

Chapter – 1
INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING

Set-1

1. is anything for which a separate measurement is required.
(a) Cost unit
(b) Cost object
(c) Cost driver
(d) Cost centre
2. 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
3. Cost units used in power sector is:
(a) Kilometer (K.M)
(b) Kilowatt-hour (kWh)
(c) Number of electric points
(d) Number of hours
4. Processes Costing method is suitable for
(a) Transport sector
(b) Chemical industries
(c) Dam construction
(d) Furniture making
5. Distinction between direct cost and indirect cost is an example ofclassification
(a) By Element
(b) By Function
(c) By Controllability
(d) By Variability
6. The advantage of using IT in Cost Accounting does not include:
(a) Integration of various functions
(b) Stock needs to be reconciled with Goods Received Note
(c) Reduction in multicuity of documents
(d) Customised reports can be prepared.
7. A taxi provider charges minimum Rs. 80 thereafter Rs. 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.
8. A Ltd. has three production department, 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.
9. Which of the following is an example of functional classification of cost:
(a) Direct Material Cost
(b) Fixed Cost
(c) Administrative Overheads
(d) Indirect Overheads.
10. Ticket counter in a Railway Station is an example of

- (a) Cost Centre
 - (b) Revenue Centre**
 - (c) Profit Centre
 - (d) Investment Centre
11. Cost Unit of Hospital Industry is
- (a) Tonne
 - (b) Student per year
 - (c) Kilowatt Hour
 - (d) Patient Day**
12. Cost units of Automobile Industry is-
- (a) Cubic meter
 - (b) Bed Night
 - (c) Number of Call
 - (d) Number of vehicle**

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13. 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.**
14. _____ is anything for which a separate measurement is required.
- a) Cost Unit
 - b) Cost Object
 - c) Cost Driver**
 - d) Cost Centre
15. 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
16. 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
17. Processes Costing method is suitable for-
- a) Transport Sector
 - b) Chemical Industries**
 - c) Dam Construction
 - d) Furniture-making
18. Distinction between Direct Cost and Indirect Cost is an example of _____ classification
- a) By Element**
 - b) By Function
 - c) By Controllability
 - d) By Variability
19. 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
20. A Taxi Provider charges minimum Rs.80 thereafter Rs.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.
21. 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**
22. Which of the following is an example of functional classification of cost ?

- a) Semi-Variable Costs
c) Administrative Overheads
23. Ticket counter in a Railway Station is an example of
a) Cost Centre
c) Profit Centre
b) Revenue Centre
d) Investment Centre
24. Costs which are ascertained after they have been incurred are known as
a) Sunk Costs
c) Historical Costs
b) Imputed Costs
d) Opportunity Costs
25. Generally, for the purpose of Cost Sheet preparation, costs are classified on the basis of-
a) Functions
c) Relevance
b) Variability
d) Nature
26. 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
27. What is Prime Cost ?
a) Total Direct Costs only
c) Total Non-Production Costs
b) Total Indirect Costs only
d) Total Production Costs
28. 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.
29. A Ltd received an order, for which it purchased a special frame for manufacturing. This is a part of :
a) Direct Materials
c) Factory Overheads
b) Direct Expenses
d) Administration Overheads.
30. "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)
31. Salary paid to Plant Supervisor is a part of ____
a) Direct Expenses
c) Quality Control Cost
b) Factory Overheads
d) Administration Cost
32. Depreciation of Director's Laptop is treated as a part of :
a) Administration Overheads
c) IT Infrastructure Cost
b) Factory Overheads
d) Research & Development Cost
33. 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
c) Direct Expenses
b) Quality Control Cost
d) Research & Development Cost
34. Audit Fees paid to External Statutory Auditors is part of ____
a) Administration Cost
c) Selling & Distribution Cost
b) Production Cost
d) Quality Control Cost
35. Salary paid to Factory Stores Staff is part of :
a) Factory Overheads
c) Direct Employee Cost
b) Production Cost
d) Direct Material Cost
36. Canteen Expenses for Factory Workers are part of ____
a) Factory Overhead
b) Administration Cost

- c)Marketing Cost
37.A Company pays Royalty to State Government on the basis of production, it is treated as:
a)Direct Material Cost
c)Direct Expenses
38.Which of the following is not an element of works Overhear ?
a)Store Keeper's Salary
c)Sales Manager's Salary
- d)Direct Expenses
b)Quality Control Cost
d)Administration Overhead
b)Plant Manager's Salary
d)Product Inspector's Salary



Chapter – 2 MATERIAL COST

Set-1

1. Direct material can be classified as
 - (a) Fixed cost
 - (b) Variable cost**
 - (c) Semi-variable cost.
 - (d) Prime Cost
2. In most of the industries, the most important element of cost is
 - (a) Material**
 - (b) Labour
 - (c) Overheads
 - (d) Administration Cost
3. Which of the following is considered to be the 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.
4. 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
5. Continuous stock taking is a part of
 - (a) Annual stock taking
 - (b) Perpetual inventory**
 - (c) ABC analysis.
 - (d) Bin Cards
6. 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.
7. 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.
8. 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
9. 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

10. 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
11. Packing cost is a
- (a) Production of cost
 - (b) Selling cost
 - (c) Distribution cost
 - (d) It may be any or the above**
12. Cost of idle time arising due to non-availability of raw material is
- (a) Charged to costing profit and loss A/c**
 - (b) Charged to factory overheads
 - (c) Recovered by inflating the wage rate
 - (d) Ignored
13. Which of the following is considered as normal loss of material?
- (a) Pilferage
 - (b) Loss due to accident
 - (c) Loss due to careless handling of material
 - (d) None of these**
14. Which of the following is considered as accounting record?
- (a) Bin Card
 - (b) Bill of material
 - (c) Store Ledger**
 - (d) None of these
15. 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

