_.

- (a) Works Cost
- (b) Prime Cost
- (c) Cost of goods sold
- (d) Cost of production

[MQP June 2024]

32. When the amount of overhead absorbed is less than the amount of overhead incurred, it is called

- (a) Under absorption of overhead
- (b) Over absorption of overhead
- (c) Proper absorption of overhead
- (d) None of the above

[Module]

33. Find out from the following scientific and accurate method of factory overhead absorption:

- (a) Percentage of prime cost method
- (b) Machine hour rate method
- (c) Percentage of direct material cost method
- (d) Percentage of direct labour cost method

[Module]



34. When the amount of under or over absorption is significant, it should be disposed of by

- (a) Transferring to costing profit and loss account
- (b) The use of supplementary rates
- (c) Carrying over as a deferred charge to the next accounting year
- (d) None of the above

[Module]

35. Warehouse expense is an example of

- (a) Production overhead
- (b) Selling overhead
- (c) Distribution overhead
- (d) None of the above

36. Factory overhead cost applied to a job is usually based on a predetermined rate.

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

37. When actual overheads are more than absorbed overheads, it is known as over absorption.

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

38. A blanket overhead rate is a single overhead rate computed for the entire factory.

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

39. Under absorption of overheads means that actual overheads are more than absorbed overhead

- (a) True

- (b) False
- (c) Partly True Partly False
- (d) None

40. Departments that assist producing department indirectly are called service departments.

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

[Module]

41. Factory overhead cost applied to a job is usually based on a predetermined rate.

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

[Module]

42. Variable overhead varies with time.

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

[Module]

43. When actual overheads are more than absorbed overheads, it is known as over absorption

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

[Module]

44. Cash discounts are generally excluded completely from the costs.

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

[Module]



45. Cost of indirect materials is apportioned to various departments.

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

[Module]

46. The principal base used for applying factory overhead are: units of production, material cost, direct wages, direct labour hours and machine hours.

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

[Module]

47. Allocation for overheads implies the identification of overhead cost centres to which they relate.

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

[Module]

### FILL IN THE BLANKS

48. Example of after sales service are \_\_\_\_\_ and \_\_\_\_\_.

49. The difference between actual and absorbed factory overhead is called \_\_\_\_\_.

50. The difference between practical capacity and the capacity based on sales expectancy is known as \_\_\_\_\_.

51. Under or over absorption of overheads arises only when overheads are absorbed by \_\_\_\_\_.

52. In Absorption Costing \_\_\_\_\_ cost is added to inventory.

53. Overheads are an aggregate of \_\_\_\_\_ and \_\_\_\_\_ and \_\_\_\_\_.

54. Administration overheads are usually absorbed as a percentage of \_\_\_\_\_.

55. The term used for charging of overheads to cost units is known as \_\_\_\_\_.

56. The \_\_\_\_\_ rate is computed by dividing the overheads by the aggregate of the productive hours of direct workers.

57. Overhead incurred ₹ 16,000 and overhead absorbed ₹ 15,300. There is under absorption of ₹ \_\_\_\_\_.



## ANSWER KEY

1. A	2. C	3. C	4. C	5. A	6. B	7. D	8. B	9. B	10. C
11. D	12. B	13. B	14. C	15. C	16. D	17. C	18. D	19. B	20. A
21. D	22. D	23. D	24. D	25. B	26. A	27. A	28. C	29. B	30. C
31. A	32. A	33. B	34. B	35. C	36. A	37. B	38. B	39. T	40. A
41. A	42. B	43. B	44. A	45. B	46. A	47. A			

## FILL IN THE BLANKS

48. Repair and Maintenance, Replacement of Components.	49. Under or over absorbed overheads.	50. Idle Capacity	51. Predetermined overheads rates	52. Fixed
53. Indirect Material, Indirect Labour, Indirect Expense	54. Works Cost	55. Absorptions	56. Direct Labour Hour	57. 700



## 1. Under the Non-Integrated Accounting System –

- (a) Same Ledger is maintained for Cost and Financial Accounts by Accountants
- (b) Separate Ledgers are maintained for Cost and Financial Accounts
- (c) All transactions relating to Incomes, Expenditure, Assets and Liabilities are completely recorded
- (d) Product-wise or Department-wise information is not maintained.

[Module]

## 2. Notional Costs –

- (a) May be included in Integrated Accounts
- (b) May be included in Non- Integrated Accounts
- (c) Cannot be included in Non-Integrated Accounts
- (d) are not accounted at all in Integrated or Non Integrated Accounts.

## 3. Under Non-Integrated Accounting System, the account made to complete double entry is -

- (a) Stores Ledger Control Account
- (b) Work in Progress Control Account
- (c) Finished Goods Control Account
- (d) General Ledger Adjustment Account

[PP July 2023]

## 4. Integrated Systems of accounts are maintained - to Incomes, financial accounting purposes

- (a) in separate books of accounts for costing and
- (b) in same books of accounts
- (c) in computerized system only
- (d) All of the above.

## 5. Integral Accounts eliminate the necessity of using the

- (a) Cost Ledger Control Account
- (b) Store Ledger Control Account
- (c) Overhead Suspense account
- (d) WIP Control Account

[MQP Dec 2023 &amp; Module]

## 6. Under Non-Integrated System of Accounting, Purchase of Raw Material is debited to

- (a) Stores Ledger Control Account
- (b) General Ledger Adjustment Account
- (c) Purchase Account
- (d) Supplier Account

[Module]

## 7. Under Non-Integrated Accounts, if materials worth Rs.1,500 are purchased for a special job, then which account will be debited

- (a) Raw Material Control Account
- (b) Purchase Account
- (c) Special Job Account / Work in Process Account
- (d) General Ledger Adjustment Account

## 8. Which account is to be debited if materials worth Rs.500 are returned to vendor under Non-Integrated Accounts

- (a) Cost Ledger Control Account
- (b) Finished Goods Control Account
- (c) WIP Control Account
- (d) Raw Material Control Account





9. What is the Journal Entry under Integrated System for purchase of Materials on credit?  
 (a) Dr.Stores Ledger Control, Cr.Purchases  
 (b) Dr.Stores Ledger Control, Cr.General Ledger Adjustment  
 (c) Dr.Stores Ledger Control, Cr.Supplier  
 (d) Dr.General Ledger Adjustment, Cr.Supplier
10. What is the Journal Entry under Integrated System for payment to Creditors for supplies made?  
 (a) Dr.Creditors, Cr.Purchases  
 (b) Dr.Creditors, Cr.General Ledger Adjustment  
 (c) Dr.Creditors, Cr.Cost Ledger Control  
 (d) Dr.Creditors, Cr.Cash or Bank
11. What is the Journal Entry under Non-Integrated System for recording Sales made?  
 (a) No entry  
 (b) Dr.Sales, Cr.General Ledger Adjustment  
 (c) Dr. Cash or Bank, Cr.Sales  
 (d) Dr. General Ledger Adjustment, Cr.Sales
12. What is the Journal Entry under Non Integrated System, for absorption of Factory Overhead?  
 (a) Dr.Factory OH Control, Cr.WIP Control  
 (b) Dr.WIP Control, Cr.Factory OH Control  
 (c) Dr.WIP Control, Cr.General Ledger Adjustment  
 (d) Dr. Factory OH Control, Cr. General Ledger Adjustment
13. Which of the following items is most likely to be included in Cost Accounts?  
 (a) Notional Rent  
 (b) Donations  
 (c) Transfer to General Reserve  
 (d) Rent Receivable

14. Which of the following is considered as accounting record?  
 (a) Bin Card  
 (b) Bill of Material  
 (c) Stores Ledger  
 (d) Stores Requisition
15. When Loss as per Cost Records is Rs.5,600, AOH under-absorbed being Rs.600, the Loss as per Financial Accounts should be -  
 (a) Rs.5,600  
 (b) Rs.6,200  
 (c) Rs.5,000  
 (d) None of the above.
16. When you attempt a reconciliation of profits as per Financial Accounts and Cost Accounts, the following is done:  
 (a) Add the under absorption of OH in cost Accounts if you start from the Profits as per Financial Accounts.  
 (b) Add the under absorption of OH in Cost Accounts if you start from the profits as per Cost Accounts.  
 (c) Add the overabsorption of OH in Cost Accounts if you start from the profits as per Financial Accounts  
 (d) Add the overabsorption of OH in Cost Accounts if you start from the profits as per Cost Accounts.
17. Which of the following items should be added to Costing Profit to arrive at Financial Profit?  
 (a) Over-absorption of Works Overhead  
 (b) Interest paid on Debentures  
 (c) Income Tax Paid  
 (d) Stores Adjustment debited in Financial Books

[Module]

[Module]



18. In Profit Reconciliation Statement, Expenses shown only in Financial Accounts are  
 (a) Added to Financial Profit  
 (b) Deducted from Financial Profit  
 (c) Added to Costing Profit  
 (d) Omitted from Reconciliation
19. In Profit Reconciliation Statement, Incomes shown only in Financial Accounts are -  
 (a) Added to Financial Profit  
 (b) Deducted from Financial Profit  
 (c) Deducted from Costing Profit  
 (d) Omitted from Reconciliation
20. In Profit Reconciliation Statement, Transfers to Reserves are  
 (a) Added to Financial Profit  
 (b) Deducted from Financial Profit  
 (c) Added to Costing Profit  
 (d) Omitted from Reconciliation
21. In Profit Reconciliation Statement, Closing Stock Undervalued in Financial Accounts are  
 (a) Added to Financial Profit  
 (b) Deducted from Financial Profit  
 (c) Added to Costing Profit  
 (d) Omitted from Reconciliation
22. In Profit Reconciliation Statement, Expenses shown only in Cost Accounts are  
 (a) Added to Financial Profit  
 (b) Deducted from Financial Profit  
 (c) Deducted from Costing Profit  
 (d) Omitted from Reconciliation

[Module]

[Module]

[Module]

[Module]

[PP Dec 2021 &amp; Module]

23. There is a Loss as per Financial Accounts Rs. 10,600, Donations not shown in Cost Accounts Rs. 6,000. What would be the Profit or Loss as per Cost Accounts?  
 (a) Loss Rs.16,600  
 (b) Profit Rs. 16,600  
 (c) Loss Rs.4,600  
 (d) Profit Rs.4,600
24. In Reconciliation Statement income shown only in financial accounts is  
 (a) Added to financial profit  
 (b) Deducted from financial profit  
 (c) Ignored.  
 (d) Deducted from costing profit
25. BETA LTD. made a profit of 2,00,000 during the year. ending March 31/2022 as per costing records. If interest on investments, and Income Tax paid were 15,000 and 90,000 respectively, what will be the profit as per financial records?  
 (a) 3,09,000  
 (b) 1,25,000  
 (c) 1,17,000  
 (d) None of above
26. Which of the following items should be added to costing profit to arrive at financial profit?  
 (a) Income tax paid  
 (b) Over absorption of works overhead  
 (c) Interest paid on bonds  
 (d) All of the above
27. Which of the following items is not included in the sheep?  
 (a) Carriage inward  
 (b) Purchase returns  
 (c) Sales commission  
 (d) Interest paid

[PP July 2023]

[PP Dec 2022]

[PP June 2023]

[PP June 2023]



28. Under integral accounts, issue of direct material is debited to the following account:

- (a) Purchase account
- (b) Stores ledger control account
- (c) Factory overhead control account
- (d) Work-in-progress control account

[PP Dec 2023]

29. Which of the following does not form part of prime cost?

- (a) Cost of packing
- (b) Overtime premium paid to workers
- (c) GST paid on raw materials (input credit can be claimed)
- (d) Cost of transportation paid to bring materials to factory

[PP Dec 2023]

30. GINT Ltd. made a loss of 2,00,000 during the year ending on March 31, 2024 as per costing records. If interest on investments, and Directors' fees were 10,000, and 40,000 respectively, what will be the Profit/Loss as per financial records?

