



CA INTER - COSTING

MCQ Qn

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Prepared By : **CA PURUSHOTTAM AGGARWAL**

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Preface

It is perhaps the growing significance of Cost Accounting in today's Global Business that our institute has emphasized this subject at CA Inter Level.

Costing Paper is considered one of the most difficult paper to master but with the help of 100% updated material and learning tips of concept as provided by Purushottam Sir makes the subject very easy.

This present book is humble attempt to provide expertise knowledge of Costing and to ignite the passion for continuous study and revision from the examination point of view.

Now-a-days, ICMAI keeps on including new concepts, new questions and even sometimes changes the assumptions considered while solving questions so to study from recently fully updated book is of most importance to get success in exams.

It has been advised to students to use always updated books containing all material required for examination. This book is purely based on examination.

It is suggested that student should follow **following steps to master 100% questions of costing:-**

- 1) Understand all the concepts deeply with the help of examples as taught in classes.
- 2) Understand practical questions and solve them thoroughly in the classes.
- 3) After Step-2, Now is the time to solve all the questions yourself at home by hiding its solution.
- 4) Write down typical points you came across while solving question under Step-3.
- 5) Now verify solutions to questions point-by-point with the help of pencil and revise all typical points as noted down under step 4.
- 6) Repeat step 5 continuously after a certain time to become master of all practical concepts and questions.

About CA Purushottam Aggarwal Sir

Purushottam Aggarwal is a throughout first class graduate from Delhi University in the Year 2005. He is a Fellow member of The Institute of Chartered Accountants of India. **He Qualified CA in November 2007.**

- a) **Presence All Over India** - CA Purushottam Sir is most respected, loved & well known faculty of India. Currently Purushottam Sir Costing Classes has **113 satellite centers** All Over India.
- b) **Rankers & Toppers in Every attempt** - Our students always gets ranks in every attempt of ICAI & ICMAI e.g. **Arjun Mehra got All India Rank 1, Diksha Goyal got All Indian Rank 1** etc. Hundreds of students gets 90+ Marks in costing paper in every attempt under guidance of Purushottam Sir. Thousands of students gets exemptions in every attempt of CA & CMA exams under guidance of CA Purushottam Sir.
- c) **Practical Exposure of Sir** - After professional education, he worked in a reputed CA firm and later on worked in “**Bharat Heavy Electricals Limited**” (A Mahanavratna Company) in managerial capacity handling the **Costing Department**.
- d) **Teaching is Sir's first Love** - After getting professional practical experience of Business Environment. He started doing what he loves i.e. Teaching. He has been faculty of Cost and Management Accounting in various Management and Professional Institutes.
- e) **Vast Experience of Sir** - His technique of approaching the subject matter, strategy for preparation of examination and scientific method of teaching are quite popular among the students.

He is teaching costing paper at various levels for more than 16 Years.

His **arrears of specialization** include Costing Paper.

At Present he is a professional financial consultant and faculty of Costing Paper at various professional levels e.g. CMA Final, CMA Inter, CA Final & CA Inter.

Purushottam Sir Costing classes

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INTRODUCTION TO COST & MANAGEMENT ACCOUNTING

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.

Answer - d

2. _____ is anything for which a separate measurement is required.

- (a) Cost Unit
- (b) Cost Object
- (c) Cost Driver
- (d) Cost Centre

Answer - b

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

Answer - c

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

Answer - b

5. Processes Costing method is suitable for -

- (a) Transport Sector
- (b) Chemical Industries
- (c) Dam Construction
- (d) Furniture-making

Answer - b

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

Answer - a

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

Answer - b

8. A Taxi Provider charges minimum ₹80 thereafter ₹ 12 per kilometer of distance travelled, the behaviour of Conveyance Cost is:

- (a) Fixed Cost
- (b) Semi-Variable Cost
- (c) Variable Cost
- (d) Administrative Cost.

Answer - b

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

Answer - d

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.

Answer - c

11. Ticket Counter in a Railway Station is an example of

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

Answer - b

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

Answer - c

13. Generally, for the purpose of Cost Sheet preparation, costs are classified on the basis of -

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

Answer - a

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

Answer - c

15. What is Prime Cost?

- (a) Total Direct Costs only
- (b) Total Indirect Costs only
- (c) Total Non-Production Costs
- (d) Total Production Costs

Answer - a

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.

Answer - a

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.

Answer - b

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)

Answer - a

19. Salary paid to Plant Supervisor is a part of -

- (a) Direct Expenses
- (b) Factory Overheads
- (c) Quality Control Cost
- (d) Administration Cost

Answer - b

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

Answer - a

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

Answer - b

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

Answer - a

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

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

Answer - a

24. Canteen Expenses for Factory Workers are part of -

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

Answer - a

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

Answer – c

MATERIAL COST

1. Direct Material can be classified as -

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

Answer - b

2. Direct Material is a -

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

Answer - d

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

Answer - a

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.

Answer - c

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

Answer - b

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

Answer - b

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

Answer - c

8. Continuous Stock Taking is a part of -

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

Answer - b

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.

Answer - b

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.

Answer - a

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

Answer - b

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.

Answer - b

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.

Answer - b

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

Answer - d

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

Answer - c

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

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

Answer - b

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)

Answer - d

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

Answer - a

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

Answer - b

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

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

Answer - c

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

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

Answer - c

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

Answer - d

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

Answer - a

24. Inventory Turnover Ratio is expressed in -

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

Answer - c

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

Answer - a

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

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

Answer - b

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

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

Answer - b

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

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

Answer - c

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

Answer - a

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

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

Answer – b

EMPLOYEE COST & DIRECT EXPENSES

1. _____ are the benefits paid or payable to the employees of an entity, whether permanent or temporary for the services rendered by them.

- (a) Employee Cost
- (b) Material Cost
- (c) Direct Employee (Labour) Cost
- (d) Imputed Cost

Answer - a

2. _____ is the period of time which cannot be avoided or reduced in the normal course of business.

- (a) Idle Time
- (b) Normal Idle Time
- (c) Time keeping
- (d) Abnormal Idle Time

Answer - b

3. _____ is the amount of extra payment paid to an employee for extra work.

- (a) Overtime Premium
- (b) Extra time Premium
- (c) Overpay Premium
- (d) Overtime

Answer - a

4. _____ is basically recording the details of work done and the time spent by an employee on each job or process.