Set-2

16. Direct Material is a-
- a) Administration Cost
 - b) Selling and Distribution Cost
 - c) R&D Cost
 - d) None of these**
17. 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
18. 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
19. 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
20. 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**
21. 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
22. Issue Request by Production Department to Stores Department is called-
a) Request for Proposal **b) Stores Requisition**
c) Purchase Requisition d) Consumption Statement
23. 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**
24. 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 c) Material List
25. 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
26. Which of the following is NOT recorded on a Bin Card?
a) Bin Cards b) Stock Control Cards **c) Job Cards** d) Stores Ledger
27. 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
28. 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
29. $(ROL + ROQ(-) \text{ Minimum Usage X Minimum Lead Time})$ is the computation formula for...
a) Maximum Level b) Minimum Level c) Average Level d) Danger Level
30. Inventory Turnover Ratio is expressed in -
a) Rupees b) Percentage **c) Times** d) Any of the above
31. Generally, a..... T/o Ratio and days Average Inventory Help is preferable.
a) High, Less b) Low, High c) Low, Low d) High, High
32. Pricing of Materials in the order in which they are purchased is called Method
a) Specific Identification **b) FIFO** c) LIFO d) Orderly
33. Under LIFO, the Closing Stock of Inventory will be valued generally at prices.
a) Latest **b) Earliest** c) Average d) Inflated
34. Landed Cost of Materials does NOT include
a) Cost of Containers b) Carriage Inwards
c) Stock Insurance d) Unloading Charges
35. 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
36. 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
37. 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
38. Material Returned to Vendor is treated as In the Stores Ledger.

- a) Suspense b) Receipt **c) Issue** d) Stock
39. 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**
40. 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



Chapter – 3 LABOUR COST

Set-2

1. 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
2. Cost of idle time due to non- availability of raw material is-
 - (a) Charged to overhead costs
 - (b) Charged to respective jobs
 - (c) **Charged to costing profit and loss account**
 - (d) None of the above
3. Time and motion study is conducted by-
 - (a) Time keeping department
 - (b) Personnel department
 - (c) Payroll department
 - (d) **Engineering department**
4. Identify, which one of the following, does not account for increasing labour productivity-
 - (a) Job satisfaction
 - (b) Motivating workers
 - (c) **High labour turnover**
 - (d) Proper supervision and control
5. Labour turnover is measured by-
 - (a) **Number of persons replaced/ average number of workers**
 - (b) Numbers of persons separated / number of workers at the beginning of the year
 - (c) $(\text{Number of persons replaced} + \text{number of persons separated}) / (\text{number of persons at the beginning} + \text{the number of persons at the end of the year})$
 - (d) None of the above
6. Time booking refers to a method wherein of an employee is recorded.
 - (a) Attendance
 - (b) Food expenses
 - (c) Health status
 - (d) **Time spent on a particular job**
7. Employee Cost includes-
 - (a) Wages and salaries
 - (b) Allowances and incentives
 - (c) Payment for overtime
 - (d) **All of the above**
8. 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
9. Standard time of a job is 60 hours and guaranteed time rate is Rs.0.30 per hour. What is the amount of wages under Rowan plan if job is completed in 48 hours?
 - (a) Rs. 16.20
 - (b) **Rs. 17.28**
 - (c) Rs. 18.00

- (d) Rs. 14.40
10. 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**
11. 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
12. 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
13. When a direct worker is paid on a monthly fixed salary basis, the following is true:
- (a) There is no idle time lost.
 - (b) There is no idle time cost.**
 - (c) Idle time cost is separated and treated as overhead.
 - (d) The salary is fully treated as factory overhead cost.
14. Over time 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
15. Time and motion study is conducted by the
- (a) Time -keeping department
 - (b) Personnel department
 - (c) Payroll department
 - (d) Engineering department**
16. Time keeping refers to
- (a) Time spent by workers on their job
 - (b) Time spent by workers in factory**
 - (c) Time spent by workers without work
 - (d) Time spent by workers on their job
17. Under the high wage plan, a worker is paid
- (a) At a time rate higher than the usual rate**
 - (b) According to his efficiency
 - (c) At a double rate for overtime
 - (d) Normal wages plus bonus
18. 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
19. A manufacturing Industry produces product P, Royalty paid on sales is Rs. 23,500 and design charges paid for the product is Rs. 1,500. Compute the Direct Expenses.
- (a) 25,000**
 - (b) 22,000

- (c) 26,500
(d) None of these
20. Directors remuneration and expenses form a part of
(a) Production overhead
(b) Administration overhead
(c) Selling overhead
(d) Distribution overhead
21. Which of the following are direct expenses?
(1) The cost of special designs, drawings or layouts
(2) The 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) (1) and (4)
(d) (3) and (4)

Set-2

22. When a Direct worker is paid on a monthly fixed salary basis, the following is true:
a) There is no Idle Time lost
b) There is no Idle Time Cost
c) Idle Time Cost is separated and treated as Overhead.
d) Salary is fully treated as Factory Overhead Cost.
23. Wages sheet is generally prepared by-
a) Time-keeping Department
b) Personnel Department
c) Payroll Department
d) Engineering Department
24. For reducing the labour per unit, which of the following factors is the most important?
a) Low Wage Rates
b) Longer hours Rates
c) Higher Productivity or Efficiency
d) Strict control and supervision
25. 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
26. Standard Time of a job is 60 hours and guaranteed time rate is Rs.30 per hour. What is the amount of Bonus under Halsey plan if job is completed in 48 hours?
a) Rs.1,620 b) Rs. 1,440 **c) Rs.1800** d) Rs. 1,728
27. 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
28. 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
29. Which of these is a Manual Method of Time Keeping ?
a) Dial Time Recorder b) Punch Cards c) Biometric Devices **d) Metal Discs**
30. 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
31. 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
32. Persistent Overtime Work may signify.....
a) Understaffing b) Labour Inefficiency
c) Limited Production Facilities **d) All of the above**
33. Wages attributable to Normal Idle Time is treated as
a) Direct Wages b) Production OH **c) Either of the above** d) None
34. 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
35. Rate of Change in Labour Force of a Firm of a during a period is called....
a) Labour Turnover Ratio b) Labour Utilisation Ratio
c) Labour Cost Ratio d) Labour Change Ratio
36. In the context of Labour Turnover, Number of Workers left and discharged is called....
a) Accession b) Replacement c) New Recruitment **d) Separation**
37. (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**
38. 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
39. 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
40. Evaluating an Individual's performance on the job is called-
a) Job Evaluation b) Personnel System **c) Merit Rating** d) Scoring System
41. 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
42. 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) Rs62.5 d) Rs. 5
43. If Std Time is 8 hours, Actual Time is 6 hours, Rate per hour is Rs.100, Rowan Wages=
a) Rs.600 b) Rs.150 **c) Rs. 750** d) Rs.700
44. 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%
45. 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**

