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CHAPTER

Introduction to Cost & Management Accounting



MULTIPLE CHOICE QUESTIONS

1. _____ provides information for income determination.
(a) Financial accounting (b) cost accounting
(c) management accounting (d) none of these
2. _____ helps in ascertaining costs beforehand.
(a) Financial accounting (b) cost accounting
(c) management accounting (d) none of these
3. _____ is anything for which a separate measurement is required.
(a) cost unit (b) cost object
(c) cost driver (d) cost centre
4. Cost accounting disclose _____.
(a) The Financial position (b) profit/loss of a product, job or service
(c) effect and impact of cost on business (d) none of these
5. _____ is a post mortem of past costs.
(a) Financial accounting (b) cost accounting
(c) both (a) & (b) (d) none of these
6. _____ aids in price fixation.
(a) Financial accounting (b) none of these
(c) management accounting (d) cost accounting
7. 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
8. _____ includes financial and cost accounting, tax planning and tax accounting.
(a) Financial accounting (b) cost accounting
(c) management accounting (d) none of these

9. In automobile _____ costing is used .
(a) Process (b) batch
(c) multiple (d) job
10. Service costing is used in industries producing _____.
(a) Products (b) service
(c) both (a) & (b) (d) none of these
11. _____ costing is applicable to printers.
(a) Process (b) batch
(c) multiple (d) job
12. Which of these is not an objective of Cost Accounting?
(a) Ascertainment of Cost (b) Determination of Selling Price
(c) Cost Control and Cost reduction (d) Assisting Shareholders in decision making
13. Cost unit in power sector is:
(a) Kilometer (KM) (b) Kilowatt-hour (kWh)
(c) Number of electric points (d) Number of hours
14. _____ costing is a type or technique of costing.
(a) Marginal (b) batch
(c) multiple (d) job
15. _____ costing is a type or technique of costing.
(a) Absorption (b) batch
(c) multiple (d) job
16. _____ is not the scope of Cost Accountancy.
(a) Ascertaining cost (b) cost accounting
(c) cost control (d) tax planning
17. Process 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 ordinary trading account is a locked storehouse of most valuable information to which cost system is the _____.
(a) Key (b) lock
(c) house (d) none of these

20. The advantages 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 multicity of documents
 - (d) Customized reports can be prepared
21. Cost accounting provides data for managerial _____.
(a) Decision making (b) recruitment
(c) retrenchment (d) none of the above
22. A taxi provider charges minimum ₹80 thereafter ₹12 per kilometer of distance travelled, the behavior of conveyance cost is:
(a) Fixed cost (b) Semi-variable cost
(c) Variable cost (d) Administrative cost
23. Cost accounting provides detailed information about _____ of various products, processes, services and operations.
(a) Costs (b) income
(c) either (a) or (b) (d) none of these
24. SK Ltd. has three production department, each department has two machines, which of the following cannot be treated as a cost centre for cost allocation:
(a) Machines under the production department (b) Production departments
(c) Both production department and machines (d) SK Ltd.
25. The method of costing used in a refinery is _____ costing.
(a) Batch (b) Process
(c) multiple (d) job
26. _____ costing is used in transport undertakings.
(a) Process (b) service
(c) multiple (d) job
27. The total variable cost _____ in total proportion to output.
(a) Increases (b) does not increase
(c) decreases (d) none of these
28. Variable cost per unit _____.
(a) Increases (b) varies
(c) decreases (d) Remains constant
29. Sunk costs are _____ for decision-making.
(a) Relevant (b) Irrelevant
(c) Useful (d) none of these

30. 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 |
31. Fixed cost _____ in the same proportion in which output changes.
- | | |
|---------------------|-------------------|
| (a) Increases | (b) changes |
| (c) does not change | (d) none of these |
32. Abnormal cost is _____.
- | | |
|--------------------|-------------------|
| (a) Uncontrollable | (b) controllable |
| (c) fixed | (d) none of these |
33. Variable cost increases with _____ in output.
- | | |
|--------------------------|-------------------|
| (a) Increase | (b) decrease |
| (c) increase or decrease | (d) none of these |
34. Cost centre and cost unit are _____.
- | | |
|------------------|-------------------|
| (a) not the same | (b) the same |
| (c) not related | (d) none of these |
35. Fixed cost per unit _____ with rise in output and _____ with fall in output.
- | | |
|-------------------------------|--------------------------|
| (a) Decreases, increases | (b) increases, decreases |
| (c) is constant, remains same | (d) none of the above |
36. A profit centre is a centre _____.
- | |
|---|
| (a) Where the manager has the responsibility of generating and maximizing profits |
| (b) Which is concerned with earning an adequate Return on Investment |
| (c) Both of the above |
| (d) Which manages cost |
37. _____ is the smallest segment of activity or area or responsibility for which costs are accumulated.
- | | |
|-----------------|-----------------------|
| (a) Cost Object | (b) Cost driver |
| (c) Cost Centre | (d) none of the above |
38. Purchase of bonds, stock or real estate property will be covered under _____ centre.
- | | |
|------------|----------------|
| (a) Cost | (b) Revenue |
| (c) Profit | (d) Investment |
39. Ticket counter at railway station will be covered under _____ centre.
- | | |
|------------|----------------|
| (a) Cost | (b) Revenue |
| (c) Profit | (d) Investment |