- (a) Time Keeping
- (b) Time Booking
- (c) Idle Time
- (d) Employer register

Answer - b

5. _____ is the rate of change in employee force during a specified period due to resignation, retirement and retrenchment.

- (a) Employee (Labour) turnover
- (b) Worker man Turnover
- (c) Both (a) and (b)
- (d) Only (b)

Answer - a

6. The given Formula is used to find Employee (Labour) turnover by _____.

$$\frac{\text{Number of employees replaced}}{\text{Average number of employer on role}}$$

- (a) Replacement Method
- (b) Separation Method

(c) Flux Method

(d) New recruitment

Answer - a

7. _____ is the system of wage payment where wages to an employee is paid on the basis of time irrespective of production volume.

(a) Piece Wage rate system

(b) Time Rate System

(c) Halsey System

(d) Rowan System

Answer - b

8. Idle time is the time under which-

(a) Full wages are paid to workers

(b) No productivity is given by the workers

(c) Both (a) and (b)

(d) None of the above

Answer - c

9. Identify the Concept:

“It is used for measuring the efficiency of Individual workers?”

(a) Employee Productivity

(b) Employee Quality

(c) Employee Characteristics

(d) Employee efficiency

Answer - a

10. Which of the Following is not Direct Expenses?

(a) Royalty paid for production

(b) Moulds and pattern cost specifically incurred for Job

(c) Special design cost incurred for Job

(d) Factory Rent

Answer - d

11. Overtime Work involves _____ Cost.

(a) Extra

(b) Normal

(c) Minute

(d) Moderate

Answer - a

12. Under the _____, a standard time allowance is fixed for the performance of a job and bonus is paid if time is saved.

- (a) Halsey System
- (b) Rowan System
- (c) Piece Work System
- (d) Time Rate System

Answer - b

13. Under the _____, a standard time is fixed for each job or process and the workers are encouraged to do the job in less than the standard time.

- (a) Rowan System
- (b) Overtime Payment System
- (c) Time Rate System
- (d) Piece Work System

Answer - a

14. Cost of idle time due to non-availability of raw material is:

- (a) Charged to respective jobs
- (b) Charged to costing profit and loss account
- (c) Charged to overhead
- (d) None of the above

Answer - b

15. Labour turnover is measured by-

- (a) Number of persons separated / number of workers at the beginning of the year
- (b) $(\text{Number of persons replaced} + \text{number of persons separated}) / (\text{number of persons at the beginning} + \text{the number of persons at the end of the year})$
- (c) Number of persons replaced / average numbers of workers
- (d) None of the above

Answer - c

16. The main causes of labour turnover in an organisation / industry are:

- (a) Personal Causes
- (b) Avoidable Causes
- (c) Unavoidable Causes
- (d) All of the above

Answer - d

17. In _____ a worker cannot increase his earnings or bonus by merely increasing its work speed.

- (a) Halsey Premium bonus system
- (b) Rowan Premium bonus system

- (c) Production based bonus system
- (d) Both (a) and (b)

Answer - b

18. Time and motion study is conducted by:

- (a) Personnel department
- (b) Time keeping department
- (c) Payroll department
- (d) Engineering department

Answer - d

19. _____ and _____ are two types of cost associated with labour turnover.

- (a) Preventive Cost, Imputed cost
- (b) Replacement Cost, Preventive Cost
- (c) Imputed Cost, Explicit Cost
- (d) All of the above

Answer - b

20. Identify, which one of the following, does not account for increasing labour productivity.

- (a) Proper supervision and control
- (b) Motivating workers
- (c) High Labour turnover
- (d) Job satisfaction

Answer - c

21. Employee Cost includes:

- (a) Wages and Salaries
- (b) Payment for overtime
- (c) Allowance and incentives
- (d) All of the above

Answer - d

22. Time booking refers to a method wherein _____ of an employee is recorded.

- (a) Food expenses
- (b) Health status
- (c) Time spent on a particular job
- (d) Attendance

Answer - c

23. _____ takes both the number of replacements as well as the number of separations during the period into account for calculation of employee turnover.

- (a) Replacement Method
- (b) Flux Method
- (c) Separation Method
- (d) All of the above

Answer - b

24. Which of the following steps are useful for minimizing labour turnover:

- (a) Exit interview
- (b) Committee for settling workers grievances
- (c) Organisations should make use of scientific system for recruitment, placement and promotion for employees
- (d) All of these

Answer - d

25. If overtime is required for meeting urgent orders, the overtime premium should be charged as:

- (a) Overhead cost
- (b) Respective Job
- (c) Costing P&L A/c
- (d) None of the above

Answer - b

26. Important factors for control of employee cost can be:

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

Answer - d

27. Out of the following methods attendance is marked by recognizing an employee based on physical and behavioral traits:

- (a) Attendance Register Method
- (b) Bio-Metric Attendance System
- (c) Punch Card Attendance Method
- (d) Token Method

Answer - b

28. Standard time of a job is 60 hours and guaranteed time rate is ₹ 0.30 per hour. What is the amount of wages under Rowan plan if job is completed in 48 hours?

- (a) ₹ 18.00
- (b) ₹ 14.40
- (c) ₹ 17.28
- (d) ₹ 16.20

Answer - c

29. Time rate system of wage payment is suitable for the employees:

- (a) Whose service, cannot be directly or tangibly measured
- (b) Engaged on highly skilled jobs
- (c) Where the pace of output is independent of the operator
- (d) All of the above

Answer - d

30. _____ is used when data given for a period other than a year to convert it into equivalent annual employee turnover rate.

- (a) Equivalent Employee (Labour) Turnover Rate
- (b) Labour Turnover Method
- (c) Straight Time Rate System
- (d) Employee (Labour) Turnover

Answer - a

OVERHEADS

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.

Answer - (a)

2. _____ Capacity is defined as actually utilised capacity of a plant.