Chapter – 4 OVERHEAD

Set-1

1. "Fixed overhead costs are not affected in monetary terms during a given period by a change in output". But this statement holds good 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) Normal
3. The allotment of whole items of cost to cost centres or cost units is called:
(a) Overhead absorption
(b) Cost apportionment
(c) Cost allocation
(d) None of the above
4. Primary packing cost is a part of:
(a) Direct material cost
(b) Production Cost
(c) Selling overheads
(d) Distribution overheads
5. Director's remuneration and expenses form part of:
(a) Production overhead
(b) Administration overhead
(c) Selling overhead
(d) Distribution overhead
6. 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
7. Bad debt is an example of:
(a) Distribution overhead
(b) Production overhead
(c) Selling overhead
(d) Administration overhead
8. 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
9. 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

10. Which of the following overhead cost may not be apportioned on the basis of direct wages?

- (a) Worker's Holiday Pay
- (b) Perquisites to worker
- (c) ESI contribution

(d) Managerial Salaries

11. Selling and distribution overheads are absorbed on the basis of

- (a) rate per unit.
- (b) percentage on works cost.
- (c) percentage on selling price of each unit.

(d) Any of the above

12. 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.

13. The allotment of whole items of cost centres or cost unit is called

- (a) Cost allocation**
- (b) Cost apportionment
- (c) Overhead absorption
- (d) None of the above

14. Direct Expenses that does not meet the test of materiality can be ——— part of overhead.

- (a) Treated**
- (b) Not treated
- (c) All of the these
- (d) None of these

15. 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

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

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

17. Warehouse expense is an example of

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

Set-2

18. 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

19. 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
20. Charging of common Overheads Cost to various Cost Centers, using appropriate bases is known as-
- a) Allocation **b) Apportionment** c) Absorption d) Allotment
21. Distribution of Service Department Overheads Cost to Production Departments, using different assumptions and methods is known as-
- a) Allocation b) Apportionment c) Absorption **d) Allotment**
22. Absorption means charging of Overheads to-
- a) Cost Centers **b) Cost Objects** c) Cost Drivers d) Cost Pools
23. Which of the following is NOT a Service Department ?
- a) Costing Department **b) Machining Department**
c) Time Keeping Department d) Stores Department
24. Which of the following is a Service Department?
- a) Refining Department b) Machining Department
c) Receiving Department d) Finishing Department
25. Packing Cost is part of-
- a) Production Cost b) Selling Cost
c) Distribution Cost **d) It may be any of the above**



Chapter – 5
ABC

Set-1

1. A cost driver is:
 - (a) An item of production overheads
 - (b) A common cost which is shared over cost centres
 - (c) Any cost relating to transport
 - (d) An activity which generates costs**
2. In activity based costing, costs are accumulated by activity using:
 - (a) Cost drivers
 - (b) Cost objects
 - (c) Cost pools**
 - (d) Cost benefit analysis
3. A cost driver:
 - (a) Is a force behind the overhead cost
 - (b) Is an allocation base
 - (c) Is a transaction that is a significant determinant of cost
 - (d) All of the above**
4. Transactions undertaken by support department personnel are the appropriate cost drivers. Find the one which is not appropriate:
 - (a) The number of purchase, supplies and customers' 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 quality of raw material issued drives the cost of receiving department costs**
 - (d) The number of packing orders drives the packing costs
5. 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 products/ services based on the activities involved
 - (d) All of the above**
6. Which of the following is not a benefit of ABC?
 - (a) Accurate cost allocation
 - (b) Improved decision making
 - (c) Better control on activity and costs
 - (d) Reduction of prime cost**
7. The steps involved for installation of ABC in a manufacturing company include the following except:
 - (a) Borrowing fund**
 - (b) Feasibility study
 - (c) Building up necessary IT infrastructure and training of line employees
 - (d) Strategy and value chain analysis
8. Which of the following statements are true: (1) Activity based Management involves activity analysis and performance measurement. (2) Activity based costing serves as a major source of information in ABM.
 - (a) (1) True; (2) False
 - (b) (1) True; (2) True**
 - (c) (1) False; (2) True
 - (d) (1) False; (2) False

9. The key elements of activity based budgeting are:
- (a) Type of activity to be performed
 - (b) Quantity of activity to be performed
 - (c) Cost of activity to be performed
 - (d) All of the above**

Set-2

10. Which of these is NOT a cost Driver for Marketing and Sales Function ?
- a) Number of Advertisements/ Insertions
 - b) Number of Research Projects**
 - c) Number of Sales Personnel
 - d) Sales Revenue
11. Which of these is NOT a cost Driver for Customer Service Activity?
- a) Number of Service Calls
 - b) Number of Products serviced
 - c) Hours spent on servicing products
 - d) Sales Revenue**
12. Which of these is NOT a cost Driver for the Activity "Design of Products, Services & Processes"?
- a) Number of Products in design
 - b) Number of Parts per Product
 - c) Number of Employee Training Programmes**
 - d) Number of Engineering Hours
13. Which of these is generally a "Unit Level Activity" Cost?
- a) Material Ordering - where an order is placed for every batch of production.
 - b) Machine Set-Up Costs - where machines need re-setting for each different batch/ lot.
 - c) Inspection of Products - where the first item in every batch is inspected.
 - d) Use of Indirect Materials and Consumables**
14. Identify the "Batch Level Activity" Cost out of the following.
- a) Ground Maintenance
 - b) Use of Indirect Materials and Consumables
 - c) Inspection of Products**
 - d) Product Designing