40. Decentralized branches of an organization will be covered under _____ center.
 (a) Cost (b) Revenue
 (c) Profit (d) Investment
41. Maharatna, Navratna and Maniratna public sector undertaking (PSU) of central government will be covered under _____ center.
 (a) Cost (b) Revenue
 (c) Profit (d) Investment
42. Sales department of an organization will be covered under _____ center.
 (a) Cost (b) Revenue
 (c) Profit (d) Investment
43. Describe the method of costing to be applied in case of Nursing Home:
 (a) Operating Costing (b) Process Costing
 (c) Contract Costing (d) Job Costing
44. Describe the cost unit applicable to the Bicycle industry:
 (a) per part of bicycle (b) per bicycle
 (c) per tonne (d) per day
45. Cost Unit is defined as:
 (a) Unit of quantity of product, service or time in relation to which costs may be ascertained or expressed
 (b) A location, person or an item of equipment or a group of these for which costs are ascertained and used for cost control.
 (c) Centres having the responsibility of generating and maximizing profits
 (d) Centres concerned with earning an adequate return on investment

Answer Key

1. (a)	2. (b)	3. (b)	4. (b)	5. (a)	6. (d)	7. (c)	8. (c)	9. (b)	10. (b)
11. (d)	12. (d)	13. (b)	14. (a)	15. (a)	16. (d)	17. (b)	18. (a)	19. (a)	20. (b)
21. (a)	22. (b)	23. (a)	24. (d)	25. (b)	26. (b)	27. (a)	28. (d)	29. (b)	30. (c)
31. (c)	32. (a)	33. (a)	34. (a)	35. (a)	36. (a)	37. (c)	38. (d)	39. (b)	40. (c)
41. (d)	42. (b)	43. (a)	44. (b)	45. (a)					

MULTIPLE CHOICE QUESTIONS

1. An item of cost that is direct for one business may be _____ for another business.
(a) Important (b) Indirect
(c) Direct (d) none of the above
2. The total of all direct expenses is known as _____ cost.
(a) Prime (b) Works
(c) Production (d) both (a) & (b)
3. Generally, for the purpose of cost sheet preparation, costs are classified on the basis of:
(a) Functions (b) Variability
(c) Relevance (d) Nature
4. Depreciation based on the number of units produced would be classified as what type of cost?
(a) Semi-variable (b) Fixed
(c) Variable (d) None of the above
5. Provident Fund & ESI paid by the employer for production workers are preferably accounted for as:
(a) Direct Labour (b) Indirect Labour
(c) Factory overheads (d) Administrative overheads
6. The cost of goods sold under a periodic cost accumulation system is equal to the:
(a) Cost of goods available for sale less ending finished goods inventory
(b) Cost of goods available for sale plus beginning finished goods inventory
(c) Cost of goods manufactured plus beginning finished goods inventory
(d) Cost of goods manufactured less beginning finished goods inventory
7. The cost of goods manufactured, under a periodic cost accumulation system, is equal to the:
(a) Beginning finished goods inventory plus purchases
(b) Beginning work-in-process plus cost of goods in process during the year
(c) Cost of goods put into production plus beginning work in process less ending work in process
(d) Cost of goods sold less beginning work-in-process

8. The term “conversion costs” refer to:

- (a) Manufacturing costs incurred to produce unit of output
- (b) All costs associated with manufacturing other than direct labour costs and raw material cost
- (c) Costs which are associated with marketing, shipping, warehousing, and billing activates
- (d) The sum of direct labour cost and all factory overhead costs

9. The “Prime costs” refers to:

- (a) Manufacturing costs incurred to produce unit of output
- (b) All costs associated with manufacturing other than direct labour costs and raw material cost
- (c) The sum of direct labour cost and all factory overhead costs
- (d) The sum of direct labour cost and direct labour costs

10. Costs which are inventorial are:

- (a) Manufacturing costs incurred to produce units of output
- (b) All costs associated with manufacturing other than direct labour costs and raw material costs
- (c) Costs which are associated with marketing, shipping ware housing, and billing activates
- (d) The sum of direct labour costs and all factory overhead costs

11. The term ‘cost’ refers to:

- (a) An asset that has given benefit and is now expired
- (b) The price of products sold or serves rendered
- (c) The value of the sacrifice made to acquire goods or services
- (d) None of the above

12. Cost sheet includes:

- | | |
|------------------------------------|---------------------------------|
| (a) Only direct costs | (b) Only indirect costs |
| (c) Both direct and indirect costs | (d) Profit & its appropriations |

13. According to elements of cost, cost is classified into:

- | | |
|--------------|----------------------|
| (a) Material | (b) Labour |
| (c) Expenses | (d) All of the above |

14. Total of prime cost and work overheads are known as:

- | | |
|-------------------|------------------------|
| (a) Work cost | (b) Cost of production |
| (c) Cost of sales | (d) Total cost |

15. 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

16. SK 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 |
17. The other name of Prime Cost is:
- | | |
|-----------------|----------------------|
| (a) Direct cost | (b) Flat cost |
| (c) Total cost | (d) All of the above |
18. Work cost is also known as:
- | | |
|------------------------|------------------------|
| (a) Prime cost | (b) Manufacturing cost |
| (c) Cost of production | (d) All of the above |
19. Wages of delivery van driver is included in:
- | | |
|--|-----------------------|
| (a) Factory overheads | (b) Office overheads |
| (c) Selling and distribution overheads | (d) None of the above |
20. In cost sheet realizable value of scrap is deducted from:
- | | |
|-----------------------|---------------------|
| (a) Factory overheads | (b) Direct cost |
| (c) Work cost | (d) Direct material |
21. Salary paid to plant supervisor is a part of:
- | | |
|--------------------------|-------------------------|
| (a) Direct expenses | (b) Factory overheads |
| (c) Quality control cost | (d) Administration cost |
22. Depreciation of director's laptop is treated as a part of:
- | | |
|------------------------------|---------------------------------|
| (a) Administration overheads | (b) Factory overheads |
| (c) Direct expenses | (d) Research & Development cost |
23. A manufacture has set-up a lab for testing of products for compliance with standards, salary of this lab staffs are part of:
- | | |
|---------------------|----------------------------------|
| (a) Work overheads | (b) Quality control cost |
| (c) Direct expenses | (d) Research & development costs |
24. Salary paid to factory store staff is part of:
- | | |
|--------------------------|--------------------------|
| (a) Factory overheads | (b) Production cost |
| (c) Direct employee cost | (d) Direct material cost |
25. Canteen expenses for factory workers are part of:
- | | |
|-----------------------|-------------------------|
| (a) Factory overheads | (b) Administration cost |
| (c) Marketing cost | (d) None of the above |
26. 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 |