- (a) Theoretical
- (b) Installed
- (c) Practical
- (d) Idle

Answer - (c)

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

Answer - (c)

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

Answer - (c)

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 |

Answer - (a)

6. Charging of common Overheads Cost to various Cost Centers, using appropriate bases is known as -

- (a) Allocation
- (b) Apportionment
- (c) Absorption
- (d) Allotment

Answer - (b)

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

Answer - (d)

8. Absorption means charging of Overheads to -

- (a) Cost Centers
- (b) Cost Objects
- (C) Cost Drivers
- (d) Cost Pools

Answer - (b)

9. Which of the following is NOT a Service Department?

- (a) Costing Department
- (b) Machining Department
- (c) Time Keeping Department
- (d) Stores Department

Answer - (b)

10. Which of the following is a Service Department?

- (a) Refining Department
- (b) Machining Department
- (c) Receiving Department
- (d) Finishing Department

Answer - (c)

11. Packing Cost is part of -

- (a) Production Cost
- (b) Selling Cost
- (c) Distribution Cost
- (d) It may be any of the above

Answer - (d)

12. Primary Packing Cost is a part of:

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

Answer - (b)

13. Directors Remuneration is a part of-

- (a) Production Overhead
- (b) Administration Overhead
- (C) Selling Overhead
- (d) Distribution Overhead. .

Answer - (b)

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.

Answer - (c)

15. Advertisement Expense is an example of:

- (a) Distribution Overhead
- (b) Production Overhead
- (c) Selling Overhead
- (d) Administration Overhead.

Answer - (c)

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.

Answer - (d)

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.

Answer - (c)

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

Answer - (d)

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 |

Answer - (b)

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 |

Answer - (a)

ACTIVITY BASED COSTING

1. _____ is an accounting methodology that assigns costs to activities rather than products or services.

- (a) Activity based Accounting
- (b) Activity based Costing
- (c) Process and Operating Costing
- (d) Job Costing

ANSWER - (b)

2. What are the categories of activities that help to determine the type of activity cost driver required?

- (a) Unit level activities
- (b) Batch level activities
- (c) Product level and facility level activities
- (d) All of the above

ANSWER - (d)

3. Use of Activity based costing tool to manage cost's at activity level is known as _____.

- (a) Financial Management
- (b) Cost Accounting Management
- (c) Activity base Cost Management
- (d) Activity based Price Management

ANSWER - (c)

4. _____ activities are those activities which are indispensable in order to complete the process.

- (a) The value-added activities
- (b) The unit level activities
- (c) Batch level activities
- (d) Product level activities

ANSWER - (a)

5. _____ represent work that is not valued by the external or internal customer.

- (a) Net Value Added activity
- (b) Value Added Activities.
- (c) Non Value Added Activities
- (d) Unit level Activities

ANSWER - (c)

6. _____ is a process of planning and controlling the expected activities for the organisation to derive a cost-effective budget.

- (a) Activity based budgeting
- (b) Unit level Activity budgeting
- (c) Activity Cost budgeting
- (d) None of these

ANSWER - (a)

7. A cost driver is:

- (a) An activity which generates costs
- (b) Any cost relating to transport
- (c) A common cost which is shared over cost centres
- (d) An item of production overheads

ANSWER - (a)

8. A cost driver:

- (a) Is a force behind the overhead cost
- (b) Is a transaction that is a significant determinant of cost.
- (c) Is an allocation base.
- (d) All of the above

ANSWER - (d)

9. Key elements of _____ are type of work/activity to be performed, quantity of work/activity to be performed and cost of work/activity to be performed

- (a) Activity Based Budgeting
- (b) Activity Cost Budgeting
- (c) Activity Basic Budgeting
- (d) None of these

ANSWER - (a)

10. Various levels of activities under 'ABC' methodology are:

- (a) Unit level activities

- (b) Product level activities
- (c) Non value added activities
- (d) Both (a) and (b)

ANSWER - (d)

11. Advantages of Activity based Costing are:

- (a) More accurate costing of products/services
- (b) Overhead allocation is done on logical basis
- (c) Enables better pricing policies by supplying accurate cost information
- (d) All of these

ANSWER - (d)

12. In activity based costing, costs are accumulated by activity using:

- (a) Cost drivers
- (b) Cost pools
- (c) Cost benefit analysis
- (d) Cost objects

ANSWER - (b)

13. Which of the Following are limitations of ABC?

- (a) It is more expensive
- (b) It is not helpful to the small organizations
- (c) It may not be applied to organizations with limited products
- (d) All of these

ANSWER - (d)

14. What are the stages required in the implementation of ABC?

- (a) Staff Training
- (b) Process Specification
- (c) Activity Definition
- (d) All of these

ANSWER - (d)

15. _____ is an item for which cost measurement is required.

- (a) Cost Driver
- (b) Cost Object
- (c) Cost Pool
- (d) None of these

ANSWER - (b)

16. _____ is a measure of quantity of resources consumed by an activity.

- (a) Activity Cost Driver (b) Resource Cost Driver
(c) Cost Pool (d) None of these

ANSWER - (b)

17. _____ are the activities which cannot be directly attributed to individual products.

- (a) Product level activities (b) Unit level activities
(c) Batch level activities (d) Facilities level activities

ANSWER - (d)

18. What are the key elements of Activity Based Budgeting?

- (a) Type of work to be done (b) Quantity of work to be done
(c) Cost of work to be done (d) All the above

ANSWER - (d)

19. Benefits of Activity Based Budgeting are:

- (a) It can enhance accuracy of financial forecasts and Increasing management understanding.
(b) When automated, ABB can rapidly and accurately produce financial plans and models based on varying levels of volume assumptions.
(c) It eliminates much of the needless rework created by traditional budgeting techniques.
(d) All of these.

ANSWER - (d)

20. Which of the following is not a benefit of ABC?

- (a) Accurate cost allocation (b) Reduction of prime Cost
(c) Better control on activity (d) Improved decision making.

ANSWER - (b)

21. Requirements for ABC implementation are:

- (a) Staff training (b) Activity Definition
(c) Assigning Cost (d) All the above

ANSWER - (d)

22. Which of the following is not a correct match:

- (a) Production Scheduling - Number of Production hours

- (b) Despatching - Number of dispatch orders
- (c) Goods receiving - Goods received orders
- (d) Inspection - Machine hours.

ANSWER - (d)

23. _____ are those activities for which the consumption of resources can be identified with the number of units produced.

- (a) Unit level activities
- (b) Batch level activities
- (c) Product level activities
- (d) Facilities level activities

ANSWER - (a)

24. The different stages in ABC calculation are listed below:

- (a) Identify the different activities within the organisation
- (b) Relate the overheads to the activities
- (c) Support activities are then spread across the primary activities
- (d) All of the above

ANSWER - (d)

25. The key elements of activity based budgeting are:

- (a) Type of activity to be performed
- (b) Cost of activity to be performed
- (c) Quantity of activity to be performed
- (d) All of the above.