Chapter – 6 COST SHEET

Set-1

1. Generally, for the purpose of cost sheet preparation, costs are classified on the basis of:
(a) **Functions** (b) Variability
(c) Relevance (d) Nature
2. 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 (input credit cannot be claimed)
(d) Overtime premium paid to workers.
3. A Ltd. received an order, for which it purchased a special frame for manufacturing, it is a part of:
(a) Direct Materials (b) **Direct expenses**
(c) Factory Overheads (d) Administration Overheads
4. Salary paid to plant supervisor is a part of
(a) Direct expenses (b) **Factory overheads**
(c) Quality control cost (d) Administration cost
5. Depreciation of director's laptop is treated as a part of:
(a) **Administration Overheads** (b) Factory Overheads
(c) Direct Expenses (d) Research & Development cost.
6. A manufacture 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.
7. Audit fees paid to auditors is part of:
(a) **Administration Cost**
(b) Production cost
(c) Selling & Distribution cost
(d) Not shown in cost sheet.
8. Salary paid to factory store staff is part of:
(a) **Factory overheads**
(b) Production Cost
(c) Direct Employee cost
(d) Direct Material Cost.
9. Canteen expenses for factory workers are part of:
(a) **Factory overhead**
(b) Administration Cost
(c) Marketing cost
(d) None of the above.
10. 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.
11. Which of the following items is not included in preparation of cost sheet?
(a) Carriage inward (b) Purchase returns
(c) Sales commission (d) **Interest paid**

Chapter – 7 COST ACCOUNTING SYSTEMS

Set-1

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) (a) and (b) both
 - (d) None of the above
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) None of the above
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**
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) Both (a) & (b)
 - (d) None of the above
5. Under Non-integrated system of accounting, purchase of raw material is debited to which account
 - (a) Material control account / Stores ledger control account**
 - (b) General ledger adjustment account
 - (c) Purchase account
 - (d) None of the above
6. Under Non-integrated accounts, if materials worth Rs. 1,500 are purchased for a special job, then which account will be debited:
 - (a) Special job account / Work in Process account**
 - (b) Material Control account
 - (c) Cost Control account
 - (d) None of the above
7. 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) None of the above
8. Which of the following items is included in cost accounts?
 - (a) Notional rent**
 - (b) Donations
 - (c) Transfer to general reserve
 - (d) Rent receivable
9. When costing loss is Rs. 5,600, administrative overhead 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
10. 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) All of the above
11. 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.
12. 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
13. 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
14. Integral accounts eliminate the necessity of operating _____
(a) **Cost Ledger control account**
(b) Store Ledger control account
(c) Overhead adjustment account
(d) None of the above
15. In Reconciliations Statements Expenses shown only in cost accounts are.
(a) Added to financial profit
(b) Deducted from financial profit
(c) Ignored
(d) Deducted from costing profit
16. In Reconciliations Statements, transfers to reserves are.
(a) Added to financial profit
(b) Deducted from financial profit
(c) Ignored
(d) Added to costing profit
17. In Reconciliations Statements, Incomes shown only in financial accounts are.
(a) Added to financial profit
(b) Deducted from financial profit
(c) Ignored

- (d) Deducted from costing profit
18. In Reconciliations Statements, Closing Stock Undervalued in Financial accounts is
(a) Added to financial profit
(b) Deducted from financial profit
(c) Ignored
(d) Added to costing profit
19. Integral accounts eliminate the necessity of operating
(a) Cost Ledger control account
(b) Store Ledger control account
(c) Overhead adjustment account
(d) None of the above
20. In Reconciliations Statements Expenses shown only in financial accounts are.
(a) Added to financial profit
(b) Deducted from financial profit
(c) Ignored
(d) Added to costing profit

Set-2

21. 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
22. 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.
23. 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
24. 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.
25. 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
26. 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
27. Under Non-Integrated Accounts, If material worth Rs. 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
28. 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
29. 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
30. 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
31. 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
32. 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
33. 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.
34. Which of the following is considered as accounting record ?
a) Bin Card
b) Bill of Material
c) Stores Ledger
d) Stores Requisition
35. 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.5,00 d) None of the above
36. 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 underabsorption of OH in Cost Accounts if you start from the profits as per Cost Accounts
c) Add the over absorption of OH in Cost Accounts if you start from the profits as per

- Financial Accounts.
- d) Add the over absorption of OH in Cost Accounts if you start from the profits as per Cost Accounts.
37. 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
38. 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
39. 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
40. 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
41. 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
42. 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
43. 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

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Chapter – 8
UNIT & BATCH COSTING

Set-1

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) None of the above
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
(d) All of the above
3. Unit Costing is applicable where:
(a) Product produced are unique and no 2 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
4. In case 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) None of the above
5. Job Costing is:
(a) Applicable to all industries regardless of the products or services provided
(b) Technique of costing
(c) Suitable where similar products are produced on mass scale
(d) Method of costing used for non- standard and non- repetitive products.
6. 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) None of the above
7. Batch costing is a type of:
(a) Process costing
(b) Job Costing
(c) Differential costing
(d) Direct costing
8. 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) None of the above
9. 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
10. Economic batch quantity is that size of the batch of production where:
(a) Average cost is minimum