27. Drawing office expenses are included in _____ overheads.
- | | |
|--|-----------------------|
| (a) Factory overheads | (b) Office overheads |
| (c) Selling and distribution overheads | (d) None of the above |
28. Haulage expenses are included in _____ overheads.
- | | |
|--|-----------------------|
| (a) Factory overheads | (b) Office overheads |
| (c) Selling and distribution overheads | (d) None of the above |
29. Sale of scrap of material is deducted from _____.
- | | |
|--|--------------------------|
| (a) Factory overheads | (b) Office overheads |
| (c) Selling and distribution overheads | (d) Direct material cost |
30. Rectification cost of defective goods are added to:
- | | |
|--|--------------------------|
| (a) Factory overheads | (b) Office overheads |
| (c) Selling and distribution overheads | (d) Direct material cost |
31. Carriage inward on raw material are added to:
- | | |
|--|--------------------------|
| (a) Factory overheads | (b) Office overheads |
| (c) Selling and distribution overheads | (d) Direct material cost |
32. Bank charges are added to:
- | | |
|--|--------------------------|
| (a) Factory overheads | (b) Office overheads |
| (c) Selling and distribution overheads | (d) Direct material cost |
33. Audit fees are added to:
- | | |
|--|--------------------------|
| (a) Factory overheads | (b) Office overheads |
| (c) Selling and distribution overheads | (d) Direct material cost |
34. Salary of office workers are added to:
- | | |
|--|--------------------------|
| (a) Factory overheads | (b) Office overheads |
| (c) Selling and distribution overheads | (d) Direct material cost |
35. Depreciation of delivery vans are added to:
- | | |
|--|--------------------------|
| (a) Factory overheads | (b) Office overheads |
| (c) Selling and distribution overheads | (d) Direct material cost |
36. Director's fees are added to:
- | | |
|--|--------------------------|
| (a) Factory overheads | (b) Office overheads |
| (c) Selling and distribution overheads | (d) Direct material cost |
37. Bad debts written off are added to:
- | | |
|--|--------------------------|
| (a) Factory overheads | (b) Office overheads |
| (c) Selling and distribution overheads | (d) Direct material cost |

38. General charges are added to:

- | | |
|--|--------------------------|
| (a) Factory overheads | (b) Office overheads |
| (c) Selling and distribution overheads | (d) Direct material cost |

39. Market research expenses are added to:

- | | |
|--|--------------------------|
| (a) Factory overheads | (b) Office overheads |
| (c) Selling and distribution overheads | (d) Direct material cost |

40. Cost of samples is added to:

- | | |
|--|--------------------------|
| (a) Factory overheads | (b) Office overheads |
| (c) Selling and distribution overheads | (d) Direct material cost |

41. _____ costs are partly fixed and partly variable in relation to output.

- | | |
|-------------------|--------------------|
| (a) Variable | (b) Fixed |
| (c) Semi-variable | (d) both (a) & (b) |

42. An opportunity cost is _____.

- | | |
|----------------------------|-----------------------|
| (a) the advantage foregone | (b) the cost |
| (c) the income | (d) none of the above |

43. Works cost is a total of _____.

- (a) Indirect material, Indirect labour
- (b) Direct material, direct labour, direct or chargeable expenses and works expenses
- (c) Direct material, direct labour
- (d) Indirect material, Indirect labour, Indirect expenses

44. An opportunity cost does not involve _____.

- | | |
|-------------------|-----------------------|
| (a) Cash outlays | (b) Direct cost |
| (c) Indirect cost | (d) none of the above |

45. Abnormal cost is the cost:

- (a) Cost not normally incurred at a given level of output
- (b) Cost normally incurred at a given level of output
- (c) Cost which is included in the cost of the product
- (d) Cost which is charged to customer

46. Conversion cost includes cost of converting _____ into _____.

- | | |
|-------------------------|------------------------------------|
| (a) Raw material, WIP | (b) Raw material, Finished goods |
| (c) WIP, Finished goods | (d) Finished goods, Saleable goods |

47. Cost of goods available for sale is equal to opening finished goods plus _____.

- | | |
|------------------------|------------------------|
| (a) Work cost | (b) Prime cost |
| (c) Cost of production | (d) Gross factory cost |

48. Total goods processed during the period is equal to gross factory cost plus _____.
 (a) opening finished goods inventory (b) closing finished goods inventory
 (c) opening work in progress inventory (d) closing work in progress inventory
49. If profit is 25% of cost, it will be _____ percent on sales.
 (a) 25% (b) 18%
 (c) 20% (d) 30%
50. If profit is 25% of sale, it will be _____ percent on cost.
 (a) 25% (b) 33.33%
 (c) 20% (d) 66.67%
51. Total Sales are ₹5,00,000, 25% profit on cost, total profit would be:
 (a) ₹1,00,000 (b) ₹1,20,000
 (c) ₹1,50,000 (d) ₹1,66,667
52. Total costs are ₹5,00,000, 25% profit on sale, total profit would be:
 (a) ₹1,00,000 (b) ₹1,20,000
 (c) ₹1,50,000 (d) ₹1,66,667
53. If prime cost is ₹16,000, factory overheads are 25% of prime cost and office overheads are 75% of factory overheads then office cost would be:
 (a) ₹3,000 (b) ₹15,000
 (c) ₹23,000 (d) ₹28,000
54. If prime cost is ₹24,000, office cost ₹30,000, office overheads are 50% of factory overheads then factory cost would be:
 (a) ₹3,000 (b) ₹15,000
 (c) ₹23,000 (d) ₹28,000
55. Calculate the prime cost from the following information:
 • Direct material purchased: ₹1,00,000
 • Direct material consumed: ₹90,000
 • Direct labour: ₹60,000
 • Direct expenses: ₹20,000
 • Manufacturing overheads: ₹30,000
 (a) ₹1,80,000 (b) ₹2,00,000
 (c) ₹1,70,000 (d) ₹2,10,000
56. Total cost of a product: ₹10,000; Profit: 25% on Selling Price; Profit is:
 (a) ₹2,500 (b) ₹3,000
 (c) ₹3,333 (d) ₹2,000