ANSWER - (d)

26. _____ represents a group of various individual cost items.

- (a) Cost Object
- (b) Cost Driver
- (c) Cost Pool
- (d) Activity Cost Driver

ANSWER - (c)

27. Machine hour over head rate = ₹

- (a) $\frac{\text{Total overhead cost}}{\text{Total machine hours}}$
- (b) $\frac{\text{Total support cost}}{\text{Total cost of goods sold}}$
- (c) $\frac{\text{Total cost of activity}}{\text{Activity driver}}$

(d) None of the above

ANSWER - (a)

28. Transactions undertaken by support department personnel are the appropriate cost driven. Find the one which is not appropriate.

(a) The number of purchase, suppliers and customer's orders drives the cost associated with new material inventory, work-in-progress and finished goods inventory.

(b) The number of production runs undertaken drives production scheduling, inspection and material handling.

(c) The number of packing orders drives the packaging costs

(d) None of these

ANSWER - (d)

29. Steps in ABC include:

(a) Identification of activities and their respective costs.

(b) Identification of cost driver of each activity and computation of an allocation rate per activity

(c) Allocation of overhead cost to product services based on the activities in valued.

(d) All of the above.

ANSWER - (d)

30. The steps involved for installation of A B C in a manufacturing company include the following except:

(a) Borrowing fund

(b) Feasibility study

(c) Strategy and value chain analysis

(d) None of these

ANSWER - (a)

COST SHEET

1. Material, Labour and Expenses are the three important _____ of cost.

- (a) Methods
- (b) Techniques
- (c) Elements
- (d) Process

Answer - c

2. _____ represents the total of direct materials costs, direct employees (labour) costs and direct expenses

- (a) Cost of Production.
- (b) Prime Cost
- (c) Cost of sales
- (d) Cost of Goods Sold

Answer - b

3. _____ are the expenses other than direct material cost and direct employee cost.

- (a) Indirect expenses
- (b) Direct expenses
- (c) Prime Cost
- (d) Cost of Production

Answer - b

4. The advantages of cost sheet are:

- (a) It provides the total cost figures as well as cost per unit of production.
- (b) It helps in cost comparison
- (c) It provides sufficient help in arriving at the Figure of selling price
- (d) All of the above

Answer - d

5. A _____ is a document which provides a detailed cost information.

- (a) Cost Sheet
- (b) Balance Sheet
- (c) Insurance Sheet
- (d) None of these

Answer - a

6. _____ will be reduced from the cost objects to which such amount pertains.

- (a) Subsidy
- (b) Penalty
- (c) Interest and other finance costs.
- (d) All of these

Answer - a

7. _____ is the total cost of a product incurred to make the product available to the customer or consumer.

- (a) Cost of Production
- (b) Prime Cost
- (c) Cost of Goods Sold
- (d) Cost of Sales

Answer - d

8. _____ consists of cost of materials consumed, direct employee (labour) costs, direct expenses, production on overheads etc.

- (a) Cost of Production
- (b) Primary Packing Cost
- (c) Secondary Packing Cost
- (d) Cost of Goods Sold

Answer - a

9. _____ are the cost of production adjusted with opening and closing inventories of finished goods.

- (a) Marketing overheads
- (b) Administrative overheads
- (c) Marketing overheads
- (d) Cost of Goods Sold

Answer - d

10. _____ are the expenses related to sale of product or services.

- (a) Selling Overheads
- (b) Distribution overheads
- (c) Cost of Sales
- (d) Cost of goods sold

Answer - a

11. _____ comprises of selling overheads and distribution overheads.

- (a) Marketing overheads
- (b) Selling Overheads
- (c) Distribution overheads
- (d) Cost of sales

Answer - a

12. _____ are costs incurred in handling a product or service from the time it is ready to dispatch or delivery until it reaches the ultimate consumer.

- (a) Distribution overheads
- (b) Cost of sales
- (c) Administrative overheads
- (d) Selling Overheads.

Answer - a

13. _____ paid on purchase of raw materials would not be part of cost of materials as it is eligible for input tax credit.

- (a) GST
- (b) Income tax

- (c) Paper tax (d) None of these

Answer - a

14. The main advantages of a cost sheet are as follows:

- (a) It provides the total cost figure as well as cost per unit of production
- (b) It helps in cost comparison
- (c) It facilitates the preparation of cost estimates required for submitting tenders.
- (d) All of the above

Answer - d

15. _____ for services is also prepared but the format and presentation may differ as per the information requirement.

- (a) Cost book (b) Cost statement
(c) Cost sheet (d) Both (b) & (c)

Answer - d

16. Which of the following are the classification of elements of costs based on functions:

- (a) Direct material cost (b) Direct employee (labour) cost
(c) Direct expense (d) All of the above

Answer - d

17. _____ are allocated between/among the products on a rational and consistent basis.

- (a) Joint costs
(b) Research & Development Cost
(c) Quality Control Cost
(d) None of these

Answer - a

18. _____ is also known as works/production/manufacturing overheads

- (a) Factory Overheads (b) Stock of WIP
(c) Quality Control cost (d) Packing Cost

Answer - a

19. _____ is the cost of production for goods sold.

- (a) Cost of Sales (b) Cost of goods sold
(c) Packing Cost (d) None of these

Answer - b

20. _____ comprises of selling overheads and distribution overheads.