- (a) Loss 3,80,000
- (b) Loss 2,30,000
- (c) Profit 1,40,000
- (d) None of the above

[PP Dec 2024]

31. When you attempt a reconciliation of profits as per Financial Accounts and Cost Accounts, the following is done:

- (a) Add the under absorption of overheads in Cost Accounts if you start from the profits as per Financial Accounts.
- (b) Add the under absorption of overheads in Cost Accounts if you start from the profits as per Cost Accounts.
- (c) Add the over absorption of overheads in Cost Accounts if you start from the profits as per Financial Accounts.

(d) Add the over absorption of overheads in Cost Accounts if you start from the profits as per Cost Accounts

[MQP June 2023]

32. What entry will be passed under integrated system for purchase of stores on credit?

- (a) Dr. Stores Cr. Creditors
- (b) Dr. Purchases Cr. Creditors
- (c) Dr. Stores Ledger Control A/c Cr. Creditors
- (d) Dr. Stores Ledger Control A/c Cr. General Ledger Adjustment A/c

[MQP June 2023]

33. What characterizes a non-integrated cost accounting system?

- (a) Unified ledger system
- (b) Separate cost and financial accounts
- (c) Sole reliance on cost principles
- (d) Complex reconciliation processes

[MQP Dec 2024 &amp; Module]

34. In Reconciliation Statements, overheads Under Recovered in cost accounts are

- (a) Deducted from financial profit / added to costing profit
- (b) Added to financial profit / deducted from costing profit.
- (c) Deducted from financial profit/ deducted from costing profit.
- (d) Added to financial profit / added to costing profit

[MQP Dec 2024]

35. A firm operates an integrated cost and financial accounting system. The accounting entries for indirect wages incurred would be:

- (a) Debit Wages control account Credit Overhead control account
- (b) Debit Work in progress account Credit Wages control account



(c) Debit Overhead control account Credit Wages control account  
(d) Debit Wages control account Credit Work in progress account

[MQP Dec 2024 &amp; Module]

36. What is the primary goal of introducing integrated accounting?

- (a) Maintaining separate records
- (b) Streamlining cost analysis
- (c) Increasing clerical efforts
- (d) Reconciling accounts annually

[Module]

37. Why is reconciliation important in accounting?

- (a) To complicate financial reporting
- (b) To identify differences in profits
- (c) To avoid integration
- (d) To discourage cost analysis

[Module]

38. In a non-integrated system, what ledger is used for recording indirect costs?

- (a) Cost ledger control account
- (b) Overhead ledger
- (c) Financial ledger
- (d) General ledger

[Module]

39. What is the primary purpose of the overhead ledger in a non-integrated system?

- (a) Recording direct costs
- (b) Managing general ledger entries
- (c) Controlling indirect costs
- (d) Maintaining financial transactions

[Module]

40. How is the purchase of raw materials typically recorded in a non-integrated system?

- (a) Credit to cash account
- (b) Debit to general ledger
- (c) Debit to stores control account
- (d) Credit to sundry creditors

[Module]

41. What entry is made to record wages paid in a non-integrated system?

- (a) Credit entry
- (b) Debit entry
- (c) Contra entry
- (d) No entry is made

[Module]

42. What is a significant benefit of reconciling cost accounting records with financial accounts?

- (a) Increased clerical efforts
- (b) Improved transparency
- (c) Limited financial reporting
- (d) Reduced reconciliation complexity

[Module]

43. When is the reconciliation of cost accounting records and financial accounts particularly important?

- (a) Only in integrated systems
- (b) During tax season
- (c) At the end of the financial year
- (d) In non-integrated systems

[Module]

44. What defines an integrated accounting system?

- (a) Separation of cost and financial records
- (b) Streamlining reconciliation
- (c) Sole reliance on financial principles
- (d) Consolidation of cost and financial information

[Module]



45. Why is an integrated accounting system considered cost-effective?

- (a) Increased clerical workload
- (b) Centralization of accounting functions
- (c) Complexity of financial reporting
- (d) Limited coordination between staff

[Module]

46. A firm operates an integrated cost and financial accounting system. The accounting entries for an issue of direct materials to production would be

- (a) DR work in progress control account; CR stores control account
- (b) DR finished goods account; CR stores control account
- (c) DR stores control account; CR work in progress control account
- (d) DR cost of sales account; CR work in progress control account

[Module]

47. A firm operates an integrated cost and financial accounting system. The accounting entries for direct wages transferred to WIP A/c would be:

- (a) Debit Wages control account, Credit Work in progress account
- (b) Debit Work in progress account, Credit Wages control account
- (c) Debit Cost of sales account, Credit Work in progress account
- (d) Debit Finished goods account, Credit Work in progress account

[Module]

#### FILL IN THE BLANKS

- 48. Prime cost + Overheads = \_\_\_\_\_
- 49. Total cost + Profit = \_\_\_\_\_
- 50. \_\_\_\_\_ + Profit = Sales
- 51. Direct Material + \_\_\_\_\_ + Direct Expenses = Prime Cost
- 52. Salary paid to factory manager is an item of \_\_\_\_\_
- 53. In Reconciliation Statements, income shown only in Financial Accounts are \_\_\_\_\_
- 54. In Reconciliation Statements, expenses shown only in cost accounts are \_\_\_\_\_
- 55. In Reconciliations Statements, overheads Over-Recovered in cost accounts are \_\_\_\_\_
- 56. In Reconciliation Statements, overheads Under Recovered in cost accounts are \_\_\_\_\_
- 57. Notional remuneration to owner is expense debited only in \_\_\_\_\_
- 58. All the transactions relating to materials are recorded through \_\_\_\_\_
- 59. The net balance of \_\_\_\_\_ represents net profit or net loss.
- 60. WIP ledger contains the accounts of all the \_\_\_\_\_ which are under \_\_\_\_\_
- 61. The two traditional systems of accounting for integration of cost and financial accounts are the \_\_\_\_\_ and \_\_\_\_\_
- 62. Under integrated accounting system, the accounting entry for payment of wages is to debit \_\_\_\_\_ and to credit cash



#### TRUE OR FALSE

- 63. Total cost = Prime cost + All indirect costs.
- 64. Closing of work in progress should be valued on the basis of prime cost.
- 65. Closing stock of finished goods should be valued on the basis of cost of sales.
- 66. Production cost includes only direct costs related to the production.
- 67. Primary packaging cost is included in distribution cost.
- 68. Notional interest on owner's capital appears only in financial profit and loss account.
- 69. Goodwill written off appears only in cost accounts.
- 70. Overheads are taken on estimated basis in financial accounts.
- 71. Expenses which appear only in financial accounts and not in cost accounts, are generally notional items.
- 72. Need for Reconciliation arise in case of integrated system of accounts.
- 73. Cost ledger control account makes the cost ledger self-balancing.
- 74. Stock ledger contains the accounts of all items of finished goods.
- 75. The purpose of cost control accounts is to control the cost.
- 76. Cost control accounts are prepared on the basis of double entry system.
- 77. The balancing in costing profit and loss account represents under or over absorption of overheads.



## ANSWER KEY

1. B	2. B	3. D	4. B	5. A	6. A	7. A	8. A	9. C	10. D
11. D	12. B	13. A	14. C	15. B	16. A	17. A	18. A	19. B	20. A
21. A	22. B	23. C	24. B	25. B	26. B	27. D	28. D	29. A	30. B
31. A	32. C	33. B	34. B	35. C	36. B	37. B	38. A	39. C	40. C
41. B	42. B	43. C	44. D	45. B	46. A	47. B			

## FILL IN THE BLANKS

48. Total Cost	49. Selling price	50. Cost of sales	51. Direct Wages	52. Factory Overhead
53. Added to Costing Profit.	54. Deducted from Financial Profit / Added to Costing Profit	55. Deducted from financial profit / added to costing profit	56. Added to financial profit / deducted from costing profit.	57. Cost Accounts
58. Stores ledger control account	59. Costing Profit and Loss	60. Jobs or works in process, several job accounts	61. Double entry method, third entry method	62. Wages Control Accounts

## TRUE OR FALSE

63. T	64. F	65. F	66. F	67. F	68. F	69. F	70. F	71. F	72. F
73. T	74. T	75. F	76. T	77. F					



1. If the product produced or jobs undertaken are of diverse nature, the system of costing to be used should be:

(a) Process Costing  
(b) Operating Costing  
(c) Job Costing  
(d) Multiple Costing

2. Job Costing is –

(a) applicable to all industries regardless of the products or services provided  
(b) a technique of costing  
(c) most suitable where similar products are produced on mass scale  
(d) most suitable where similar products are produced on mass scale

3. Batch Costing is a type of –

(a) Process Costing  
(b) Job Costing  
(c) Differential Costing  
(d) Direct Costing

[Module]

4. Batch Costing is similar to that under job costing except with the difference that a –

(a) Job becomes a Cost Unit.  
(b) Batch becomes the Cost Unit instead of a Job  
(c) Process becomes a Cost Unit Job and Batch Costing  
(d) Batch becomes the Cost Centre

[Module]

5. Batch Costing is applied effectively in the following situation:

(a) paper manufacturing  
(b) drug manufacturing  
(c) designer clothes manufacturing  
(d) oil refining

6. Batch Costing is suitable for

(a) Sugar Industry  
(b) Chemical Industry  
(c) Pharma Industry  
(d) Oil Industry

7. The main points of distinction between Job and Contract Costing includes

(a) Length of time to complete.  
(b) Big jobs  
(c) Activities to be done outside the factory area  
(d) All of the above.