57. Calculate cost of sales from the following:

- Net Works cost: ₹2,00,000
 - Office & Administration Overheads: ₹1,00,000
 - Opening stock of WIP: ₹10,000
 - Closing Stock of WIP: ₹20,000
 - Closing stock of finished goods: ₹30,000
 - There was no opening stock of finished goods.
 - Selling overheads: ₹10,000
- (a) ₹2,70,000 (b) ₹2,80,000
- (c) ₹3,00,000 (d) ₹3,20,000

58. Calculate value of closing stock from the following:

- Opening stock of finished goods (500 units) : ₹2,000
 - Cost of production (10000 units) : ₹50,000
 - Closing stock (1000 units): ?
- (a) ₹4,000 (b) ₹4,800
- (c) ₹5,000 (d) ₹6,000

Answer Key

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

Employee Cost & Direct Expenses



MULTIPLE CHOICE QUESTIONS

1. _____ is a method of evaluating the job in terms of its money value.
(a) Job analysis (b) Job evaluation
(c) Work measurement (d) Motion Study
2. The requirements of a particular job are known as _____.
(a) Job description (b) Job evaluation
(c) Job specification (d) Motion Study
3. Qualities demanded from the job holder is technically known as _____.
(a) Job description (b) Job evaluation
(c) Job specification (d) Motion Study
4. For conducting _____ workers are studied at their jobs and all their movements and motions are noted.
(a) Time Study (b) Merit Rating
(c) Motion Study (d) None of these
5. _____ is concerned with discovery of facts concerning a job and _____ is concerned with ascertaining the money value of a job.
(a) Job analysis; Job evaluation (b) Job specification; Job evaluation
(c) Job description; Job evaluation (d) Motion Study
6. _____ is the assessment of the relative worth of jobs within a company whereas _____ is the assessment of the relative worth of man behind the job.
(a) Job evaluation; Merit rating (b) Job analysis; Job evaluation
(c) Job analysis; Merit rating (d) None of these
7. _____ is maintained to know how the worker's time shown by the time card is spent on various jobs.
(a) Daily time sheets (b) Weekly time sheets
(c) Job card (d) None of these

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) & (b)
 - (d) None of the above
9. 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 & loss account
 - (d) None of the above
10. Time and motion study is conducted by-
- (a) Time keeping department
 - (b) Personnel department
 - (c) Payroll department
 - (d) Engineering department
11. 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
12. Labour turnover is measured by-
- (a) Number of persons replaced ÷ average number of workers
 - (b) Number of persons separated ÷ number of workers at the beginning of the year
 - (c) (Number of persons replaced + number of persons separated) ÷ number of persons at the beginning + number of persons at the end of the year
 - (d) None of the above
13. 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
14. Employee cost includes:
- (a) Wages and salaries
 - (b) Allowance and incentives
 - (c) Payment for overtime
 - (d) All of the above
15. 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 options
 - (d) None of the above
16. 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

17. Out of the following methods attendance is marked by recognizing an employee based on physical and behavioral traits-
- | | |
|----------------------------------|----------------------------------|
| (a) Punch-card attendance method | (b) Bio-metric attendance system |
| (c) Attendance register method | (d) Token method |
18. 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 the above |
19. _____ is most suitable when quality of work is of prime importance.
- | | |
|-----------------------|----------------------|
| (a) Piece rate system | (b) Time wage system |
| (c) Both (a) & (b) | (d) None of these |
20. Wages sheet is prepared by the _____.
- | | |
|--------------------------|--------------------------------|
| (a) Personnel department | (b) Cost accounting department |
| (c) Payroll department | (d) Time keeping department |
21. Cost of abnormal idle time is transferred to:
- | | |
|---|-----------------------------------|
| (a) Costing profit & loss account | (b) General profit & loss account |
| (c) Profit & loss appropriation account | (d) None of these |
22. Which of the following methods of wage payment does not guarantee wages on time basis?
- | | |
|---------------------------|--------------------------|
| (a) Halsey Premium System | (b) Rowan Premium System |
| (c) Time Rate System | (d) Piece-Rate System |
23. When overtime is required for meeting an urgent order, overtime premium should be charged to:
- | | |
|-----------------------------------|-------------------|
| (a) Costing Profit & Loss Account | (b) Overhead Cost |
| (c) Concerned Job | (d) Prime Cost |
24. When time saved is more than 50% of standard time, Halsey plan allows:
- | | |
|----------------------------------|--------------------------------|
| (a) More wages than Rowan plan | (b) Less wages than Rowan plan |
| (c) Equal wages as of Rowan plan | (d) None of the above |
25. According to Factories Act 1948, a worker is entitled for overtime if he works beyond ____ hours in a day or ____ hours in a week.
- | | |
|-----------|-----------|
| (a) 8; 48 | (b) 8; 44 |
| (c) 9; 48 | (d) 9; 44 |
26. If overtime is due to general pressure of work to increase the output, the premium as well as overtime wages will be charged to _____.
- | | |
|-----------------------------------|--------------------------------|
| (a) Costing Profit & Loss Account | (b) Directly to the job worked |
| (c) General Overheads | (d) None of the above |

27. Which are the reasons for labour turnover?

- (a) Retirement of worker (b) Bad working conditions
(c) Personal betterment avenues (d) All of the above

28. Which of the following are the costs of labour turnover?

- (a) Preventive cost (b) Replacement cost
(c) Both (a) & (b) (d) None of the above

29. Which of the following is not the effect of labour turnover?

- (a) Increase cost of selection (b) Increase in cost of supervision
(c) Increase in scrap, wastes etc. (d) None of the above

30. _____ workers are employed temporarily, for a short duration to cope with sudden increase in volume of work.