- (a) Marketing Overheads (b) Administrative Overheads
(c) Selling Overheads (d) None of these

Answer - a

21. Which of the following does not Form part of prime cost:

- (a) Cost of transmission paid to install phone in factory
- (b) GST paid on raw materials
- (c) Cost of packing
- (d) Overtime premium paid to workers

Answer - c

22. Generally for the purpose of cost sheet preparation, costs are classified on the basis of:

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

Answer - b

23. Salary paid to plant supervisor is a part of:

- (a) Quality control cost. (b) Factory overheads
(c) Direct expenses (d) Administration cost

Answer - b

24. Audit Fees paid to auditors is part of:

- (a) Administration Cost (b) Production Cost
(c) Selling and Distribution (d) Not shown in cost sheet

Answer - a

25. A Ltd. received an order, for which it purchased a special frame for manufacturing, it is a part of:

- (a) Direct Material (b) Factory Overhead
(c) Administration Overheads . (d) Direct expenses

Answer - d

26. Depreciation of director's laptop is treated as a part of:

- (a) Administration Overheads
(b) Direct Expenses
(c) Factory overheads

(d) Research and development

Answer - a

27. Salary paid to factory store staff is part of:

- | | |
|--------------------------|--------------------------|
| (a) Factory overheads | (b) Production Cost |
| (c) Direct Employee cost | (d) Direct Material Cost |

Answer - a

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

- | | |
|--------------------------|-------------------------|
| (a) Direct Material cost | (b) Factory Overheads |
| (c) Direct Expenses | (d) Administration cost |

Answer - c

29. Canteen expenses for factory workers are part of:

- | | |
|----------------------|-------------------------|
| (a) Factory overhead | (b) Administration Cost |
| (c) Marketing Cost | (d) None of the above |

Answer - a

30. A manufacturer has set -up a lab for testing of products for compliance with standards, salary of this lab staffs are part of:

- | | |
|---------------------|---------------------------------|
| (a) Works overheads | (b) Quality Control Cost |
| (c) Direct expenses | (d) Research & Development Cost |

Answer - b

COST ACCOUNTING SYSTEM

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.

Answer - (b)

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.

Answer - (b)

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

Answer - (d)

4. Integrated Systems of accounts are maintained -

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

Answer - (b)

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

Answer - (a)

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

Answer - (a)

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

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

Answer - (a)

8. Which account is to be debited if materials worth ₹ 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

Answer - (a)

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

Answer - (c)

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

Answer - (d)

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

Answer - (d)

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

Answer - (b)

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.

Answer - (a)

14. Which of the following is considered as accounting record?

- (a) Bin Card
- (b) Bill of Material

(c) Stores Ledger

(d) Stores Requisition

Answer - (c)

15. When Loss as per Cost Records is ₹ 5,600, AOH under-absorbed being ₹ 600, the Loss as per Financial Accounts should be -

(a) ₹ 5,600

(b) ₹ 6,200

(c) ₹ 5,000

(d) None of the above.

Answer - (b)

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

(a) Add the underabsorption of OH in Cost Accounts if you start from the Profits as per financial Accounts.

(b) Add the underabsorption 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.

Answer - (a)

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

Answer - (a)

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

Answer - (a)

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

Answer - (b)

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

Answer - (a)

JOB AND BATCH COSTING

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

Answer - (c)

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) a method of costing used for non-standard and non-repetitive products

Answer - (d)

3. Batch Costing is a type of -

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

Answer - (b)

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
- (d) Batch becomes the Cost Centre

Answer - (b)

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

- (a) paper manufacturing
- (b) drug manufacturing

- (c) designer clothes manufacturing
- (d) oil refining

Answer - (b)

6. Batch Costing is suitable for-

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

Answer - (c)

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.

Answer - (d)

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

Answer - (d)

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

Answer - (a)

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.

Answer - (b)

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

Answer - (c)

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

Answer - (a)

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.

Answer - (d)

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.

Answer - (c)

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).

Answer - (d)

16. Job Costing is used in -

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

Answer - (d)

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

Answer - (b)

18. Calculate value of closing stock from the following:

Opening stock of finished goods (500 units): Rs. 2,000

Cost of production (10,000 units): Rs. 50,000

Closing stock (1,000 units);?

- (a) Rs. 4,000
- (b) Rs. 4,500
- (c) Rs. 5,000
- (d) Rs. 6,000

Answer - (c)

19. ABC Ltd. manufactures ring binders which are embossed with the customers' own logo. A customer has ordered a batch of 600 binders. The following illustrate the cost for a typical batch of 100 binders.

	Rs.
Direct materials	60
Direct labour	20
Machine set up	6
Design and art work	<u>30</u>

Prime cost

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Direct employees are paid on a piece work basis.

ABC Ltd. absorbs production overheads at a rate of 20% of direct wages cost. 5% is added to the total production cost of each batch to allow for selling distribution and administration overheads. Required profit margin is 25% of sales value. The selling price for binders will be:

- (a) Rs. 756
- (b) Rs. 772.8
- (c) Rs. 806.4
- (d) Rs. 1008

Answer - (d)

20. Set-up cost = Rs. 324, EBQ = 3,600 units, Carrying cost per month = Rs. 0.10, Annual requirement qty.=?

- (a) 24,000
- (b) 36,000
- (c) 30,000
- (d) 25,000

Answer - (a)

UNIT COSTING

1. Different businesses in order to determine cost of their product or service offering follow:

- (a) Different methods of Costing
- (b) Uniform Costing
- (c) Different techniques of costing
- (d) Marginal Costing

Answer (a)

2. In order to determine cost of the product or service, following are used:

- (a) Techniques of costing like Marginal, Standard, etc.
- (b) Methods of Costing
- (c) Comparatives of Costing
- (d) Principles of Costing

Answer (b)

3. 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

Answer (b)

4. Unit Costing is applicable where -

- (a) Product produced are unique and no two products are same
- (b) Dissimilar articles are produced as per customer specification
- (c) homogeneous articles are produced on large scale
- (d) Products made require different raw materials.

Answer (c)

5. In Product Costing, 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

Answer (b)

6. The following is an example of Direct Expenses -

- (a) Special Raw Material which is a substantial part of the Prime Cost
- (b) Royalty paid for Production Process
- (c) Overtime Charges paid to Direct Worker to complete work before time
- (d) Catalogue of Prices of Finished Products

Answer (b)

7. In Product Costing, Warehouse Expense is an example of -

- (a) Production Overhead
- (b) Selling Overhead
- (c) Distribution Overhead
- (d) Costing Overhead

Answer (c)

8. 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

Answer (d)

9. Cost units of Automobile Industry is-

- (a) Number of Cubic Meters
- (b) Number of Kilometres
- (c) Number of Calls
- (d) Number of Vehicles

Answer (d)

10. Which method of absorption of Factory Overheads do you suggest in a concern which produces only one uniform type of product?

- (a) Percentage of Direct Wages Basis
- (b) Direct Labour Rate
- (c) Machine Hour Rate
- (d) Rate per unit of output

Answer (d)

PROCESS AND OPERATION COSTING

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.