- (b) Set-up cost of machine is minimum
- (c) Carrying cost is minimum
- (d) Both (b) and (c)**
- 11. Batch Costing is suitable for-
 - (a) Sugar Industry
 - (b) Chemical Industry
 - (c) Pharma Industry**
 - (d) Oil Industry
- 12. Batch Costing is applied effectively in the following situation:
 - (a) paper manufacturing
 - (b) drug manufacturing**
 - (c) designer clothes manufacturing
 - (d) oil refining

Set-2

- 13. Batch Costing is a type of-
 - a) Process Costing
 - b) Job Costing**
 - c) Differential Costing
 - d) Direct Costing
- 14. 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 a Cost Unit
- 15. Batch Costing is applied effectively in the following situation:
 - a) paper manufacturing
 - b) drug manufacturing**
 - c) designer clothes manufacturing
 - d) oil refining
- 16. Batch Costing is suitable for-
 - a) Sugar Industry
 - b) Chemical Industry
 - c) Pharma Industry**
 - d) Oil Industry
- 17. 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**
- 18. 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
- 19. 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
- 20. 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
- 21. 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.
22. 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
23. 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
24. In Product Costing, Warehouse Expense is an example of-
a) Production Overhead
b) Selling Overhead
c) Distribution Overhead
d) Costing Overhead
25. 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
26. Cost units of Automobile Industry is-
a) Number of Cubic Meters
b) Number of Kilometres
c) Number of Calls
d) Number of Vehicles
27. 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 output**

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Chapter – 9 JOB COSTING

Set-1

1. In case 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) None of the above
2. 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) None of the above
3. 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) None of the above.
4. 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
5. 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) None of these.
6. Which of the following statements is true:
 - (a) Job cost sheet may be used for estimating profit of jobs.**
 - (b) Job costing cannot be used in conjunction with marginal costing.
 - (c) A production order is an order received from a customer for particular jobs.
 - (d) None of these.
7. 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)**
8. Job costing is used in
 - (a) Furniture making
 - (b) Repair shops
 - (c) Printing press
 - (d) All of the above**

9. In a job cost system, costs are accumulated
- (a) On a monthly basis
 - (b) By specific job**
 - (c) By department or process
 - (d) By kind of material used

Set-2

10. 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**
11. 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**
12. 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
13. 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
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.

Chapter – 10
PROCESS & OPERATION COSTING

Set-1

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
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 abnormal gain
(c) Abnormal loss of 30 units
(d) Abnormal gain of 30 units
3. 100 units are processed at a total cost of Rs. 160, normal loss is 10%, & scrap units are sold @ Rs. 0.25 each. If the output is 80 units, then the value of abnormal loss is:
(a) Rs. 2.50
(b) Rs. 16
(c) Rs. 17.50
(d) Rs. 17.75
4. When average method is used in process costing, the opening inventory costs are:
(a) Subtracted from the new costs
(b) Added to the new costs
(c) Kept separate from the costs of the new 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) None of the above
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 the process account.
(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 account.
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.
8. Inter-process profit is calculated, because:
(a) a process is a cost centres
(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. 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 work-in-process 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 work in process is valued at current cost.

10. 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

11. Lean Labs develops 55mm film 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 labor, direct materials, and overhead are accumulated by departments.

The cost accumulation system that best describes the system Lean Labs is using is:

(a) Operation costing.

(b) Activity-based costing.

(c) Job-order costing.

(d) Process costing.

12. 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.

13. Assume 550 units were worked on during a period in which a total of 500 good units were completed. Normal spoilage consisted of 30 units; abnormal spoilage, 20 units. Total production costs were Rs. 2,200. The company accounts for abnormal spoilage separately on the 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. 2,080

(b) Rs. 2,115

(c) Rs. 2,200

(d) Rs. 2,332

14. IC Limited uses process costing systems and inspects its goods post manufacturing. An engineer noticed on May 31st the following:

Good units completed	15,000
Normal spoilage (units)	300
Abnormal spoilage (units)	100

Unit costs were: Material Rs. 2.50 and conversion costs (Labour & overheads) Rs. 6.00. The number of units that 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. 127,500

(b) 15,000 units transferred at a cost of Rs. 130,050

(c) 15,000 units transferred at a cost of Rs. 135,000

(d) 15,300 units transferred at a cost of Rs. 130,050

15. 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
16. In a process 800 units are introduced during 2016-17. 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
17. Equivalent production of 1,000 units, 60% complete in all respects, is:
(a) 1000 units
(b) 1600 units
(c) 600 units
(d) 1060 units
18. In a process 6,000 units are introduced during a period. 5% of input is normal loss. Closing work-in-process 60% complete is 800 units. 4,900 completed units are transferred to next process. Equivalent production for the period is
(a) 6,800 units
(b) 5,700 units
(c) 5,680 units
(d) 5,380 units
19. In a process 10000 units are introduced during a period. 10% of input is normal loss. Closing work-in-process 70% complete is 1500 units. 7500 completed units are transferred to next process. Equivalent production for the period is
(a) 9550 units
(b) 9000 units
(c) 8550 units
(d) 8500 units
20. In a process 8000 units are introduced during a period. 5% of input is normal loss. Closing work in progress 60% complete is 1000 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

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Set-2

21. 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 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
22. 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**
23. 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
24. 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**
25. "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**