- (a) Casual (b) Outdoor
(c) Both (a) & (b) (d) None of the above

31. _____ workers do not carry their work in the factory premises.

- (a) Casual (b) Outdoor
(c) Both (a) & (b) (d) None of the above

32. 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 jobs is completed in 48 hours?

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

Answer Key

1. (b)	2. (a)	3. (c)	4. (c)	5. (a)	6. (a)	7. (c)	8. (c)	9. (c)	10. (d)
11. (c)	12. (a)	13. (d)	14. (d)	15. (a)	16. (d)	17. (b)	18. (a)	19. (b)	20. (c)
21. (a)	22. (d)	23. (c)	24. (a)	25. (c)	26. (c)	27. (d)	28. (c)	29. (d)	30. (a)
31. (b)	32. (b)								

MULTIPLE CHOICE QUESTIONS

1. Material control does not cover the following stage.
(a) purchase of materials (b) storing of materials
(c) issue of materials (d) production
2. Direct material can be classified as:
(a) Fixed cost (b) Variable cost
(c) Semi-variable cost (d) Prime cost
3. In most of the industries, the most important element of cost is
(a) Material (b) Labour
(c) Overheads (d) Administration cost
4. Stores Ledger is maintained in the _____.
(a) store (b) finance department
(c) cost accounting department (d) Both (a) & (b)
5. Bin card is a record of _____ only.
(a) cost (b) value
(c) quantity (d) expense
6. Re-order quantity may be measured as:
(a) Maximum stock level – Record level + (Minimum usage × Minimum reorder period)
(b) Re-order level + Minimum stock – (Minimum usage × Minimum reorder period)
(c) Maximum stock level – Reorder level – (Minimum usage × Maximum reorder period)
(d) Normal usage × Normal reorder period.
7. Which of the following is not likely to be a contributory factor to the incidence of excess expenditure on material cost:
(a) The level in the number of product units produced.
(b) An increase in the number of product units produced.
(c) The incorrect choice of purchase order quantity.
(d) Failure to control the issue of materials from stores.

8. If the raw material prices are suffering from inflation, which of the following methods of valuing stocks will give the lowest gross profit
- (a) LIFO (b) Replacement cost
(c) FIFO (d) Simple Average
9. Which of the following source documents in a cost accounting system is designed to exercise control over the delivery and accurate recording of the receipt of goods?
- (a) Goods received note (b) Purchase requisition
(c) Order to the supplier (d) Material requisition
10. If the raw material prices are suffering from deflation, which of the following methods of valuing stocks will give the lowest gross profit
- (a) LIFO (b) Replacement cost
(c) FIFO (d) Simple Average
11. 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
12. In which of the 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
13. Continuous stock taking is a part of
- (a) Annual stock taking (b) Perpetual inventory
(c) ABC Analysis (d) Bin cards
14. 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
15. When prices fluctuate widely, the method that will smooth out the effect of fluctuations is:
- (a) Simple average price (b) Weighted average price
(c) Moving average price (d) Inflated price
16. 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
17. 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

- 18.** 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 |
- 19.** A written order sent to inform the purchasing department of a need for materials is called:
- | | |
|----------------------|-------------------------------|
| (a) Purchase order | (b) Purchase requisition |
| (c) Receiving report | (d) Material requisition form |
- 20.** A written request to a supplier for specified goods at agreed upon price is called:
- | | |
|----------------------|-------------------------------|
| (a) Purchase order | (b) Purchase requisition |
| (c) Receiving report | (d) Material requisition form |
- 21.** Which of the following forms must be filled out when inventory is to be removed from the materials inventory to be placed into production?
- | | |
|----------------------|-------------------------------|
| (a) Purchase order | (b) Purchase requisition |
| (c) Receiving report | (d) Material requisition form |
- 22.** Under a periodic inventory system, the purchase of materials is recorded in an account entitled:
- | | |
|------------------------|-------------------------------|
| (a) Cost of Goods Sold | (b) Purchase of Raw Materials |
| (c) Material Inventory | (d) Work in Process Inventory |
- 23.** Under a perpetual inventory system, the purchase of materials is recorded in an account entitled:
- | | |
|------------------------|-------------------------------|
| (a) Cost of Goods Sold | (b) Purchase of Raw Materials |
| (c) Material Inventory | (d) Work in Process Inventory |
- 24.** Average cost method of valuing material issues is suitable when_____ .
- | | |
|-----------------------------------|-------------------|
| (a) Prices rise | (b) prices fall |
| (c) prices fluctuate considerably | (d) none of these |
- 25.** A bill of material serves the purpose of_____ .
- | | |
|-----------------------------------|-------------------|
| (a) Material requisition | (b) stores ledger |
| (c) material issue analysis sheet | (d) none of these |
- 26.** Stock verification sheets are maintained to record the results of_____ .
- | | |
|----------------------------|--------------------------|
| (a) Physical verification | (b) financial control |
| (c) financial verification | (d) quality verification |
- 27.** The quantity of material to be ordered at one time is known as_____ .
- | | |
|-----------------------------|-------------------------------|
| (a) Ordering quantity | (b) commercial order quantity |
| (c) economic order quantity | (d) none of these |