8. Economic Batch Quantity is that size of the batch of production where –

(a) Average Production Cost is minimum  
(b) Set-Up Cost per Production Run is minimum  
(c) Carrying Cost per unit per annum is minimum  
(d) Sum of annual Set Up Cost and Carrying Costs is minimum

[Module]

9. Job Costing is similar to that under Batch Costing except with the difference that a:

(a) Job becomes a Cost Unit  
(b) Batch becomes the Cost Unit instead of a job  
(c) Process becomes a Cost Unit  
(d) Job becomes the Cost Centre

10. In Job Costing, which of the following documents are used to record the issue of Direct Material to a job?

(a) Goods Received Note  
(b) Material Requisition  
(c) Purchase Order  
(d) Purchase Requisition

[Module]



11. Which of the following would best describe the characteristics of Job Costing:

- (i) homogeneous products;
- (ii) customer driven production;
- (iii) short period of time between the commencement and completion of the Cost Unit.

- (a) (i) and (ii) only
- (b) (ii) and (iii) only
- (c) (i) and (iii) only
- (d) (ii) only

12. The most suitable cost system where the products differ in type of materials and work performed is:

- (a) Job Costing
- (b) Process Costing
- (c) Operating Costing
- (d) Multiple Costing

[Module]

13. Which of the following statements is true:

- (a) Job Costing is applicable for Service Sector.
- (b) Job Costing cannot be used in conjunction with marginal costing.
- (c) There is no difference between Job Costing and Process Costing.
- (d) Job Cost Sheet may be used for estimating profit of jobs

14. Which of the following statements is true:

- (a) A Production Order is an order received from a customer for particular jobs.
- (b) There is no difference between Job Costing and Batch Costing.
- (c) In Job Costing method, a Cost Sheet is prepared for each job.
- (d) Job Costing is applicable where a Firm undertakes mass production of a homogeneous product.

15. Which of the following statements is true:

- (a) Job Cost Sheet may be prepared for facilitating routing and scheduling of the job
- (b) Job Costing can be suitably used for concerns producing uniformly any specific product
- (c) Job Costing cannot be used in Companies using standard costing
- (d) Neither (a) nor (b) nor (c).

[Module]

16. Job Costing is used in

- (a) Furniture-making
- (b) Repair Shops
- (c) Printing Press
- (d) All of the above

[Module]

17. In a Job Cost System, costs are accumulated –

- (a) By Output Quantity
- (b) By specific job
- (c) By Department or Process
- (d) By kind of material used

[Module]

### PAST PAPER, MQPS & MODULE MCQS

18. State which of the following are characteristics of job costing:

- (1) Homogenous products.
- (2) Customer-driven production
- (3) Complete production possible within a single accounting period
- (a) (1) only
- (b) (1) and (2) only
- (c) (2) and (3) only
- (d) All of them

[PP Dec 2022 &amp; Dec 2024]

19. Which of the following statements is true?

- (a) Batch costing is a variant of job costing



- (b) Job cost sheet may be used for estimating profit of jobs
- (c) Job costing cannot be used in conjunction with marginal costing
- (d) In cost plus contracts, the contractor runs a risk of incurring a loss

[PP July 2023 &amp; Module]

20. Most of the expenses are direct in \_\_\_\_

- (a) Job costing
- (b) Batch costing
- (c) Contract costing
- (d) Standard costing

[PP July 2023 &amp; Module]

21. NOB Ltd., is committed to supply 45000 bearings per annum to CINY Ltd., it is estimated that it costs 20 paise as inventory holding cost per bearing per month. If its Economics Batch Quantity (EBQ) is 3000 units (bearings), what will be the minimum inventory holding cost at optimum run size?

- (a) ₹3,600
- (b) ₹4,200
- (c) 5,800
- (d) None of the above

[PP Dec 2024]

22. Batch costing is applied effectively in the following situation:

- (a) Paper manufacturing
- (b) Drug manufacturing
- (c) Designer clothes manufacturing
- (d) Oil refining

[PP Dec 2024]

23. Which of the following statements is/are correct?

- 1. A materials requisition note is used to record the issue of direct material to a specific job

- 2. A typical job cost will contain actual costs for material, labour and production overheads, and non-production overheads are often added as a percentage of total production cost
- 3. The job costing method can be applied in costing batches

- (a) only
- (b) and (2) only
- (c) and (3) only
- (d) and (3) only

[MQP June 2023]

24. In job costing, which of the following documents is used to record the issue of direct materials to a job?

- (a) Goods Receipt Note
- (b) Purchase Order
- (c) Purchase Requisition Note
- (d) Material Requisition Note

[MQP June 2023]

25. A company calculates the prices of jobs by adding overheads to the prime cost and adding 30% to total costs as a profit margin. Job number Y256 was sold for ₹1,690 and incurred overheads of ₹694. What was the prime cost of the job?

- (a) 489
- (b) 606
- (c) 996
- (d) 1,300

[MQP Dec 2024]

26. Job costing is:

- (a) Suitable where similar products are produced on a mass scale
- (b) Method of costing used for non-standard and non-repetitive products



- (c) Applicable to all industries regardless of the products or services produced  
(d) None of the above

[MQP Dec 2024 &amp; Module]

27. In case product produced or jobs undertaken are of diverse system, the system of costing to be used should be:

- (a) Operating Costing  
(b) Process Costing  
(c) Job Costing  
(d) None of the above

[Module]

## ANSWER KEY

1. C	2. D	3. B	4. B	5. B	6. C	7. D	8. D	9. A	10. B
11. C	12. A	13. D	14. C	15. D	16. D	17. B	18. C	19. B	20. A
21. A	22. B	23. C	24. D	25. B	26. A	27. C			



1. In Sugar Manufacturing Industries, Molasses is also produced along with Sugar. Molasses may be of smaller value as compared with the value of Sugar and is known as:

- (a) Common Product  
(b) By- Product  
(c) Joint Product  
(d) Co Product

2. Joint Cost Concept is suitable for

- (a) Infrastructure Industry  
(b) Ornament Industry  
(c) Oil Industry  
(d) Fertilizer Industry

3. Method of apportioning Joint Costs on the basis of output of each joint product at the point of split off is

- (a) Sales Value Method  
(b) Physical Unit Method  
(c) Average Cost Method  
(d) Marginal Cost and Contribution Method.

[PP Dec 2023, Module]

4. In the Net Realisable Value Method, for apportioning Joint Costs over the joint products, the basis of apportionment would be

- (a) Selling Price per unit of each of the Joint Products  
(b) Selling Price multiplied by units sold of each of the major Joint Products  
(c) Sales Value of each Joint Product less Further Processing Costs of individual products  
(d) Net Contribution obtained from each of the Joint Products

5. The main purpose of accounting of Joint Products and By-Products is to:

- (a) determine the Opportunity Cost  
(b) determine the Replacement Cost  
(c) determine Profit or Loss on each product line  
(d) determine the Total Profit of the business

[MQP June 2023, Dec 2023, Module]

6. Under Net Realizable Value method of apportioning Joint Costs to joint products, the Selling & Distribution Cost is:

- (a) added to Joint Cost  
(b) deducted from Further Processing Cost  
(c) deducted from Sales Value  
(d) not relevant for computation at all

7. Which of the following is a Co-Product:

- (a) Diesel and Petrol in an Oil Refinery  
(b) Edible Oils and Oil Cakes  
(c) Curd and Butter in a Dairy  
(d) Mustard Oil and Sunflower Oil in an Oil Processing Company

8. Which of the following is an example of By-Product?

- (a) Diesel and Petrol in an Oil Refinery  
(b) Edible Oils and Oil Cakes  
(c) Curd and Butter in a Dairy  
(d) Mustard Seeds and Mustard Oil.

[PP July 2023, Dec 2024 &amp; Module]



9. Which of following method can be used when the Joint Products are of unequal quantity and used for captive consumption:

(a) Technical estimates, using market value of similar goods  
(b) Net Realisable Value method  
(c) Physical Units method  
(d) Market Value at Split-Off Method.

[CMA Module]

10. Which of the following statement is not correct in relation to Co-Products:

(a) Co-Products may also have joint products  
(b) Costing for Co-Products are done according to Process Costing Method  
(c) Co-Products do not have any By-Products  
(d) Co-Products are treated as a separate cost object for costing purpose.

11. When a By-Product does not have any Realisable Value, the Cost of By-Product is:

(a) transferred to Costing Profit & Loss Ac  
(b) borne by the good units  
(c) ignored  
(d) determined taking value of similar goods

12. AB Ltd produces 2 products A and B from a joint milling process. A standard production run incurs joint costs of Rs. 1,00,000 and results in 60,000 units of A and 90,000 units of B. A and B have a Sale Price of Rs.200 and Rs.450 per unit respectively. Assuming no further processing work is done after the split-off point, the amount of Joint Cost allocated to B on a physical quantity allocation basis would be:

(a) Rs.60,000  
(b) Rs.40,000  
(c) Rs. 1,00,000  
(d) Rs.1,20,000

13. BV Company manufactures two 2 items, B and V, out of a joint process, with Joint Costs Rs.6,30,000 for a standard production run that generates 1,80,000 units of B and 1,20,000 units of V, B sells for Rs.240 per unit, and V sells for Rs.390 per unit. If Additional Processing Costs beyond the split-off point are Rs.140 per unit for B and Rs.90 per unit for V, the amount of joint cost of each production run allocated to V on a Sales Value basis is

(a) Rs.3,40,000  
(b) Rs.3,27,600  
(c) Rs.2,32,000  
(d) Rs.5,80,000

14. For allocating Joint Costs to Joint Products, the Sales Price at point of sale, reduced by cost to complete after split-off, is assumed to be equal to the:

(a) Joint Costs  
(b) Sales Price less a Normal Profit Margin at point of sale  
(c) Net Sales Value at split off  
(d) Total Costs



## PAST PAPER, MQPS &amp; MODULE MCQS

15. Costs incurred prior to the split Off point are known as "Incremental Costs"

(a) True  
(b) False  
(c) Partly True Partly False.  
(d) None

[PP July 2023, Module]

16. Under net realisable value method of appropriate joint cost to joint product the selling and distribution cost is-

(a) Ignored  
(b) Added to joint cost  
(c) Deducted from sales value  
(d) Deducted from further processing cost

[PP July 2023, Module]

17. State which of the following is/are example(s) of By-Products.

(1) Gas and Tars in Coke Ovens  
(2) Molasses in Sugar Industry  
(3) Curd and butter in a dairy  
(4) Edible oils and oil cakes  
(a) (1) and (2) only  
(b) (3) and (4) only  
(c) (1), (2) and (4) only  
(d) (2) and (4) only

[PP Dec. 2023]

18. In sugar manufacturing industry molasses is also produced along with sugar. Molasses may be of small value as compared with the value of sugar and is known as:

(a) Joint product  
(b) Common product  
(c) By-product  
(d) None of them

[Module]

19. No distinction is made between Co products and Joint Products.

(a) True  
(b) False  
(c) Partly True Partly False  
(d) None

[Module]

## ANSWER KEY

1. B	2. C	3. B	4. C	5. C	6. C	7. D	8. B	9. A	10. C
11. B	12. A	13. B	14. C	15. B	16. C	17. C	18. C	19. B	



1. The type of Process Loss that should not be allowed to affect the cost of good units is-

(a) Abnormal Loss  
(b) Normal Loss  
(c) Seasonal Loss  
(d) Standard Loss.