Chapter – 11 JOINT PRODUCTS AND BY PRODUCTS

Set-1

1. The 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
2. 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
3. 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)
4. 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) None of the above
5. 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
6. 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.
7. 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.
8. 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.
9. 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.
10. When a by-product does not have any realisable value, the cost of byproduct is:
(a) Transferred to Costing Profit & Loss A/c
(b) By-product cost is borne by the good units
(c) By-product cost is ignored
(d) By-product cost is determined taking value of similar goods
11. SG Ltd manufactures two products from a joint milling process. The two products developed are Mine support (MS) and Commercial building (CB). A standard production run incurs joint costs of Rs. 1,00,000 and results in 60,000 units of MS and 90,000 units of CB. Each MS sells for Rs. 200 per unit, and each CB sells for Rs. 450 per unit. Assuming no further processing work is done after the split-off point, the amount of joint cost allocated to Commercial building (CB) on a physical quantity allocation basis would be:
(a) Rs. 60,000.
(b) Rs. 180,000.
(c) Rs. 225,000.
(d) Rs. 120,000.
12. Kay Company manufactures two hair care lotions, Livi and Sili, out of a joint process. The joint (common) costs incurred are Rs. 6,30,000 for a standard production run that generates 1,80,000 gallons of Livi and 1,20,000 gallons of Sili. Livi sells for Rs. 240 per gallon, and Sili sells for Rs. 390 per gallon. If additional processing costs beyond the split-off point are Rs. 140 per gallon for Livi and Rs. 90 per gallon for Sili, the amount of joint cost of each production run allocated to Livi on a physical-quantity basis is:
(a) Rs. 340,000.
(b) Rs. 378,000.
(c) Rs. 232,000.
(d) Rs. 580,000.
13. For the purpose of 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.
14. Joint Cost is suitable for-
(a) Infrastructure Industry
(b) Ornament Industry.
(c) Oil Industry
(d) Fertilizer Industry

Set-2

15. 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
16. 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



Chapter – 12
SERVICE COSTING

Set-1

1. Composite cost unit for a hospital is:
(a) Per patient
(b) Per patient-day
(c) Per day
(d) Per bed
2. Cost of diesel and lubricant is an example of:
(a) Operating cost
(b) Fixed charges
(c) Semi-variable cost
(d) None of the above
3. Cost units used in power sector is:
(a) Kilo meter (K.M)
(b) Kilowatt-hour (kWh)
(c) Number of electric points
(d) Number of hours
4. Absolute Tonne-km. is an example of:
(a) Composite units in power sector
(b) Composite unit of transport sector
(c) Composite unit for bus operation
(d) Composite unit for oil and natural gas
5. Depreciation is treated as fixed cost if it is related to:
(a) Activity level
(b) Related with machine hours
(c) Efflux of time
(d) None of the above
6. Jobs undertaken by IT & ITES organizations are considered as:
(a) Project
(b) Batch work
(c) Contract
(d) All the above
7. In Toll Road costing, the repetitive costs include:
(a) Maintenance cost
(b) Annual operating costs
(c) None of the above
(d) Both (a) and (b)
8. BOT approach means:
(a) Build, Operate and Transfer
(b) Buy, Operate and Transfer
(c) Build, Operate and Trash
(d) Build, Own and Trash
9. Pre-product development activities in insurance companies, include:
(a) Processing of Claim
(b) Selling of policy
(c) Provision of conditions
(d) Policy application processing
10. 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
11. Depreciation is an example of-
(a) Fixed Cost
(b) Variable Cost
(c) Semi Variable Cost
(d) None
12. 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
13. Operating costing is applicable to:
(a) Hospitals
(b) Cinemas
(c) Transport undertaking
(d) All of the above

Set-2

14. Cost Unit of Cargo Transport Industry is
a) Kilometers
c) Tonne Kilometers
b) Passenger Kilometres
d) Number of Vehicles
15. 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**
16. 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
17. Operating Costing is NOT applicable to-
a) Hospitals b) Cinemas c) Transport Undertaking **d) Oil Refinery**
18. 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
19. In Toll Road Costing, the repetitive costs include-
a) Maintenance Cost b) Annual Operating Costs
c) Neither (a) nor (b) **d) Both (a) and (b)**
20. Cost of Services under Operating Costing is ascertained by preparing-
a) Cost Sheet
b) Process Account
c) Job cost Sheet
d) Production Account

Chapter – 13
STANDARD COSTING

Set-1

1. Co 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
2. The deviations between actual and standard cost is known as:
(a) Multiple analysis
(b) Variable cost analysis
(c) Variance analysis
(d) Linear trend analysis
3. The standard which is attainable under favourable conditions is:
(a) Theoretical standard
(b) Expected standard
(c) Normal standard
(d) Basic standard
4. The standard most suitable from cost control point of view is:
(a) Normal standard
(b) Theoretical standard
(c) Expected standard
(d) Basic standard
5. Overhead cost variances is:
(a) The difference between overheads recovered on actual output – 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) None of the above
6. Which of the following variance arises 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
7. If standard hours for 100 units of output are 400 @ Rs. 2 per hour and actual hours take are 380 @ Rs. 2.25 per, then the labour rate variance is:
(a) Rs. 95 (adverse)
(b) Rs. 100 (adverse)
(c) Rs. 25 (favourable)
(d) Rs. 120 (adverse)
8. 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
9. Idle time variance is obtained by multiplying:
(a) The difference between standard and actual hours by the actual rate of labour per hour
(b) The difference between actual labour hours paid and actual labour hours

worked by the standard rate

- (c) The difference between standard and actual hours by the standard rate of labour per hour
- (d) None of the above.
10. Basic standards are:
- (a) Those standards, which require high degree of efficiency and performance.
- (b) Average standards and are useful in long term planning.
- (c) Standards, which can be attained or achieved
- (d) Assuming to remain unchanged for a long time.**
11. Standard price of material per kg is Rs. 20, standard usage per unit of production is 5 kg. Actual usage of production 100 units is 520 kgs, all of which was purchased at the rate of Rs. 22 per kg. Material cost variance is
- (a) 2,440 (A)
- (b) 1,440 (A)**
- (c) 1,440 (F)
- (d) 2,300 (F)
12. Standard cost of material for a given quantity of output is Rs. 15,000 while the actual cost of material used is Rs. 16,200. The material cost variance is:
- (a) Rs. 1,200 (A)**
- (b) Rs. 16,200 (A)
- (c) Rs. 15,000 (F)
- (d) Rs. 31,200 (A)
13. Difference between standard cost and actual cost is called as
- (a) Wastage
- (b) Loss
- (c) Variance**
- (d) Profit
14. A certain process needed standard labour of 24 skilled labour hours and 30 unskilled labour hours at Rs. 60 and Rs. 40 respectively as the standard labour rates. Actually, 20 and 25 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
15. For the purpose of Proof, 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
16. Cost variance is the difference between
- (a) The standard cost and marginal cost
- (b) The standards cost and budgeted cost
- (c) The standards cost and the actual cost**
- (d) None of these
17. Standard price of material per kg is Rs. 20, standard usage per unit of production is 5 kg. Actual usage of production 100 units is 520 kgs, all of which was purchase at the rate of Rs. 22 per kg. Material usage variance is
- (a) Rs. 400 (F)
- (b) Rs. 400 (A)**