28. _____ represents that quantity of material which is normally ordered when a particular material reaches reordering level.
- (a) maximum level (b) re-order level
(c) minimum level (d) Re-order quantity
29. Inventory turnover ratio = Cost of inventory consumed during the period ÷ Cost of _____ held during the period.
- (a) Average inventory (b) minimum inventory
(c) maximum inventory (d) none of these
30. Inventory turnover in days = Days during the period ÷ _____ .
- (a) Inventory turnover ratio (b) material consumed during the period
(c) cost of average stock during the period (d) none of these
31. _____ is a technique of material cost control which leads to low carrying cost as a result of low investment in inventory.
- (a) ABC Analysis (b) JIT Inventory System
(c) VED Analysis (d) Perpetual Inventory System
32. _____ is a technique of stock control which leads to saving of time of the management because attention is required to be paid only to some of the items rather than on all the items.
- (a) Perpetual Inventory System (b) JIT Inventory System
(c) VED Analysis (d) ABC Analysis
33. _____ is used primarily for control of spare parts.
- (a) ABC Analysis (b) JIT Inventory System
(c) VED Analysis (d) Perpetual Inventory System
34. _____ forms part of cost of production.
- (a) Abnormal waste (b) normal waste
(c) both a & b (d) none of these
35. _____ does not form part of production.
- (a) Abnormal waste (b) normal waste
(c) both a & b (d) none of these
36. Material losses due to abnormal reasons should be transferred to _____ .
- (a) Profit and loss account (b) Costing Profit and Loss Account
(c) Trading Account (d) none of these
37. Units that do not meet production standards and are sold for their salvage value (if any) are called:
- (a) Spoiled units (b) Defective units
(c) Scrap material (d) Waste material

38. Units that do not meet production standards and must be processed further in order to be saleable as good units or irregulars are called:
- | | |
|--------------------|---------------------|
| (a) Spoiled units | (b) Defective units |
| (c) Scrap material | (d) Waste material |
39. Internal instruction to buy the specified quantity and description of goods is called:
- | | |
|-----------------------|--------------------------|
| (a) Purchase order | (b) Inspection note |
| (c) Goods requisition | (d) Purchase requisition |
40. Which of the following is deducted from purchases in order to get the value of Net purchase?
- | | |
|----------------------|------------------------------|
| (a) Purchase returns | (b) carriage inward |
| (c) custom duty | (d) all of the given options |
41. Stores Ledger is a:
- | |
|--|
| (a) Quantitative as well as value wise records of material received, issued and balance; |
| (b) Quantitative record of material received, issued and balance |
| (c) Value wise records of material received, issued and balance |
| (d) A record of labour attendance |
42. The level at which the goods ordered earlier must reach the factory premises is _____ level.
- | | |
|--------------|-------------|
| (a) minimum | (b) maximum |
| (c) re-order | (d) average |
43. _____ level is fixed to avoid the problem of over-stocking.
- | | |
|--------------|-------------|
| (a) minimum | (b) maximum |
| (c) re-order | (d) average |
44. _____ level is fixed to avoid the problem of under-stocking.
- | | |
|--------------|-------------|
| (a) minimum | (b) maximum |
| (c) re-order | (d) average |
45. _____ ensures that stock level are as low as possible.
- | | |
|-------------------|------------------|
| (a) ABC technique | (b) VED analysis |
| (c) JIT | (d) FSN analysis |
46. JIT _____ stock out costs while EOQ _____ stock out costs.
- | | |
|----------------------|----------------------|
| (a) exclude, include | (b) include, exclude |
| (c) include, include | (d) exclude, exclude |

47. A manufacturer buys certain equipment from outside suppliers at ₹ 20 per unit. Total annual needs are 900 units. The further data are available:

- Annual return of investment 10%
- Rent, Taxes, insurance per unit per year ₹ 2
- Cost of placing an order ₹ 200

Determine the economic order quantity.

- (a) 600 (b) 500
(c) 400 (d) 300

48. Monthly demand of product X – 1500 units

- Requirement of component to produce 1 unit of product X: 5 units
- Ordering, receiving and handling cost: ₹ 10 per order
- Trucking costs: ₹ 5 per order
- Deterioration and obsolescence cost: ₹ 10 per unit p.a.
- Interest rate: 15% p.a.
- Storage cost: ₹ 4,50,000 for 90,000 units
- Purchase price of a component: ₹ 100

Calculate Economic Order Quantity.

- (a) 600 (b) 500
(c) 400 (d) 300

Answer Key

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

MULTIPLE CHOICE QUESTIONS

1. Basis of apportionment of stores service expenses is _____.
(a) Value of Material Consumed (b) Units of material consumed
(c) Units produced (d) None of the above
2. Basis of apportionment of welfare department expenses is _____.
(a) Wages of each department (b) Number of employees
(c) Material consumed (d) Number of machineries
3. Under step method of re-apportionment of costs of service departments, the cost of last service department is apportioned only to the _____.
(a) Production Department (b) Service Department
(c) Both (a) & (b) (d) None of the above
4. _____ is the amount by which the absorbed overheads fall short of the actual amount of overheads incurred.
(a) Over absorption of overheads (b) Under absorption of overheads
(c) Overhead absorption (d) None of these
5. Expenses incurred during production other than direct materials and direct labour are called factory expenses; those charged to production on estimated basis are called _____.
(a) Actual, applied (b) Applied, actual
(c) Indirect, direct (d) None of these
6. _____ is the excess of overheads absorbed over the actual amount of overheads incurred.
(a) Overhead absorption (b) Under absorption of overheads
(c) Over absorption of overheads (d) None of the above
7. Apportionment of overhead cost may be defined as:
(a) Charge to a cost center of an overhead cost item with no estimation.
(b) Charge each cost center with a share of an overhead cost using an appropriate basis to estimate the benefit extracted by each cost center