[Module]

2. 200 units were introduced in a process in which 20 units is the normal loss. If the actual output is 150 units, then there is:

(a) No Abnormal Loss  
(b) No Wastage in Production  
(c) Abnormal Loss of 30 units  
(d) Abnormal Gain of 30 units

3. 200 units are processed at a total cost of Rs. 16,700, Normal Loss is 10%. Scrap units are sold at Rs.25 each. If the output is 150 units, then the value of abnormal loss is:

(a) Rs.90  
(b) Rs.108  
(c) Rs.2,700  
(d) Rs.3,240

4. When Average Method is used in Process Costing, the Opening Inventory Costs are

(a) Subtracted from the Current Costs  
(b) Added to the Current Costs  
(c) Kept separate from the Costs of the Current Period  
(d) Averaged with other costs to arrive at Total Cost

5. Spoilage that occurs under inefficient operating conditions and is ordinarily controllable is called

(a) Normal Spoilage  
(b) Abnormal Spoilage  
(c) Normal Defectives  
(d) Rectified Work

[Module]

6. The cost of Normal Process Loss is -

(a) Absorbed by good units produced and amount realised by the sale of loss units should be debited to Process A/c  
(b) Debited to Costing Profit and Loss Account  
(c) Absorbed by good units produced  
(d) Debited to Costing Profit and Loss Account and amount realised by the sale of loss units should be credited to the Process A/c

7. The value of Abnormal Loss is equal to:

(a) Total Cost of Materials  
(b) Total Process Cost less Realizable Value of Normal Loss  
(c) Total Process Cost less Cost of Scrap  
(d) Total Process Cost less Realizable Value of Normal Loss less Value of Transferred Out Goods.

[Module]

8. Inter-Process Profit is calculated, because:

(a) a process is a Cost Centre  
(b) each process has to report profit  
(c) the efficiency of the process is measured  
(d) the wages of employees are linked to the process profitability.



9. In a Process, 8,000 units are introduced during a period. 5% of input is Normal Loss. Closing WIP is 60% complete is 1,000 units. 6600 completed units are transferred to next process. Equivalent Production for the period is:

(a) 9000 units  
(b) 7440 units  
(c) 5400 units  
(d) 7200 units

10. Total Input to a process was 1,000 unit. There was no WIP at the beginning of the period. There was no Process Loss during the period. At the end of the period, it was observed that the units in process were 60% complete in all respects. What is the Equivalent Production for the period?

(a) 1000 units  
(b) 1600 units  
(c) 600 units  
(d) Nil units

11. In Process A, 6,000 units are introduced during a period. Normal Loss is 5% of Input. Closing WIP was 800 units, each 60% complete. 4,900 completed units are transferred to next Process. Equivalent Production for the period is

(a) 6,000 units  
(b) 4,900 units  
(c) 5,220 units  
(d) 5,380 units

12. Under Weighted Average (Average) Method

(a) The Cost to complete the Opening WIP is ignored  
(b) The Cost to complete the Opening WIP and other completed units are calculated separately  
(c) The Cost of opening WIP and cost of the current period are aggregated and the aggregate cost is divided by output in terms of completed units.

- (d) Closing Stock of WIP is valued at current cost.

13. A Process Account is debited by abnormal gain, the value is determined as:

(a) Equal to the value of Normal Loss  
(b) Cost of Good Units less Realizable Value of Normal Loss  
(c) Cost of Good Units less realizable value of Actual Loss  
(d) Equal to the Value of Good Units less Closing Stock.

[Module]

14. "K Labs" develops a product using a four-step process that moves progressively through four departments. The Company specializes in overnight service and has the largest drug store chain as its Primary Customer. Currently, Direct Labour, Direct Materials, and Overhead are accumulated by departments. The cost accumulation system that best describes the system in the Company is -

(a) Operation Costing  
(b) Activity-Based Costing  
(c) Job-Order Costing  
(d) Process Costing

15. When compared with Normal Spoilage, Abnormal Spoilage

(a) arises more frequently from factors that are inherent in the manufacturing process  
(b) is given the same accounting treatment as normal spoilage  
(c) is generally thought to be more controllable by Purchase Department than Production Department  
(d) is not typically influenced by the "tightness" of production standards





16. Assume 550 units were worked on during a period in which a total of 500 good units were completed. Normal Spoilage was 30 units; Abnormal Spoilage was 20 units. Total Production Costs were Rs.2,20,000. The Company accounts for Abnormal Spoilage separately in its Income Statement as Loss due to Abnormal Spoilage. Normal Spoilage is not accounted for separately. What is the cost of the good units produced?

- (a) Rs.2,08,000
- (b) Rs.2,11,538
- (c) Rs.2,20,000
- (d) Rs.2,33,222

17. In a period, Good Units completed (units) 15,000, Normal Spoilage (units) 300, Abnormal Spoilage (units) 100. Unit Costs were: Material Rs.2.50 and Conversion (Labour & Overheads) Rs.6.00. The number of units that the Company would transfer to its Finished Goods Stock and the related cost of these units are

- (a) 15,000 units transferred at a cost of Rs.1,27,500
- (b) 15,000 units transferred at a cost of Rs.1,30,050
- (c) 15,000 units transferred at a cost of Rs.1,35,000
- (d) 15,300 units transferred at a cost of Rs.1,30,050

18. In a process 2000 units are introduced during a period 5% Of input is normal loss. Closing work-in-process 60% complete is 250 units. 1,650 completed units are transferred to next process. Equivalent production for the period is—

- (a) 2,250 units
- (b) 1,860 units
- (c) 1,350 units.
- (d) 1,800 units

[PP July 2023]

19. LIFO method is followed for evaluation of equivalent production when prices are fluctuating.

- (a) True
- (b) False

[PP July 2023]

20. A company makes a product, which passes through a single process. Details of the process for the last period are as follows:

Materials 10,000 kg at 50 paise per kg  
Labour ₹1,000

Production overheads 200% of labour  
Normal losses are 10% of input in the process, and without further processing any losses can be sold as scrap for 20 paise per kg. The output for the period was 8,400 kg from the process. There was no work in progress at the beginning or end of the period. The value of the abnormal loss for the period is \_\_\_\_\_

- (a) ₹ 200
- (b) ₹ 220
- (c) ₹ 80
- (d) None of the Above

[MQP Dec 24]

21. Equivalent production of 1,000 units, 60% complete in all respect, is:

- (a) 1,000 units
- (b) 1,600 units
- (c) 600 units
- (d) 1,060 units

[MQP Dec 2024, June 2024]



22. In which of the following situations an abnormal gain in a process occurs:

- (a) When normal loss is equal to actual loss
- (b) When the actual output is greater than the planned output
- (c) When actual loss is more than the expected
- (d) When actual loss is less than the expected loss

[MQP June 2024, Module]

23. 1200 units were introduced in a process in which 120 units is the normal loss. If the actual output is 900 units, then there is:

- (a) No abnormal gain
- (b) Abnormal loss of 180 units
- (c) No abnormal loss
- (d) Abnormal gain of 180 units

[MQP Dec. 2023]

24. In a process 800 units are introduced during 2022-23. 5% of input is normal loss. Closing work-in-progress 60% complete is 100 units. 660 completed units are transferred to next process. Equivalent production for the period is \_\_\_\_\_.

- (a) 760 units
- (b) 744 units
- (c) 540 units
- (d) 720 units

[MQP Dec. 2023]

25. Equivalent Production refers to production

- (a) Of items which have high initial costs
- (b) For classification of cost
- (c) In terms of completed units
- (d) To determine the value of closing inventory

[MQP June 2023]

26. FIFO methods are followed for evaluation of equivalent production when prices are fluctuating

- (a) True
- (b) False

[Module]

27. Work in progress is the inherent feature of processing industries

- (a) True
- (b) False

[Module]

### Fill in the Blanks:

- 28. Cost of \_\_\_\_\_ loss is not borne by good units.
- 29. If the actual loss in a process is less than the normal loss, the difference is known as \_\_\_\_\_.
- 30. Statement of cost per unit of equivalent production shows the per unit cost \_\_\_\_\_.
- 31. Two principal methods of evaluation of equivalent production are \_\_\_\_\_ and \_\_\_\_\_.