- (c) Rs. 1,040 (F)
(d) Rs. 1,040 (A)
18. Standard quantity of material for one unit of output is 10 kgs. @ Rs. 8 per kg. Actual output during a given period is 800 units. The standard quantity of raw material
(a) 8,000 kgs
(b) 6,400 Kgs
(c) 64,000 Kgs
(d) None of these.

Set-2

19. Difference between Standard Cost and Actual Cost is called as
a) Wastage b) Loss **c) Variance** d) Profit
20. 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
21. Excess of Actual Cost over Standard cost is known as
a) Abnormal Effectiveness
b) Unfavourable variance
c) Favourable variance
d) Overabsorption
22. Excess of Standard cost over Actual cost is known as
a) Abnormal Effectiveness
b) Unfavourable Variance
c) Favourable variance
d) Under absorption
23. 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
24. 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 -
a) Rs.25,000 b) Rs.30,000 c) Rs.250 d) Rs. Nil
25. 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
26. 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 stock at period end. There was no opening stock. What is the standard Quantity of Raw Material in this case?
a) 600kg b) 625 kg **c) 500kg** d) 550kg
27. 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
28. 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 -
a) 1,040(A) b) 1,440 (A) c) 400(F) **d) 400(A)** -
29. Standard Material Price per kg is Rs. 20, Standard Usage per unit of production is 5kg. Actual Usage of Material for production of 100 units is 520 kgs, all of which was purchased at Rs.22 per kg. Material Price variance in this case is -
a) 1,040(A) b) 1,040 (F) c) 1,440(F) d) 400(A)
30. 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:
a) Rs.9,500 (Adverse) b) Rs.10,000 (Adverse)
c) Rs.2,500 (Favourable) d) Rs. 12,000 (Adverse).
31. 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 unfavorable for Unskilled
32. 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)
33. 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
34. 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

Chapter – 14
MARGINAL COSTING

Set-1

1. Under marginal costing the cost of product includes:
(a) Prime costs only.
(b) Prime costs and variable overheads.
(c) Prime costs and fixed overheads.
(d) Prime costs and factory overheads.
2. Reporting under marginal costing is accomplished by:
(a) Treating all costs as period costs.
(b) Eliminating the work-in-progress inventory account.
(c) Matching variable costs against revenue and treating fixed costs as period costs.
(d) Including only variable costs in income statement.
3. Period costs are:
(a) Variable costs.
(b) Fixed costs.
(c) Prime costs.
(d) Overheads costs.
4. When sales and production (in units) are same then profit under:
(a) Marginal costing is higher than that of absorption costing.
(b) Marginal costing is lower than that of absorption costing.
(c) Marginal costing is equal to that of absorption costing.
(d) None of the above.
5. When sales exceed production (in units) then profit under:
(a) Marginal costing is higher than that of absorption costing.
(b) Marginal costing is lower than that of absorption costing.
(c) Marginal costing is equal than that of absorption costing.
(d) None of above.
6. The main difference between marginal costing and absorption costing is regarding the treatment of:
(a) Prime cost.
(b) Fixed overheads.
(c) Direct materials.
(d) Variable overheads.
7. Under profit volume ratio, the term profit:
(a) Means the sales proceeds in excess of total costs.
(b) Means the same thing as is generally understood.
(c) Is a misnomer, it in fact refers to contribution i.e. (sales revenue-variable costs).
(d) None of the above.
8. Factors which can change the break-even point:
(a) Change in fixed costs.
(b) Change in variable costs.
(c) Change in the selling price.
(d) All of the above.
9. 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.
10. The P/V ratio of a product is 0.6 and profit is Rs. 9,000. The margin of safety is:

- (a) Rs. 5,400
(b) Rs. 15,000
(c) Rs. 22,500
(d) Rs. 3,600
11. A firm has fixed expenses Rs. 90,000, sales Rs. 3,00,000 and profit Rs. 60,000. The P/V ratio of the firm is
(a) 10%
(b) 20%
(c) 30%
(d) 50%
12. If sales are Rs. 90,000 and variable cost to sales is 75%. Contribution is
(a) Rs. 21,500
(b) Rs. 22,500
(c) Rs. 23,500
(d) Rs. 67,500
13. P/V Ratio will increase if the
(a) There is a decrease in fixed cost
(b) There is an increase in fixed cost
(c) There is a decrease in selling price per unit
(d) There is a decrease in variable cost per unit.
14. Marginal costing technique follows the following basis of classification:
(a) Element wise
(b) Function-wise
(c) Behavior-wise
(d) Identifiability-wise
15. Contribution is Rs. 300,000 and sales is Rs. 1,500,000. Compute P/V ratio.
(a) 15%
(b) 20%
(c) 22%
(d) 17.5%
16. Variable cost to sales ratio is 40%. Compute P/V ratio.
(a) 60%
(b) 40%
(c) 100%
(d) None of the these
17. If sales are Rs. 150,000 and variable cost are Rs. 50,000. Compute P/V ratio. 14
(a) 66.66%
(b) 100%
(c) 133.33%
(d) 65.66%
18. Fixed cost is 30,000 and P/V ratio is 20%. Compute breakeven point.
(a) Rs. 160,000
(b) Rs. 150,000
(c) Rs. 155,000
(d) Rs. 145,000

Set-2

19. Which of the following best describes a Fixed Cost ?
a) It may change in total where such change is unrelated to changes in production.
b) It may change in total where such change is related to changes in production.
c) It is constant per unit of change in production.