Answer (a)

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

Answer (c)

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

- (a) ₹90
- (b) ₹ 108
- (c) ₹2,700
- (d) ₹3,240

Answer (c)

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

Answer (b)

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

Answer (b)

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

Answer (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.

Answer (d)

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.

Answer (c)

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

Answer (d)

10. Total Input to a process was 1,000 units. 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.

Answer (c)

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

Answer (d)

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.

Answer (c)

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,

Answer (b)

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

Answer (d)

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.

Answer (d)

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 ₹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) ₹2,08,000
- (b) ₹2,11,538
- (C) ₹2,20,000
- (d) ₹2,33,222

Answer (b)

17. In a period, Good Units completed (units) 15,000, Normal Spoilage (units) 300, Abnormal Spoilage (units) 100. Unit Costs were: Material ₹2.50 and Conversion (Labour & Overheads) ₹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 ₹1,27,500
- (b) 15,000 units transferred at a cost of ₹ 1,30,050
- (c) 15,000 units transferred at a cost of ₹ 1,35,000

(d) 15,300 units transferred at a cost of ₹ 1,30,050

Answer (b)

18. A factory transferred out 8,800 completed units during May 2008. Opening Stock was 400 units 75% completed, Closing Stock was 800 units 50% completed. Assuming FIFO method, the equivalent production in May 2008 to which these data relate was:

- (a) 8,900 units
- (b) 9,100 units
- (c) 9,300 units
- (d) 9,500 units

Answer (a)

19 When the production is below standard specification or quality and cannot be rectified by incurring additional cost is called as

- | | |
|--------------|----------|
| a) Defective | b) Waste |
| c) Spoilage | d) Scrap |

Answer (c)

20 In process costing each producing department is a _____

- | | |
|----------------------|-----------------|
| a) Cost unit | b) Cost centre |
| c) Investment centre | d) Sales centre |

Answer (b)

JOINT AND BY PRODUCTS

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

Answer (b)

2. Joint Cost Concept is suitable for-

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

Answer (c)

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) Contribution Margin Method.

Answer (b)

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

Answer (c)

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

Answer (c)

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

Answer (c)

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

Answer (d)

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.

Answer (b)

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.

Answer (a)

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.

Answer (c)

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

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

Answer (b)

12. AB Ltd produces 2 products A and B from a joint milling process. A standard production run incurs joint costs of ₹ 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 ₹ 200 and ₹ 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) ₹ 60,000 | (b) ₹ 40,000 |
| (c) ₹ 1,00,000 | (d) ₹ 1,20,000 |

Answer (a)

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

- | | |
|----------------|----------------|
| (a) ₹ 3,40,000 | (b) ₹ 3,27,600 |
| (c) ₹ 2,32,000 | (d) ₹ 5,80,000 |

Answer (b)

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

Answer (c)

Q15. 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) None of them

Answer (b)

Q16. 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) contribution method

Answer (b)

Q17. 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 joint products
- (c) Sales value of each joint product less further processing costs of individual products
- (d) Both (b) and (c)

Answer (d)

Q18. 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) Ignored

Answer (c)

Q19. 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.

Answer (b)

Q.20 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.

Answer (a)

SERVICE COSTING

1. Composite Cost Unit for a Hospital is:

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

Answer (b)

2. Cost Unit of Cargo Transport Industry is

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

Answer (c)

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

Answer (d)

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

Answer (b)

5. Operating Costing is NOT applicable to -

- (a) Hospitals
- (b) Cinemas

(c) Transport Undertaking

(d) Oil Refinery

Answer (d)

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

Answer (c)

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

(a) Fixed Cost

(b) Variable Cost

(c) Semi Variable Cost

(d) Non-Cost Expenditure

Answer (a)

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

(a) Project

(b) Batch Work

(c) Contract

(d) Multiple Cost Unit

Answer (a)

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).

Answer (d)

10. BOT approach means:

(a) Build, Operate and Transfer

(b) Buy, Operate and Transfer

(c) Build, Operate and Trash

(d) Build, Own and Trash.

Answer (a)

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.

Answer (c)

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

Answer (d)

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

(a) Cost Sheet

(b) Process Account

(c) Job Cost Sheet

(d) Production Account

Answer (a)

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

Answer (b)

15. Rent of triple room per day =?

(a) Rs. 33.73

(b) Rs. 168.65

(c) Rs. 84.32

(d) Rs. 55.84

Answer (b)

- 16.** XY Ltd. runs a hospital which consists of 25 beds and 5 more extra beds can be accommodated. Unit was open for all the 365 days. In 2015 only for 120 days, the unit had the full capacity of 25 patients per day and for another 80 days, it had on the average 20 beds only occupied per day. Extra beds were hired at a charge of Rs. 5 per bed per day. The total hire charges for the whole year amounted to Rs. 2,000.

Total patient day for the year =?

- (a) 4,600 patient day
- (b) 5,000 patient day
- (c) 4,800 patient day
- (d) 5,160 patient day

Answer (b)

Use the following data to **Answer** next 4 questions.

ABCL airline has been given permit to operate three flights in a week between X & Y cities (both side). The airline operates a single aircraft of 160 seats capacity. The occupancy is estimated at 60% throughout the year of 52 weeks. The one – way fare is Rs. 7,200.

Variable cost per passenger per flight is Rs. 1,485. Total fixed cost for per flight is Rs. 4,22,000.

- 17.** Net operating income per flight =?

- (a) Rs. 1,57,972
- (b) Rs. 1,26,640
- (c) Rs. 1,45,788
- (d) Rs. 1,35,478

Answer (b)

- 18.** What will be the net operating income per flight if the airline expects that its occupancy will increase to 108 passengers per flight if the fare is reduced to Rs. 6,720?

- (a) Rs. 1,57,972
- (b) Rs. 1,26,640
- (c) Rs. 1,45,788
- (d) Rs. 1, 43380

Answer (d)

- 19.** Rent of single room per day =?

- (a) Rs. 33.73
- (b) Rs. 168.65
- (c) Rs. 84.32
- (d) Rs. 55.84

Answer (a)

20. Rent of double room per day =?

- (a) Rs. 33.73
- (b) Rs. 168.65
- (c) Rs. 84.32
- (d) Rs. 55.84

Answer (c)

STANDARD COSTING

1. Under Standard Cost System, the cost of the product determined at the beginning of production is its:

- (a) Direct Cost
- (b) Pre-Determined Cost
- (c) Historical Cost
- (d) Actual Cost

Answer (b)

2. Analysis of the differences between Actual and Standard Cost is known as -

- (a) Multiple Analysis
- (b) Variable Cost Analysis
- (c) Variance Analysis
- (d) Linear Trend Analysis.