## ANSWER KEY

1. A	2. C	3. C	4. B	5. B	6. C	7. D	8. C	9. D	10. C
11. D	12. C	13. B	14. D	15. D	16. B	17. B	18. D	19. B	20. A
21. C	22. D	23. B	24. D	25. C	26. B	27. A			

## FILL IN THE BLANKS

28. Abnormal	29. Abnormal Gain	30. Element wise	31. FIFO and Average Method
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## 1. Composite Cost Unit for a Hospital is:

- (a) Per Patient
- (b) Per Patient-Day
- (c) Per Day
- (d) Per Bed

[Module]

## 2. Cost Unit of Cargo Transport Industry is

- (a) Kilometers
- (b) Passenger Kilometres
- (c) Tonne Kilometers
- (d) Number of Vehicles

## 3. In Passenger Transport Sector, Cost of Diesel and Lubricants is an example of:

- (a) Operating Cost
- (b) Fixed Charges
- (c) Semi-Variable Cost
- (d) Running Charges

## 4. Absolute Tonne-Km is an example of Composite Cost Units in

- (a) Power Sector
- (b) Cargo Transport
- (c) Bus Operation
- (d) Oil and Natural Gas

[Module]

## 5. Operating Costing is NOT applicable to

- (a) Hospitals
- (b) Cinemas
- (c) Transport Undertaking
- (d) Oil Refinery

## 6. Depreciation is treated as Fixed Cost if it is related to

- (a) Activity Level
- (b) Related with Machine Hours
- (c) Efflux of time
- (d) Notional Value of Asset

## 7. Generally, Depreciation on Assets is an example of

- (a) Fixed Cost
- (b) Variable Cost
- (c) Semi Variable Cost
- (d) Non-Cost Expenditure

## 8. Jobs undertaken by IT &amp; ITES organizations are considered as:

- (a) Project
- (b) Batch Work
- (c) Contract
- (d) Multiple Cost Unit

## 9. In Toll Road Costing, the repetitive costs includes -

- (a) Maintenance Cost
- (b) Annual Operating Costs
- (c) Neither (a) nor (b)
- (d) Both (a) and (b).

## 10. BOT approach means:

- (a) Build, Operate and Transfer
- (b) Buy, Operate and Transfer
- (c) Build, Operate and Trash
- (d) Build, Own and Trash.

## 11. Pre-Product Development activities in Insurance Companies, include:

- (a) Processing of Claim
- (b) Selling of Policy
- (c) Provision of Conditions
- (d) Policy Application Processing.



12. Which of the following costing method is not appropriate for costing of Educational Institutes:

- (a) Batch Costing
- (b) Activity Based Costing
- (c) Absorption Costing
- (d) Process Costing

13. Cost of Services under Operating Costing is ascertained by preparing –

- (a) Cost Sheet
- (b) Process Account
- (c) Job Cost Sheet
- (d) Production Account

14. A Hotel has 100 rooms of which 80% are normally Occupied in summer and 25% in winter. Summer and Winter to be taken as 6 months each and normal days in a month be assumed to be 30. The Total Occupied Room Days per annum will be –

- (a) 4500 Room Days
- (b) 18900 Room Days
- (c) 36000 Room Days
- (d) 14400 Room Days

15. A hotel having 100 rooms of which 80% are normally occupied in summer and 25% in winter. Period of summer and winter be taken as 6 months each and normal days in a month be assumed to be 30. The total occupied room days will be \_\_\_\_\_.

- (a) 1525 Room days
- (b) 18900 Room days
- (c) 36000 Room days
- (d) None of the above

[MQP Dec. 2023]

16. Cost of a particular service under operating costing is ascertained by preparing:

- (a) Cost sheet
- (b) Process account
- (c) Job cost sheet
- (d) Production account

[Module]

17. Operating costing is applicable to:

- (a) Hospitals
- (b) Cinemas
- (c) Transport undertaking
- (d) All of the above

[Module]

18. Cost units used in power sector is called:

- (a) Number of hours
- (b) Number of electric points
- (c) Kilowatt-hour (KWH)
- (d) Kilo meter (K.M.)

[Module]

19. Operating costing is applied to ascertain the cost of products.

- (a) True
- (b) False

20. Cost of operating the service is ascertained by preparing job account.

- (a) True
- (b) False

[Module]

21. The problem of equivalent production arises in case of operating costing.

- (a) True
- (b) False

[Module]



22. In electricity companies, the cost unit is

- (a) kilowatt-hour
- (b) Number of hours
- (c) Number of electric points
- (d) Kilo meter (K.M.)

[Module]

23. The method of costing used in undertaking like gas companies, cinema houses, hospitals etc is known as

- (a) Batch Costing
- (b) Operating Costing
- (c) Process Costing
- (d) Job Costing

[Module]

## ANSWER KEY

1. B	2. C	3. D	4. B	5. D	6. C	7. A	8. A	9. D	10. A
11. C	12. D	13. A	14. B	15. B	16. C	17. D	18. C	19. B	20. B
21. B	22. A	23. B	24.	25.	26.	27.	28.	29.	30.



- Under Standard Cost System, the cost of the product determined at the beginning of production is its:
    - Direct Cost
    - Pre-Determined Cost
    - Historical Cost
    - Actual Cost
  - Analysis of the differences between Actual and Standard Cost is known as -
    - Multiple Analysis
    - Variable Cost Analysis
    - Variance Analysis
    - Linear Trend Analysis.
  - Difference between Standard Cost and Actual Cost is called as
    - Wastage
    - Loss
    - Variance
    - Profit
- [MQP Dec 2023]
- The standard which is attainable under most favourable conditions is -
    - Theoretical Standard
    - Expected Standard
    - Normal Standard
    - Basic Standard
  - The standard most suitable from cost control point of view is -
    - Normal Standard
    - Theoretical Standard
    - Expected Standard
    - Basic Standard
  - Overhead Cost Variance is:
    - the difference between overheads recovered on Actual Output, and the Actual Overhead incurred
    - the difference between Budgeted Overhead Cost and Actual Overhead Cost
    - obtained by multiplying Standard Overhead Absorption Rate with the difference between Standard Hours for actual output and actual hours worked
    - a notional concept and cannot be computed at all
  - Excess of Actual Cost over Standard Cost is known as
    - Abnormal Effectiveness
    - Unfavourable Variance
    - Favourable Variance
    - Overabsorption
  - Excess of Standard Cost over Actual Cost is known as
    - Abnormal Effectiveness
    - Unfavourable Variance
    - Favourable Variance
    - Under absorption
  - Standard Cost is used -
    - To ascertain the Break-Even Point
    - To establish Cost-Volume Profit Relationship
    - As a basis for price fixation and cost control through Variance Analysis
    - All of the above
  - Standard Price of Material per kg Rs.50, Standard Usage per unit of production is 5 kg. Budgeted Output is 120 units, while Actual Output is 100 units. In this case, Standard Material Cost is -
    - Rs.25,000
    - Rs.30,000
    - Rs.250
    - Rs. Nil



- Material Cost Variance is equal to -
  - Material Usage Variance + Material Mix Variance
  - Material Price Variance + Material Usage Variance
  - Material Price Variance + Material Yield Variance
  - Material Mix Variance + Material Yield Variance
- Standard Price of Material per kg Rs.50, Standard Usage per unit of production is 5 kg. Budgeted Output is 120 units, while Actual Output is 100 units. During the period 625 kg of Material were purchased of which 75 kg were in still in stock at period end. There was no opening Stock. What is the Standard Quantity of Raw Material in this case?
  - 600 kg
  - 625 kg
  - 500 kg
  - 550 kg
- Which of the following variance arises ONLY when more than one material is used in the manufacture of a product?
  - Material Price Variance
  - Material Usage Variance
  - Material Yield Variance
  - Material Mix Variance
- Standard Material Price per kg is Rs.20, Standard Usage per unit of production is 5 kg. Actual Usage of Material for production of 100 units is 520 kgs, all of which was purchased at Rs.22 per kg. Material Usage Variance in this case is
  - 1,040 (A)
  - 1,440 (A)
  - 400 (F)
  - 400 (A)
- If Standard Hours for 100 units of output are 400 at Rs.200 per hour and Actual Hours taken are 380 at Rs.225 per hour, then the Labour Rate Variance is:
  - Rs.9,500 (Adverse)
  - Rs.10,000 (Adverse)
  - Rs.2,500 (Favourable)
  - Rs.12,000 (Adverse).
- Abnormal Non-Controllable Variances are best disposed-off by transferring to
  - Cost of Goods Sold
  - Cost of Goods Sold and Inventories
  - Inventories of Work-in-Progress and Finished Goods
  - Costing Profit and Loss Account
- Idle Time Variance is obtained by multiplying the difference between -
  - Standard and Actual Hours by the Actual Rate of Labour per hour
  - Actual Productive Labour Hours and Actual Labour Hours Paid, by the Standard Rate of Labour per hour
  - Standard Hours and Actual Productive Labour Hours, by the Standard Rate of Labour per hour
  - Standard Hours and Actual Labour Hours Paid, by the Standard Rate of Labour per hour
- Basic Standards are standards, which:
  - require high degree of efficiency and performance.
  - are average in nature and useful in long term planning
  - which can be attained or achieved
  - are assumed to remain unchanged for a long time.



19. During a period, Standard Labour is 24 Skilled Labour Hours and 30 Unskilled Labour Hours at Rs.60 and Rs.40 respectively as the Standard Labour Rates. Actually, 20 skilled and 25 unskilled Labour Hours were used at Rs. 50 and Rs.50 respectively. Then, the Labour Mix Variance will be –

- (a) Adverse
- (b) Favourable
- (c) Zero
- (d) Favourable for Skilled and unfavourable for Unskilled

[MQP Dec 2023]

20. Budgeted Material Cost for 10,000 units is Rs.15,000, and 9,000 units were actually produced at a Material Cost of Rs.16,200. The Material Cost Variance is:

- (a) Rs. 1,200 (A)
- (b) Rs. 2,700 (A)
- (c) Rs. 1,500 (A)
- (d) Rs.1,200 (F)

21. During a period, 3,600 Labour Hours were worked and Standard VOH Rate was Rs.8 per hour. The VOH Efficiency Variance was Rs.8,800 (Adv.). How many Standard Hours were produced?

- (a) 3,600 hours
- (b) 2,500 hours
- (c) 4,700 hours
- (d) 1,100 hours

22. During a period, 5,120 Labour Hours were worked at a Standard Rate of Rs.75 per hour. The Direct Labour Efficiency Variance was Rs.33,000 (A). How many Standard Hours were produced?