- (c) Charge to cost units for the use of an overhead cost
(d) Classification of overhead cost as fixed or variable
8. Which of the following is an illustration of reciprocal service costs?
- (a) The maintenance cost center uses 10% of the power generating cost center costs and the power generating cost center uses 15% of the maintenance cost center.
(b) Maintenance costs are charged to the power generating cost center which are then charged to the production cost center using power.
(c) Service cost center costs are caused because of the requirements of production cost centers.
(d) The use of a service results in reciprocal action by the service cost center whereby it charges the use of cost center.
9. Which of the following is most likely to occur where activity level is lower than that planned?
- (a) An over-absorption of fixed production overhead.
(b) A reduction in expenditure on fixed production overhead
(c) An increase in expenditure on fixed production overhead
(d) An under-absorption of fixed production overhead
10. "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) & (b) (d) None of the above
11. ___ capacity is defined as actually utilized capacity of plant.
- (a) Theoretical (b) Installed
(c) Practical (d) Normal
12. The allotment of whole items of cost centres or cost units is called:
- (a) Overhead absorption (b) Cost apportionment
(c) Cost allocation (d) None of the above
13. Primary packaging cost is a part of:
- (a) Direct material cost (b) Production cost
(c) Selling overheads (d) Distribution overheads
14. Director's remuneration and expenses form part of:
- (a) Production overheads (b) Administration overheads
(c) Selling overheads (d) Distribution overheads
15. 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

16. Bad Debts is an example of:
- (a) Distribution overhead
 - (b) Production overhead
 - (c) Selling overhead
 - (d) Administration overhead
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
18. The difference between actual factory overhead and absorbed factory overhead will be usually at the minimum level, provided pre-determined overhead rate is based on:
- (a) Maximum capacity
 - (b) Direct labour hours
 - (c) Machine hours
 - (d) Normal capacity
19. Which of the following overhead cost may not be apportioned on the basis of direct wages?
- (a) Worker's holiday pay
 - (b) Perquisite to worker
 - (c) ESI contribution
 - (d) Managerial salaries
20. Which of the following would not cause either an under-or over-absorption of overheads?
- (a) Actual direct labour time per unit being greater than budget
 - (b) Actual cost of direct labour being greater than budget
 - (c) Actual overheads incurred being less than budget
 - (d) the number of units produced being greater than budget
21. SK Company found that the differences in product costs, resulting from the application of predetermined overhead rates rather than actual overhead rates, were immaterial – even though actual production was substantially less than planned production. The most likely explanation is that
- (a) Overhead was composed chiefly of variable costs
 - (b) Several products were produced simultaneously
 - (c) Fixed factory overhead was a significant cost
 - (d) Cost of overhead items were substantially higher than anticipated
22. In order to identify costs that relate to a specific product, and allocation base should be chosen that:
- (a) Does not have a cause and effect relationship
 - (b) Has a cause and effect relationship
 - (c) Considers direct materials and direct labour but not factory overhead
 - (d) Considers variable costs but not fixed costs
23. The only method of allocating service department costs to producing departments that considers reciprocal series is called the:
- (a) Direct method
 - (b) Step method
 - (c) Out-of-step method
 - (d) Simultaneous equation method

24. The ___ method recognizes the services provided to other service departments using a sequence of reallocations in which service department costs are allocated to production department and other service departments.
- (a) Direct method (b) Repeated distribution method
(c) Step-down method (d) Reciprocal method
25. A common absorption rate used throughout factory for all jobs and units of output irrespective of the department in which they were produced is called ____.
- (a) Machine hour rate (b) Overall absorption rate
(c) Department absorption rate (d) Blanket absorption rate
26. The difference between practical capacity and capacity utilize is:
- (a) Idle capacity (b) Idle machine hours
(c) Unused hours (d) Excess capacity
27. Under Machine-hour rate method machine is treated as:
- (a) Cost unit (b) Cost centre
(c) Service department (d) None of the above
28. Blanket overhead rate is:
- (a) One single overhead absorption rate for the whole factory
(b) Rate which is blank or nil rate
(c) Rate in which multiple rate are computed for each department
(d) Always a machine hour rate
29. Labour hour rate of recovery of overheads will be most suitable in _____ industries.
- (a) Machine intensive (b) Labour intensive
(c) Both (a) & (b) (d) None of these
30. In case of under absorption due to heavy machine breakdown then it should be transferred to ____.
- (a) Product Cost (b) Costing Profit & Loss A/c
(c) Both (a) & (b) (d) None of these
31. If raw material used is ₹50,000 and direct labour cost is ₹30,000, then factory overheads absorbed @ 20% on prime cost will be;
- (a) ₹10,000 (b) ₹6,000
(c) ₹16,000 (d) ₹8,000
32. If factory overhead is ₹60,000 and direct labour hours are 12,000, then overhead absorption rate per direct labour hour will be;
- (a) ₹5.00 (b) ₹0.20
(c) ₹2.50 (d) ₹3.50