Answer (c)

3. Difference between Standard Cost and Actual Cost is called as

- (a) Wastage
- (b) Loss
- (c) Variance
- (d) Profit

Answer (c)

4. The standard which is attainable under most favourable conditions is -

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

Answer (a)

5. The standard most suitable from cost control point of view is -

- (a) Normal Standard
- (b) Theoretical Standard

(c) Expected Standard

(d) Basic Standard

Answer (c)

6. Overhead Cost Variance is:

(a) the difference between overheads recovered on Actual Output, and the Actual Overhead incurred

(b) the difference between Budgeted Overhead Cost and Actual Overhead Cost

(c) obtained by multiplying Standard Overhead Absorption Rate with the difference between Standard Hours for actual output and actual hours worked

(d) a notional concept and cannot be computed at all

Answer (a)

7. Excess of Actual Cost over Standard Cost is known as

(a) Abnormal Effectiveness

(b) Unfavourable Variance

(c) Favourable Variance

(d) Overabsorption

Answer (b)

8. Excess of Standard Cost over Actual Cost is known as

(a) Abnormal Effectiveness

(b) Unfavourable Variance

(c) Favourable Variance

(d) Underabsorption

Answer (c)

9. Standard Cost is used -

(a) To ascertain the Break-Even Point

(b) To establish Cost-Volume Profit Relationship

(c) As a basis for price fixation and cost control through Variance Analysis

(d) All of the above

Answer (c)

10. Standard Price of Material per kg ₹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 –

- (a) ₹25,000
- (b) ₹30,000
- (c) ₹250
- (d) ₹Nil

Answer (a)

11. Material Cost Variance is equal to -

- (a) Material Usage Variance + Material Mix Variance
- (b) Material Price Variance + Material Usage Variance
- (c) Material Price Variance + Material Yield Variance
- (d) Material Mix Variance + Material Yield Variance

Answer (b)

12. Standard Price of Material per kg ₹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 stock at period end. There was no opening Stock. What is the Standard Quantity of Raw Material in this case?

- (a) 600 kg
- (b) 625 kg
- (c) 500 kg
- (d) 550 kg

Answer (c)

13. Which of the following variance arises ONLY when more than one material is used in the manufacture of a product?

- (a) Material Price Variance
- (b) Material Usage Variance
- (c) Material Yield Variance
- (d) Material Mix Variance

Answer (d)

14. Standard Material Price per kg is ₹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 ₹22 per kg. Material Usage Variance in this case is -

- (a) 1,040 (A)
- (b) 1,440 (A)
- (c) 400 (F)
- (d) 400 (A)

Answer (d)

15. Standard Material Price per kg is ₹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 ₹22 per kg. Material Price Variance in this case is -

- (a) 1,040 (A)
- (b) 1,040 (F)
- (c) 1,440 (A)
- (d) 400 (A)

Answer (a)

16. Standard Material Price per kg is ₹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 ₹22 per kg. Material Cost Variance in this case is -

- (a) 1,040 (A)
- (b) 1,040 (F)
- (c) 1,440 (A)
- (d) 1,440 (F)

Answer (c)

17. If Standard Hours for 100 units of output are 400 at ₹200 per hour and Actual Hours paid are 380 at ₹225 per hour, then the Labour Rate Variance is:

- (a) ₹9,500 (Adverse)
- (b) ₹ 10,000 (Adverse)
- (c) ₹2,500 (Favourable)
- (d) ₹ 12,000 (Adverse).

Answer (a)

18. Abnormal Non-Controllable Variances are best disposed-off by transferring to -

- (a) Cost of Goods Sold
- (b) Cost of Goods Sold and Inventories
- (c) Inventories of Work-in-Progress and Finished Goods
- (d) Costing Profit and Loss Account

Answer (d)

19. Idle Time Variance is obtained by multiplying the difference between -

- (a) Standard and Actual Hours by the Actual Rate of Labour per hour
- (b) Actual Productive Labour Hours and Actual Labour Hours Paid, by the Standard Rate of Labour per hour
- (c) Standard Hours and Actual Productive Labour Hours, by the Standard Rate of Labour per hour
- (d) Standard Hours and Actual Labour Hours Paid, by the Standard Rate of Labour per hour

Answer (b)

20. Basic Standards are standards, which:

- (a) require high degree of efficiency and performance.
- (b) are average in nature and useful in long term planning.
- (c) which can be attained or achieved
- (d) are assumed to remain unchanged for a long time.

Answer (d)

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

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

Answer (c)

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

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

Answer (b)

23. During a period, 3,600 Labour Hours were worked and Standard VOH Rate was ₹8 per hour. The VOH Efficiency Variance was ₹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

Answer (b)

24. During a period, 5,120 Labour Hours were worked at a Standard Rate of ₹75 per hour. The Direct Labour Efficiency Variance was ₹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 |

Answer (c)

25. During a period 850 assemblies were made with a nil rate variance and a Rs. 4,400 adverse efficiency variance. If the standard labour hours per assembly are 24 with a Rs. 8 per hour standard labour cost, how many actual labour hours were worked?

- (a) 19,000 hrs.
- (b) 20,000 hrs.
- (c) 20,440 hrs.
- (d) 20,950 hrs.

Answer (d)

MARGINAL COSTING

1. If P/V ratio is 40% of sales then what about the remaining 60% of sales

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

Answer (c)

2. _____ is the main difference between costing and absorption costing in terms of treatment

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

Answer (a)

3. Factors affecting breakeven point

- (a) Changes in fixed costs
- (b) Changes in variable cost
- (c) Changes in selling price
- (d) All of these

Answer (d)

4. Prime costs and variable overheads are included in

- (a) Under marginal costing the cost of product
- (b) Reporting under marginal costing
- (c) Sales and production under marginal costing
- (d) All of these

Answer (a)

5. Period costs are _____

- (a) Costs overheads
- (b) Prime costs
- (c) Fixed costs
- (d) Variable costs

Answer (c)

6. The P/V ratio of a product is 0.6 and profit is ₹ 9,000. The margin of safety is

- (a) 12,000
- (b) 15,000
- (c) 18,000.
- (d) 6,000

Answer (b)

7. _____ is the level of sales where an entity neither earns profit nor incurs loss. BEP is indicated in both quantity and monetary value terms

- (a) Cost volume profit analysis
- (b) Break even point
- (c) Angle of incidence
- (d) Margin of Safety

Answer (b)

8. _____ is the difference between sales revenue and total variable cost. Irrespective of manufacturing or non-manufacturing.