- (a) 5,120 hours
- (b) 5,560 hours
- (c) 4,680 hours
- (d) 3,300 hours

## PAST PAPER, MQPS &amp; MODULE MCQ'S

23. From cost control point of view the standard most commonly used is:

- (a) Theoretical standard
- (b) Expected standard
- (c) Normal standard
- (d) Basic standard

[PP Dec 2021]

24. A favourable material price variance coupled with an unfavourable material usage variance would most likely result from

- (a) changes in the product mix
- (b) Problems with processing machines
- (c) the purchase of low-quality materials
- (d) problems with labour efficiency

[PP Dec 2021]

25. In a factory of ZINB Ltd operating Standard Costing System, 2000 kgs of a material @ ₹ 12 per kg were used for a Product, resulting in Material Cost variance of ₹ 3000 (FAV). The standard material cost of actual production is

- (a) 30000
- (b) 27000
- (c) 24000
- (d) 25000

[PP Dec 2021]

26. In a factory of PERT LTD. where standard costing was followed, 4,000 kgs of materials at ₹ 15 per kg were consumed resulting in Material Cost Variance of ₹ 1,000 (Adv.) The Standard Material Cost of actual production was:

- (a) 61,000
- (b) 60,000
- (c) 59,000
- (d) None of the above

[PP Dec 2022]



27. Standard price of material per kg is 20, standard usage per unit of production is 5 kg. Actual usage of production of 100 units is 520 kgs., all of which was purchased at the rate of 22 per kg. Material usage variance is:

- (a) ₹400 (Adverse)
- (b) ₹400 (Favourable)
- (c) ₹1,040 (Adverse)
- (d) ₹1,040 (Favourable)

[PP July 2023]

28. Standard hours for 100 units of output are 800 @ 4 per hour and actual hours taken are 760 @ 4.50 per hour. What is the labour rate variance?

- (a) 480 (Adverse)
- (b) ₹400 (Adverse)
- (c) 380 (Adverse)
- (d) 100 (Favourable)

[PP July 2023 &amp; Dec 2023]

29. In a factory of BANS LTD. where standard costing was followed, during a period actual 2,500 hours were worked at a standard rate of 8 per hour. The Direct labour efficiency variance was 800 (Adv.). How many standard hours produced?

- (a) 2,670 hours
- (b) 2,600 hours
- (c) 2,400 hours
- (d) 2,200 hours

[PP. Dec 2023]

30. In the year 2023-24, X & Co. used 2,820 kg of material at a total standard cost of ₹11,562. The material usage variance was 123 (Favourable). In the above case, Standard Weight of Material (SQ) for the period is \_\_\_\_\_

- (a) 2,900 kg.
- (b) 2,850 kg.

- (c) 3,048 kg.
- (d) 2,648 kg.

[PP June 2024]

31. In the factory of ZAN Ltd. where standard costing is followed, 4000 kg of materials at 10 per kg were actually consumed resulting in materials price variance of 2,000 (Adv.). What will be the standard cost of material per kg?

- (a) ₹ 10.50
- (b) ₹ 9.50
- (c) ₹ 9.00
- (d) None of the above

[PP Dec 2024]

32. During a period 13600 labour hours were worked at a standard rate of ₹8 per hour. The direct labour efficiency variance was ₹8,800 (Adv.). How many standard hours were produced?

- (a) 12000 hours
- (b) 12500 hours
- (c) 13000 hours
- (d) 13500 hours

[MQP Dec 2023]

33. What is the labour rate variance if standard hours for 100 units of output are 400 @ ₹2 per hour and actual hours taken are 380 @ ₹ 2.25 per hour?

- (a) ₹ 120 (adverse)
- (b) ₹ 100 (adverse)
- (c) ₹ 95 (adverse)
- (d) ₹ 25 (favourable)

[MQP June 2024]

34. Standard cost of material for a given quantity of output is ₹ 15,000 while the actual cost of material used is ₹ 16,200. The material cost variance is:

- (a) ₹ 1,200 (A)
- (b) ₹ 16,200 (A)
- (c) ₹ 15,000 (F)
- (d) ₹ 31,200 (A)

[MQP June 2024]



35. In a period, 11280 kilograms of material were used at a total standard cost of ₹46,248. The material usage variance was ₹492 adverse. What was the standard allowed weight of material for the period?

- (a) 11600 kg  
(b) 11160 kg  
(c) 12190 kg  
(d) 10590 kg

[MQP Dec 2024]

36. Excess of Actual cost over Standards Cost is treated as unfavourable variance

- (a) True  
(b) False  
(c) Partly True Partly False  
(d) None

[Module]

37. Variances are calculated for both material and labour.

- (a) True  
(b) False  
(c) Partly True Partly False  
(d) None

[Module]

38. While fixing standards, normal losses and wastages are taken into account.

- (a) True  
(b) False  
(c) Partly True Partly False  
(d) None

[Module]

39. Standard costing is an ideal name given to the estimate making.

- (a) True  
(b) False  
(c) Partly True Partly False  
(d) None

[Module]

40. Pre-determined standards provide a yardstick for the measurement of efficiency

- (a) True  
(b) False  
(c) Partly True Partly False  
(d) None

[Module]

41. Material cost variance and labour cost variance are always equal.

- (a) True  
(b) False  
(c) Partly True Partly False  
(d) None

[Module]

42. Fixing standards is the work of industrial engineer or the production people and not of cost accountant.

- (a) True  
(b) False  
(c) Partly True Partly False  
(d) None

[Module]

43. Standards costing are more profitability employed in job order industries than in process type industries.

- (a) True  
(b) False  
(c) Partly True Partly False  
(d) None

[Module]

**Fill in the Blanks**

44. Historical costing uses post period costs while standards costing uses \_\_\_\_\_ costs.

[PP Dec 2021 &amp; Module]

45. Three types of standards are \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_.

[Module]

46. The \_\_\_\_\_ is usually the co-ordinator of the standards committee

[Module]

47. Basically there are two types of standards viz; \_\_\_\_\_ and \_\_\_\_\_.

[Module]

48. When actual cost is less than the standards cost, it is known as \_\_\_\_\_ variance.

[Module]

49. A labour cost standard is based on estimates of the \_\_\_\_\_ to produce a unit of product and the cost of labour per unit.

[PP Dec. 2021]

50. Standard Costing is one of the \_\_\_\_\_ techniques.

[PP Dec. 2021]

51. Cost variance is the difference between \_\_\_\_\_.

[PP Dec. 2021]

52. \_\_\_\_\_ is caused due to the poor working conditions.

[PP Dec. 2021]

**ANSWER KEY**

1. B	2. C	3. C	4. A	5. C	6. A	7. B	8. C	9. C	10. A
11. B	12. C	13. D	14. A	15. A	16. D	17. B	18. D	19. C	20. B
21. B	22. C	23. B	24. C	25. B	26. B	27. A	28. C	29. C	30. B
31. B	32. B	33. C	34. A	35. B	36. A	37. A	38. A	39. B	40. A
41. B	42. B	43. B							

**Fill in The Blanks**

44.	Predetermined
45.	Basic Ideal and Current
46.	Cost Accountants
47.	Ideal standard attainable standard
48.	Favourable
49.	Labour Hours Required
50.	Cost Control
51.	Standard Cost and Actual Cost
52.	Labour Efficiency Variance



- Under Marginal Costing, the Cost of Product for Inventory Valuation includes –**
  - Prime Costs only
  - Prime Costs and Variable Factory Overheads
  - Prime Costs and Fixed Factory Overheads.
  - Prime Costs and All Factory Overheads.
- Reporting under Marginal Costing is accomplished by**
  - Treating all Costs as Period Costs
  - Eliminating the Work-in-Progress Inventory Account.
  - Matching Variable Costs against Revenue and treating Fixed Costs as Period Costs.
  - Including only Variable Costs in the Income Statement.
- Period Costs are**
  - Variable Costs
  - Fixed Costs
  - Prime Costs
  - Overheads Costs
- Which of the following best describes a Fixed Cost?**
  - It may change in total where such change is unrelated to changes in production.
  - It may change in total where such change is related to changes in production.
  - It is constant per unit of change in production.
  - It may change in total where such change depends on production within the relevant range.
- When Sales and Production (in units) are the same, then the Profit under Marginal Costing will be —when compared to Absorption Costing.**
  - higher than
  - lower than
  - equal to
  - None of the above
- When Sales exceeds Production (in units), then the Profit under Marginal Costing will be —when compared to Absorption Costing.**
  - higher than
  - lower than
  - equal to
  - None of above
- When Sales is less than Production (in units), then the Profit under Marginal Costing will be —when compared to Absorption Costing.**
  - higher than
  - lower than
  - equal to
  - None of above
- The main difference between Marginal Costing and Absorption Costing is regarding the treatment of:**
  - Prime Cost
  - Fixed Overheads
  - Direct Materials
  - Variable Overheads



- Under Profit Volume Ratio, the term Profit**
  - means the Sales Proceeds in excess of Total Costs
  - means the Net Operating Profit for the period
  - represents the Profit available for distribution for Dividend
  - is a misnomer, it in fact refers to Contribution i.e. (Sales Revenue less Variable Costs).
- PV Ratio will increase if there is**
  - a decrease in Fixed Cost
  - an increase in Fixed Cost
  - a decrease in Selling Price per unit
  - a decrease in Variable Cost per unit

[MQP Dec. 2023, Module]
- Variable Cost**
  - Remains fixed in total at all output levels
  - Remains fixed per unit at all output levels
  - Varies per unit for different output levels
  - is dependent on the Profit earned

[Module]
- The technique of Differential Cost is adopted**
  - To ascertain PV Ratio
  - To ascertain Marginal Cost
  - To ascertain Total Cost per unit
  - To make choice between two or more alternative courses of action

[Module]
- Difference between the costs of two alternatives is known as the –**
  - Variable Cost
  - Opportunity Cost
  - Marginal Cost
  - Differential Cost
- It is planned to sell 1,00,000 units of Product A at Rs. 12 per unit. Fixed Costs are Rs.2,80,000. To achieve a profit of Rs.2,00,000, what would the Variable Costs be?**
  - Rs. 4,80,000
  - Rs. 7,20,000
  - Rs. 9,00,000
  - Rs. 9,20,000
- If Sales are Rs.1,50,000 and Variable Cost are Rs. 50,000. Compute PV Ratio.**
  - 66.66%
  - 100%
  - 133.33%
  - 33.33%
- Fixed Cost is Rs.30,000 and Variable Cost Ratio is 80% Compute BEP in Rupees.**
  - Rs. 37,500
  - Rs. 1,50,000
  - Rs. 1,87,500
  - Rs. 1,12,500
- A Firm has Fixed Expenses Rs.90,000, Sales Rs.3,00,000 and Profit Rs.60,000. Its Variable Cost Ratio is –**
  - 30%
  - 20%
  - 60%
  - 50%
- Marginal Costing Technique follows the following basis of classification –**
  - Element wise
  - Function-wise
  - Behaviour-wise
  - Identifiability-wise