- d) It may change in total where such change depends on production within the relevant range.
20. When Sales and Production (in units) are the same, then the profit under Marginal Costing will be when compared to Absorption costing.
a) higher than b) lower than **c) equal to** d) None of the above
21. When Sales exceeds production (in units), then the profit under Marginal Costing will be when compared to Absorption Costing.
a) higher than b) lower than c) equal to d) None of above
22. When sales is less production (in units), then the profit under marginal costing will be when compared to Absorption costing.
a) higher than **b) lower than** c) equal to d) none of above
23. The main difference between Marginal Costing and Absorption Costing is regarding the treatment of :
a) Prime cost **b) Fixed Overheads**
c) Direct Materials d) Variable Overheads
24. PV Ratio will increase if there is-
a) a decrease in Fixed cost
b) an increase in Fixed cost
c) a decrease in Selling Price per unit
d) a decrease in Variable cost per unit
25. Variable Cost-
a) Remains fixed in total at all output levels
b) Remains fixed per unit at all output levels
c) Varies per unit for different output levels
d) is dependent on the profit earned
26. The technique of Differential cost is adopted-
a) To ascertain PV Ratio
b) To ascertain Marginal cost
c) To ascertain total cost per unit
d) To make choice between two or more alternative courses of action
27. Difference between the costs of two alternatives is known as the-
a) Variable cost b) Opportunity cost c) Marginal cost **d) Differential cost**
28. 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?
a) Rs. 4,80,000 **b) Rs.7,20,000** c) Rs. 9,00,000 d) Rs. 9,20,000
29. If Sales are Rs.1,50,000 and Variable Cost are Rs. 50,000. Compute PV Ratio.
a) 66.66% b) 100% c) 133.33% d) 33.33%
30. Fixed Cost is Rs. 30,000 and Variable Cost Ratio is 80% Compute BEP in Rupees.
a) Rs. 37,500 **b) Rs. 1,50,000** c) Rs. 1,87,500 d) Rs. 1,12,500
31. A Firm has Fixed Expenses Rs. 90,000, Sales Rs.3,00,000 and Profit Rs.60,000. Its Variable Cost Ratio is-
a) 30% b) 20% c) 60% **d) 50%**
32. 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**
33. 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
34. If BEP is 40% of sales, then the remaining 60% is called...?
a) Profit b) Fixed cost c) Variable cost **d) Margin of safety**
35. 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
36. Contribution is Rs.1,25,000, Break Even Point at 40% of Total sales is Rs.2,50,000.

- Computer PVR.
a) 50% **b) 20%** c) 17.5% d) 12.5%
37. Net Profit Ratio is 12% and BEP is 40% of Total sales. Compute PV Ratio.
a) 60% b) 52% c) 28% **d) 20%**
38. 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
39. 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
40. 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



Chapter – 15
BUDGETS AND BUDGETARY CONTROL

Set-1

1. 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
2. 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
3. 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
4. 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
5. "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.
6. 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) None of the above
7. Purchases budget and materials budget are same:
(a) Purchases budget is a budget which includes only the details of all materials purchased
(b) Purchases budget is a wider concept and thus includes not only purchases of materials but also other item's as well
(c) Purchases budget is different from materials budget; it includes purchases of other items only
(d) None of the above
8. Efficiency ratio is:
(a) The extent of actual working days avoided during the budget period
(b) Activity ratio/ capacity ratio

- (c) Whether the actual activity is more or less than budgeted activity
(d) None of the above
9. Activity Ratio depicts:
(a) Whether actual capacity utilized exceeds or falls short of the budgeted capacity
(b) Whether the actual hours used for actual production were more or less than the standard hours
(c) Whether actual activity was more or less than the budgeted capacity
(d) None of the above
10. Which of the following is usually a short-term budget:
(a) Capital expenditure budget
(b) Research and development budget
(c) Cash budget
(d) Sales budget
11. Budgets are shown in Terms
(a) Qualitative
(b) Quantitative
(c) Materialistic
(d) both (b) and (c)
12. Which of the following is not an element of master budget?
(a) Capital Expenditure Budget
(b) Production Schedule
(c) Operating Expenses Budget
(d) All above
13. Which of the following is not a potential benefit of using a budget?
(a) Enhanced coordination of firm activities
(b) More motivated managers
(c) Improved interdepartmental communication
(d) More accurate external financial statements
14. Which of the following is a long-term budget?
(a) Master Budget
(b) Flexible Budget
(c) Cash Budget
(d) Capital Budget
15. The difference between fixed cost and variable cost assumes significance in the preparation of the following budget.
(a) Master Budget
(b) **Flexible Budget**
(c) Cash Budget
(d) Capital Budget
16. The budget that is prepared first of all is
(a) Master budget
(b) Budget, with key factor
(c) Cash Budget
(d) Capital expenditure budget
17. Sales Budget is a-
(a) Expenditure budget
(b) Functional budget
(c) Master budget
(d) None of the above
18. Which of the following is not a potential benefits of using a budget?
(a) More motivated managers
(b) Enhanced co-ordination of firm activities
(c) Improved inter-departmental communication
(d) More accurate external financial statements
19. 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) None of these.
20. A flexible budget requires a careful study of
 (a) **Fixed, semi-fixed and variable expenses**
 (b) Past and current expenses
 (c) Overheads, selling and administrative expenses.
 (d) None of these.

Set-2

21. Budgets are shown in..... Terms
 a) systematic **b) quantitative** c) abstract d) pessimistic
22. 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
23. Sales Budget is a -
 a) Expenditure Budget **b) Functional Budget**
 c) Master Budget d) Cash Budget
24. 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
25. 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
26. 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
27. 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 was more or less than the budgeted capacity
 d) the actual days worked was more or less than the planned days
28. 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
29. 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