- (a) Contribution
- (b) Contribution margin
- (c) Absorption costing
- (d) Both (a) & (b)

Answer (d)

9. _____ is a costing system where the products or services and inventories are valued at variable cost only.

- (a) Absorption costing
- (b) CVP
- (c) Marginal costing
- (d) Marginal cost

Answer (c)

10. _____ is anything which limits the activity of an entity. The factor is a key to determine the level of sale and production.

- (a) Key factor
- (b) Limiting factor
- (c) Both (a) & (b)
- (d) Margin of Safety

Answer (a)

11. _____ is formed by the intersection of sales line and total cost line at the break even point.

- (a) Key factor
- (b) CVP analysis
- (c) Margin of Safety
- (d) Angle of incidence

Answer (d)

12. _____ is measured by the total variable cost attributable to one unit.

- (a) Marginal costing
- (b) Margin cost
- (c) BEP
- (d) Margin of Safety

Answer (b)

13. _____ is an analysis of reciprocal effect of changes in cost, volume and profitability.

- (a) CVP analysis (b) Margin of Safety
(c) Limiting factor (d) None of these

Answer (a)

14. Under profit volume ratio, the term profit

- (a) The sale proceeds in excess of total costs
(b) The general profit
(c) It a misnomer, (sales revenue-variable cost)
(d) None of the above

Answer (c)

15. Such an analysis explores the relationship between costs, revenue and profitability.

- (a) Cost-volume - profit (b) Margin of Safety
(c) Break even analysis (d) None of these

Answer (a)

16. Cash break-even point =

- (a) $\frac{\text{Cash fixed costs}}{\text{Contribution per unit}}$ (b) $\frac{\text{Cash fixed costs}}{\text{Total contribution}}$
(c) $\frac{\text{Total contribution}}{\text{Cash fixed (per unit) cost}}$ (d) None of these

Answer (a)

17. Break-even points (in units) =

- (a) $\frac{\text{Fixed cost}}{\text{Contribution per unit}}$ (b) $\frac{\text{Total fixed cost}}{\text{P/V Ratio}}$
(c) $\frac{\text{Total fixed cost}}{\text{Contribution}}$ (d) None of these

Answer (a)

18. Cash break-even sale quantity

- (a) $\frac{\text{Cash fixed costs}}{\text{Contribution per unit}}$ (b) $\frac{\text{Fixed cost}}{\text{Contribution per unit}}$
(c) $\frac{\text{Common fixed cost}}{\text{Composite contribution per unit}}$ (d) None of these

Answer (a)

19. P/V Ratio =

(a) $\frac{\text{Contribution}}{\text{Selling price per unit}}$

(b) $\frac{\text{Contribution}}{\text{Sales}} \times 100$

(c) $\frac{\text{Profit}}{\text{Sales}} \times 100$

(d) Both (b) & (c)

Answer (d)

20. Which of the following is an importance of CVP analysis

- (a) The behaviour of cost in relation to volume
- (b) Volume of production or sales where the business will break-even
- (c) Sensitivity of profits due to variation in output
- (d) All of these

Answer (d)

21. Which of the following is not an advantage of marginal costing

- (a) Simplified pricing policy
- (b) Proper recovery of overheads
- (c) Shares realistic profit
- (d) Scope for high profitability

Answer (d)

22. Which of the given below will help an organisations in decision making

- (a) Total cost
- (b) Fixed cost
- (c) Opportunity cost
- (d) Marginal cost

Answer (d)

23. Which of the following is not a disadvantage of marginal costing

- (a) Dependence of key factor
- (b) Less Control over expenditure
- (c) Difficulty in classification of variable and fixed element
- (d) None of these

Answer (b)

24. _____ is the practice of charging all costs, both variable and fixed to operations, processes or product.

- (a) Absorption costing (b) Marginal costing
(c) CVP analysis (d) all of these

Answer (a)

25. Contribution =

- (a) Sales - cost
(b) Sales revenue - Total variable cost
(c) Total sales - cost
(d) None of these

Answer (b)

26. are treated as periods costs

- (a) Marginal cost (b) Cost ascertainment
(c) Fixed costs (d) Variable cost

Answer (c)

27. _____ are treated as the cost of produce

- (a) Fixed cost (b) Marginal or variable cost
(c) Period costs (d) None of these

Answer (b)

28. The value of finished goods and work in progress is also comprised only of _____

- (a) Marginal cost (b) Fixed cost
(c) Period cost (d) All of these

Answer (a)

29. _____ is difference between the costs of two different production levels.

- (a) Variable cost (b) Fixed cost
(c) Differential cost (d) Marginal cost

Answer (c)

30. _____ is made on the basis of the nature of cost, in marginal costing.

- (a) Decision making
(b) Distinct method
(c) Cost ascertainment

(d) None of these

Answer (c)

BUDGETS AND BUDGETARY CONTROL

1. Budgets are shown in Terms

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

Answer (b)

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

Answer (b)

3. Sales Budget is a-

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

Answer (b)

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

Answer (c)

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

Answer (b)

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 Fixed Costs, while Flexible Budget is concerned with Variable Costs.

(c) is fixed while Flexible Budget changes

(d) cannot be differentiated from a Flexible Budget

Answer (a)

7. A Flexible Budget requires a careful study of -

(a) Actual and Standard Expenses

(b) Past and Current Expenses

(c) Production Overheads, Selling and Administrative Expenses.

(d) Fixed, Semi-Fixed and Variable Expenses

Answer (d)

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.

Answer (c)

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.

Answer (b)

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.

Answer (c)

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.

Answer (c)

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

Answer (d)

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

Answer (d)

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

Answer (b)

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

Answer (c)

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

Answer (c)

17. Which of the following is a Long-Term Budget?

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

Answer (d)

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 |

Answer (b)

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 |

Answer (a)

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 |

Answer (b)