[MQP Dec. 2023, Module]



## 19. Factors which can change the Break-Even Point:

- (a) Change in Total Fixed Costs
- (b) Change in Variable Costs per unit
- (c) Change in the Selling Price per unit
- (d) All of the above

## 20. If PV Ratio is 40% of Sales, then the remaining 60% is called.....?

- (a) Profit
- (b) Fixed Cost
- (c) Variable Cost
- (d) Margin of Safety

## 21. If BEP is 40% of Sales, then the remaining 60% is called.....?

- (a) Profit
- (b) Fixed Cost
- (c) Variable Cost
- (d) Margin of Safety

## 22. If PVR is 60% and Profit is Rs.9,000, then Margin of Safety is

- (a) Rs.5,400
- (b) Rs.15,000
- (c) Rs.22,500
- (d) Rs.3,600

## 23. If Sales are Rs. 90,000 and Variable Cost to Sales is 75%. Contribution is –

- (a) Rs. 90,000
- (b) Rs. 22,500
- (c) Rs. 1,12,500
- (d) Rs. 67,500

## 24. Contribution is Rs.1,25,000, Break Even Point at 40% of Total Sales is Rs.2,50,000. Compute PVR.

- (a) 50%
- (b) 20%
- (c) 17.5%
- (d) 12.5%

## 25. Net Profit Ratio is 12% and BEP is 40% of Total Sales. Compute PV Ratio.

- (a) 60%
- (b) 52%
- (c) 28%
- (d) 20%

## 26. A Company manufactures a product and sells at a Unit Price of Rs.75. Annual Fixed Cost is Rs.90,000 per year. The Contribution to Sales ratio is 40%. What will be the Break Even Quantity of the Company?

- (a) 1,200 units
- (b) 2,000 units
- (c) 3,000 units
- (d) 4,000 units

## 27. Product A generates a Contribution of 40% on Sales. Fixed Cost attributable to A is Rs.75,000. What is the Sales Revenue required to achieve a profit of Rs.25,000?

- (a) Rs 2,50,000
- (b) Rs 2,25,000
- (c) Rs 1,87,500
- (d) Rs 62,500

## 28. Sales and Profit of a Firm for last year are Rs.3,00,000 and Rs.75,000. The corresponding figures for the current year are Rs.5,00,000 and Rs.2,00,000 respectively. The PV Ratio of the Firm is

- (a) 12.5%
- (b) 50.0%
- (c) 62.5%
- (d) 37.5

[PP Dec.2021]



## 29. The Break-even point of GOMIN LTD. is 3,20,000. The fixed cost is 1,20,000 and the variable cost per unit is 12. What will be the PN Ratio?

- (a) 30
- (b) 40%
- (c) 45%
- (d) 50%

[PP Dec. 2022]

## 30. CVP Analysis is a simple break-even analysis.

- (a) True
- (b) False

[PP Dec. 2022]

## 31. Which of the following factors are responsible for change in the break even point

- (a) Change in fixed cost
- (b) Change in variable cost
- (c) Change in selling price
- (d) All of the above

[PP July 2023]

## 32. The PV Ratio of ABC Ltd. is 40%. The fixed cost is 32,000 and the variable cost per unit is 6. Break-even point of the company is

- (a) 64,000
- (b) 80,000
- (c) 128,000
- (d) 160,000

[PP July 2023]

## 33. ZOM Ltd. earned a profit of 80,000 during the month of August. If the selling price and marginal cost of the product are 10 and 6 per unit respectively, what will be the amount of Margin of Safety (MOS)?

- (a) 4,00,000
- (b) 3,00,000
- (c) 2,00,000
- (d) 1,25,000

[PP Dec. 2023]

## 34. Product 'X' generates a contribution to sales ratio of 40%. Fixed costs directly attributable to 'X' amounts to 60,000 per month. The sales required to achieve a monthly profit of 12,000 will be:

- (a) 1,87,500
- (b) 2,00,000
- (c) 1,65,000
- (d) 1,80,000

[PP Dec. 2023]

## 35. Contribution is ₹ 3,00,000 and sales is ₹ 15,00,000. Compute P/V ratio.

- (a) 15%
- (b) 20%
- (c) 22%
- (d) 17.5%

[MQP June 24]

## 36. Z Ltd. is planning to sell 1,00,000 units of product A for 12.00 per unit. The fixed costs are 2,80,000. In order to realize a profit of 2,00,000, what would the variable costs be?

- (a) 4,80,000
- (b) 7,20,000
- (c) 9,00,000
- (d) 9,20,000

[MQP Dec. 2023]

## 37. A firm has fixed expenses 90,000, sales 3,00,000 and profit 60,000. The P/V ratio of the firm is:

- (a) 10%
- (b) 20%
- (c) 30%
- (d) 50%

[MQP Dec. 2023]

## 38. If sales are ₹150,000 and variable cost are ₹50,000. Compute P/V ratio.

- (a) 66.66%
- (b) 100%
- (c) 133.33%
- (d) 65.66%

[MQP Dec. 2023]





39. The cost of a product under marginal costing system includes:

- (a) Prime cost plus variable overhead
- (b) Prime cost plus fixed overhead
- (c) Prime cost plus factory overhead
- (d) Only prime cost

[Module]

40. The difference between absorption costing and marginal costing is in regard to the treatment of

- (a) Direct materials
- (b) Fixed overhead
- (c) Prime cost
- (d) Variable overhead

[Module]

41. Fixed costs are treated as

- (a) Overhead costs
- (b) Prime costs
- (c) Period costs
- (d) Conversion costs

[Module]

42. When sales exceed production (in units) then profit under

- (a) Marginal costing is higher than that of absorption costing
- (b) Marginal costing is equal to that of absorption costing
- (c) Marginal costing is lower than that of absorption costing
- (d) None of the above

[Module]

### Fill in the Blanks:

1. Profit volume ratio \_\_\_\_\_ with increase in fixed cost.
2. In the Break-even chart, x-axis represents \_\_\_\_\_.
3. Under marginal costing the difference in the magnitude of \_\_\_\_\_ does not affect the unit cost of production.
4. \_\_\_\_\_ compare favourably with the economist's definition of marginal cost, viz. that marginal cost is the amount which at any given volume of output is changed if output is increased or decreased by one unit.



1. B	2. C	3. B	4. A	5. C	6. A	7. B	8. B	9. D	10. D
11. B	12. D	13. D	14. B	15. A	16. B	17. D	18. C	19. D	20. C
21. D	22. B	23. B	24. B	25. D	26. C	27. A	28. C	29. B	30. B
31. D	32. B	33. C	34. D	35. B	36. B	37. D	38. A	39. A	40. B
41. C	42. A	43.	44.	45.	46.	47.	48.	49.	50.

### Fill in the Blanks

1. Is Constant	2. Volume	3. opening stock and closing stock	4. Differential Costs
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### ANSWER KEY



## 1. Budgets are shown in ..... Terms

- (a) systematic
- (b) quantitative
- (c) abstract
- (d) pessimistic

[Module]

## 2. Which of the following is not an element of Master Budget?

- (a) Capital Expenditure Budget
- (b) Production Schedule
- (c) Operating Expenses Budget
- (d) All of the above

[PP Dec 2021, Module]

## 3. Sales Budget is a \_\_\_\_\_

- (a) Expenditure Budget
- (b) Functional Budget
- (c) Master Budget
- (d) Cash Budget

[PP June 2024, Module]

## 4. If a Company wishes to establish a Factory Overhead Budget System in which estimated costs can be derived directly from estimates of activity levels, it should prepare a:

- (a) Master Budget
- (b) Cash Budget
- (c) Flexible Budget
- (d) Fixed Budget

[Module]

## 5. The classification of Fixed and Variable Cost is useful for the preparation of:

- (a) Master Budget
- (b) Flexible Budget
- (c) Cash Budget
- (d) Capital Budget

[Module]

## 6. The basic difference between a Fixed Budget and Flexible Budget is that a Fixed Budget -

- (a) is concerned with a single level of activity, while Flexible Budget is prepared for different levels of activity
- (b) is concerned with s, while Flexible Budget is concerned with Variable Costs.
- (c) is fixed while Flexible Budget changes
- (d) cannot be differentiated from a Flexible Budget

## 7. A Flexible Budget requires a careful study of

- (a) Actual and Standard Expenses
- (b) Past and Current Expenses
- (c) Production Overheads, Administrative Expenses, Selling
- (d) Fixed, Semi-Fixed and Variable Expenses

[MQP June 2023 &amp; Dec 2024]

## 8. Budget Manual is a document:

- (a) Which contains different type of Budgets to be formulated only.
- (b) Which contains the details about Standard Cost of the products to be made.
- (c) Setting out the budget organization and procedures for preparing a budget including fixation of responsibilities, formats and records required for the purpose of preparing a budget and for exercising budgetary control system.
- (d) None of the above.



## 9. The Budget Control Organization is usually headed by a top executive who is known as -

- (a) General Manager
- (b) Budget Director/Budget Controller
- (c) Accountant of the Organization
- (d) None of the above

## 10. "A Favourable Budget Variance is always an indication of efficient performance". Do you agree, give reason?

- (a) A favourable variance indicates, saving on the part of the organization hence it indicates efficient performance of the organization.
- (b) Under all situations, a Favourable Variance of an organization speaks about its efficient performance.
- (c) A Favourable Variance does not necessarily indicate efficient performance, because such a Variance might have been arrived at by not carrying out the expenses mentioned in the budget.
- (d) None of the above.

## 11. A Budget Report is prepared on the principle of exception and thus

- (a) Only Unfavourable Variances should be shown
- (b) Only Favourable Variance should be shown
- (c) Both Favourable and Unfavourable Variances should be shown
- (d) Need not be prepared at all.

## 12. Which of the following is not a potential benefit of using a Budgeting System?

- (a) More motivated Managers
- (b) Enhanced co-ordination of Firm activities
- (c) Improved Inter-Departmental Communication

(d) More accurate Financial Statements for External Reporting  
[MQP June 2023, Module]

## 13. Cash Budget of a Company indicates a possibility of a short-term surplus. Which of the following would be appropriate action to be taken in such a situation?

- (a) Purchase new Fixed Assets
- (b) Repay Long-Term Loans
- (c) Write off Preliminary Expenses
- (d) Pay Creditors early to obtain a Cash Discount

## 14. Efficiency Ratio is:

- (a) Activity Ratio multiplied by Capacity Ratio
- (b) Activity Ratio divided by Capacity Ratio
- (c) Calendar Ratio multiplied by Capacity Ratio
- (d) Calendar Ratio divided by Capacity Ratio

## 15. Activity Ratio depicts whether -

- (a) the actual capacity utilized exceeds or falls short of the budgeted capacity
- (b) the actual hours used for actual production were more or less than the standard hours
- (c) the actual activity was more or less than the budgeted capacity
- (d) the actual days worked was more or less than the planned days

## 16. Which of the following is usually a Short-Term Budget?

- (a) Capital Expenditure Budget
- (b) Research and Development Budget
- (c) Cash Budget
- (d) All of the above



17. Which of the following is a Long-Term Budget?

- (a) Master Budget
- (b) Flexible Budget
- (c) Cash Budget
- (d) Capital Expenditure Budget

[PP Dec 2021, Module]

18. If an organization has all the resources it needs for production, then the Principal Budget Factor will be –

- (a) non-existing
- (b) Sales Demand
- (c) Raw Materials
- (d) Labour Supply

[MQP Dec 2024]

19. Materials become Key Factor, if

- (a) quota restrictions exist
- (b) insufficient advertisement prevails
- (c) there is low demand
- (d) there is no problem with supplies of materials

[Module]

20. The budget that is prepared first of all is

- (a) Master Budget
- (b) Budget with Key Factor
- (c) Cash Budget
- (d) Capital Expenditure Budget

[PP Dec 2024, Module]

### PAST PAPER, MQPS & MODULE MCQ'S

21. Budgetary control facilitate introduction of Management by Exception.

- (a) True
- (b) False
- (c) Partly True Partly False.
- (d) None.

[MQP June 2023]

22. The fixed-variable cost classification has a special significance in the preparation of

- (a) Cash budget
- (b) Master budget
- (c) Flexible budget
- (d) Capital budget

[MQP June 2023]

23. The entire budget organisation is controlled and headed by a senior executive known as

- (a) General Manager
- (b) Accountant
- (c) Budget Controller
- (d) None of the above

[Module]



### TRUE OR FALSE

24. Budget is a means and budgetary control is the end result.

25. To achieve the anticipated targets, Planning, Co-ordination and Control are the important main tasks of management, achieved through budgeting and budgetary control

26. A key factor or principal factor does not influence the preparation of all other budgets

27. Budgetary control does not facilitate introduction of 'Management by Exception'.

28. Generally, budgets are prepared to coincide with the financial year so that comparison of the actual performance with budgeted estimates would facilitate better interpretation and understanding.

29. A flexible budget is one, which changes from year to year.

30. A flexible budget recognises the difference between fixed, semi-fixed and variable cost and is designed to change in relation to the change in level of activity.

31. Sales budget, normally, is the most important budget among all budgets.

32. The principal factor is the starting point for the preparation of various budgets.

33. A budget manual is the summary of all functional budgets.

### 34. FILL IN THE BLANKS

35. A flexible budget is geared toward \_\_\_\_\_ rather than a single level of activity.

36. Budgets are useful for \_\_\_\_\_ the operating activities and \_\_\_\_\_ of a business enterprise.

37. The \_\_\_\_\_ is the starting point in preparing the master budget (given that sales are the principal budget factor).

### ANSWER KEY

1. B	2. B	3. B	4. C	5. B	6. A	7. D	8. C	9. B	10. C
11. C	12. D	13. D	14. B	15. C	16. C	17. D	18. B	19. A	20. B
21. B	22. C	23. C	24. T	25. T	26. F	27. F	28. T	29. F	30. T
31. T	32. T	33. F							

### FILL IN THE BLANKS

34. A range of activity	35. forecasting, financial position	36. Sales Budget
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1. What is the primary objective of Cost Accounting Standards (CAS)?
- Ensure profitability
  - Ensure consistency and standardization in cost accounting practices
  - Minimize costs
  - Maximize revenue

2. Who formulates Cost Accounting Standards in India?
- Ministry of Corporate Affairs  
Institute of Chartered Accountants of India (ICAI)  
Institute of Cost Accountants of India (ICAI)  
Securities and Exchange Board of India (SEBI)

3. In which section of the Companies Act, 2013, is the provision related to the maintenance of cost records and cost audit found?
- Section 142
  - Section 148
  - Section 164
  - Section 176

4. What is the primary focus of CAS-11?
- Determining principles for sales and distribution overheads
  - Outlining principles for administrative overheads
  - Establishing guidelines for financial reporting
  - Addressing manufacturing costs

5. CAS 6 focuses on
- Material Cost
  - Employee Cost
  - Activity-Based Costing
  - Repairs and Maintenance Cost

6. Which CAS deals with the classification, measurement, and assignment of administrative overheads?

- CAS 3
- CAS 8
- CAS 11
- CAS 15

7. What does CAS 16 cover?

- Borrowing Costs
- Selling and Distribution Overheads
- Cost of Transportation
- Standard Costing

8. Which CAS deals with the classification, measurement, and assignment of selling and distribution overheads?

- CAS 3
- CAS 8
- CAS 11
- CAS 15

9. Which term is defined by CAS-15: Definitions as the cost incurred due to unforeseen circumstances and not part of normal business operations?

- Absorption of Overheads
- Abnormal Cost
- Imputed Costs
- Selling Overheads

10. Which section of the Companies Act, 2013, deals with the adoption and adherence to Cost Accounting Standards (CAS)?

- Section 135
- Section 148
- Section 170
- Section 184

11. CAS 9 specifically deals with:

- Employee Cost
- Packing Material Cost
- Direct Expenses
- Repairs and Maintenance Cost

12. What principle is encouraged by CAS-15 for transparency in the disclosure of changes in cost accounting principles?

- Confidentiality
- Consistency
- Transparency
- Secrecy

13. CAS 17: Cost of Transportation primarily focuses on:

- Classification of transportation costs
- Measurement of transportation costs
- Assignment of transportation costs
- Determination of total transportation costs

14. What does CAS 22: Intangible Assets primarily cover?

- Classification of intangible assets
- Measurement of intangible assets
- Assignment of intangible assets costs
- Determination of total intangible assets

15. CAS 23: Overheads for Intermediary Services deals with:

- Classification of intermediary service costs
- Measurement of intermediary service costs
- Assignment of intermediary service costs
- Determination of total intermediary service costs

16. What does CAS-11 emphasize regarding the treatment of abnormal administrative costs?

- Inclusion in cost calculations
- Exclusion from cost calculations
- Separate disclosure in footnotes
- Attestation by external auditors

[MQP Dec 2024]

17. Which of the following is a key significance of CAS in cost accounting practices?

- Increasing the subjectivity of cost information
- Reducing transparency in financial reporting
- Enhancing the reliability, comparability, and relevance of cost information
- Limiting the scope of cost management

18. What does CAS contribute to in terms of transparency?

- Complexity in cost structures
- Ambiguity in cost reporting
- Clear and understandable disclosure of relevant cost information
- Hiding cost details from stakeholders

19. How does CAS promote improved decision-making within organizations?

- By introducing ambiguity in cost information
- By providing inaccurate cost data
- By ensuring accurate and reliable cost information
- By limiting the availability of cost data

20. Which of the following classifies cost as direct and indirect cost as per CAS 1

- By nature of expenses.
- By nature of traceability.
- By function.
- By nature of behavior

21. Which of the following Cost Accounting Standards (CASs) deals with Determination of Average (Equalized) Cost of Transportation?

- CAS-5
- CAS-6
- CAS-9
- CAS-16

[PP Dec 2023]



22. Which of the following CAS deals with the principles and methods of determining the Production and Operation Overheads?

- (a) CAS-2
- (b) CAS-3
- (c) CAS-5
- (d) CAS-10

[PP June 2024 & MQP June 2023 & Dec 2023]

23. Which one of CASs deals with the principle and methods of determining the repairs and maintenance cost?

- (a) CAS -4 (Revised 2018)
- (b) CAS -12 (Limited Revision 2017)
- (c) CAS-15
- (d) CAS -19

[PP Dec 2024]

24. Cost Accounting Standard 10 (CAS-10) relates to

- (a) Cost of utilities
- (b) Decision package
- (c) Direct expenses
- (d) Production strategy

[MQP June 2023]

25. Which standards deals with the principles and methods of determining depreciation and amortization cost?

- (a) CAS 9
- (b) CAS 12
- (c) CAS 15
- (d) CAS 16

[MQP June 2024]

26. Which one of the following CASs deals with the principles and methods of determining joint cost?

- (a) CAS-4 (Revised 2018)
- (b) CAS-8 (Limited Revision 2017)

- (c) CAS-15
- (d) CAS-19

[PP Dec 2023]

27. Which of the following Standards deals with the principles and methods of determining the manufacturing cost of excisable goods?

- (a) CAS-5
- (b) CAS-12
- (c) CAS-22
- (d) CAS-15

[PP July 2023]

28. Which of the following CASs deals with the principles and method of determining the material cost?

- (a) CAS-6 (Limited Revision 2017)
- (b) CAS-10 (Limited Revision 2017)
- (c) CAS-14 (Limited Revision 2017)
- (d) CAS-15

[PP Dec 2022]

#### TRUE OR FALSE

29. CAS 19 stands for Joint Cost.

30. Cost Accounting Standard Board should have minimum three eminent practicing members of the Institute of Cost Accounts of India.

31. The function of CASB is to issue the framework for the Cost Accounting Standard.

32. CAS 2 stands for classification of cost.

33. The objective of CAS 10 is to bring uniformity and consistency in the period and methods of determining the direct expenses with reasonable accuracy.



#### FILL IN THE BLANKS

33. CAS 9 stands for \_\_\_\_\_

34. The \_\_\_\_\_ of the CASB will be nominated by the council of The Institute of Cost Accountants of India.

35. \_\_\_\_\_ nominee from the regulate like CAG, RBI to the CASB Board.

36. CAS \_\_\_\_\_ stands for cost of service cost centre.

37. The function of CASB is to assists the members in preparations of uniform \_\_\_\_\_ under various statue.

#### ANSWERS

1. B	2. C	3. B	4. B	5. A	6. C	7. A	8. D	9. B	10. B
11. B	12. C	13. C	14. C	15. C	16. B	17. C	18. C	19. C	20. B
21. A	22. B	23. C	24. C	25. D	26. D	27. C	28. A	29. T	30. F
31. T	32. F	33. T							

#### FILL IN THE BLANKS

34. Predetermined	35. chairman	36. four	37. 13	38. cost statement
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