33. If machine hours are 8,000 and factory overhead absorption rate per machine hour is ₹8, then absorbed factory overheads will be;
- (a) ₹74,000 (b) ₹64,000
(c) ₹54,000 (d) ₹44,000
34. If direct material cost is ₹50,000 and direct labour cost is ₹40,000 and factory overheads are absorbed @ 20% on direct wages. The amount of factory overheads will be;
- (a) ₹10,000 (b) ₹18,000
(c) ₹15,000 (d) ₹8,000
35. From the following data calculate the overhead absorption rate based on prime cost;
- Direct material cost 15,000
 - Direct labour cost 25,000
 - Direct expenses 10,000
 - Production overhead cost 10,000
- (a) 20% (b) 25%
(c) 30% (d) 35%
36. If cost of machine is ₹10,000, Scrap ₹1,000 and working life of machine is 20,000 hours then depreciation per hour will be;
- (a) ₹0.50 (b) ₹0.45
(c) ₹0.40 (d) ₹0.35
37. Overheads are charged at a pre-determined rate of ₹5 per hour. Total overhead incurred and hours actually worked were ₹21,40,000 and 4,20,000 hours respectively. What is the amount of under or over absorption?
- (a) ₹40,000 (under absorbed) (b) ₹40,000 (over absorbed)
(c) ₹10,000 (over absorbed) (d) ₹10,000 (over absorbed)
38. The XYZ Company budgeted overhead at ₹2,55,000 for the period for department A, based on a budgeted volume of 1,00,000 direct labour hours. At the end of the period, the Factory Overhead Control Account for Department A had a balance of ₹2,70,000; actual direct labour hours were 1,05,000. What was the over or under-applied overhead for the period?
- (a) ₹2,250 (under absorbed) (b) ₹2,250 (over absorbed)
(c) ₹3,000 (over absorbed) (d) ₹3,000 (over absorbed)

Answer Key

1. (a)	2. (b)	3. (a)	4. (b)	5. (a)	6. (c)	7. (b)	8. (a)	9. (d)	10. (a)
11. (c)	12. (c)	13. (b)	14. (b)	15. (c)	16. (c)	17. (c)	18. (d)	19. (d)	20. (b)
21. (d)	22. (b)	23. (d)	24. (c)	25. (d)	26. (a)	27. (b)	28. (a)	29. (b)	30. (b)
31. (c)	32. (a)	33. (b)	34. (d)	35. (a)	36. (b)	37. (a)	38. (a)		

MULTIPLE CHOICE QUESTIONS

1. ABC improves control over overhead costs?
(a) True (b) False
(c) Either of the above (d) None of the above
2. Activity based costing is less expensive than traditional costing system.
(a) True (b) False
(c) Either of the above (d) None of the above
3. _____ uses multiple activity rates.
(a) Activity Based Costing (b) Traditional Costing
(c) Either of the above (d) None of the above
4. Cost are grouped into _____ according to activities which drive them:
(a) Cost driver (b) Cost pool
(c) Cost object (d) Cost unit
5. In activity based costing, cost are accumulated by:
(a) Cost driver (b) Cost pool
(c) Cost object (d) None of the above
6. Activity based costing is defined as cost attribution to ___ on the basis of benefit received from indirect activities.
(a) Cost driver (b) Cost pool
(c) Cost object (d) Cost unit
7. Under ABC system, the aggregate of closely related tasks is called _____.
(a) Activity (b) Pool
(c) Driver (d) Cost unit
8. The appropriate cost driver for maintenance cost pool is:
(a) No. of customers (b) No. of machine hours
(c) No. of setups (d) No. of deliveries

9. 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

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

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

11. 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

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

Activity	Cost Driver
(a) Production scheduling	Number of production runs
(b) Despatching	Number of dispatch orders
(c) Goods receiving	Goods received orders
(d) Inspection	Machine hours

13. Transactions undertaken by support department personnel are the appropriate cost drivers. Find the out 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.

14. 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

15. 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

16. 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
17. 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
18. 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
19. Activity based costing identifies the activities which cause cost to be incurred and trace ___ of these activities.
- (a) Cost drivers
 - (b) Cost object
 - (c) Activity Based Costing
 - (d) None of the above
20. Cost object is the point of focus for the costs relating to a particular activity.
- (a) True
 - (b) False
 - (c) Either (a) or (b)
 - (d) None of the above
21. The cost objects are linked to the objective of the organization.
- (a) True
 - (b) False
 - (c) Either (a) or (b)
 - (d) None of the above
22. Cost pools under ABC are similar to ___ in traditional cost system.
- (a) Cost pool
 - (b) Cost driver
 - (c) Activities
 - (d) Cost centre
23. ___ is a planning and control system used for continues improvement by setting up budgets based on activities analysis and used of cost pools and cost drives.
- (a) Activity Based Management
 - (b) Activity Cost Management
 - (c) Activity Based Accounting
 - (d) None of these
24. Processing units on machines is a _____ level activity.
- (a) Batch
 - (b) Facility
 - (c) Unit
 - (d) Organizational
25. Setting up equipment is a _____ level activity.
- (a) Batch
 - (b) Facility
 - (c) Unit
 - (d) Organizational

26. Performing periodic maintenance on general use equipment is a _____ level activity.
(a) Batch (b) Facility
(c) Unit (d) Organizational
27. Human resources is a _____ level cost.
(a) Batch (b) Facility
(c) Unit (d) Product
28. Purchasing is a _____ level cost.
(a) Batch (b) Facility
(c) Unit (d) Product
29. Parts management is a _____ level cost.
(a) Batch (b) Facility
(c) Unit (d) Product
30. Assembly department costs are _____ level cost.
(a) Batch (b) Facility
(c) Unit (d) Product
31. Receiving department costs are _____ level cost.
(a) Batch (b) Facility
(c) Unit (d) Product
32. Employee training costs are _____ level cost.
(a) Batch (b) Facility
(c) Unit (d) Product
33. Quality control costs are _____ level cost.
(a) Batch (b) Facility
(c) Unit (d) Product
34. Equipment set-up costs are _____ level cost.
(a) Batch (b) Facility
(c) Unit (d) Product
35. Machine set-up activity is a _____ level activity.
(a) Batch (b) Facility
(c) Unit (d) Product
36. Advertising cost, if advertisement is for individual product then it is a _____ level activity.
(a) Batch (b) Facility
(c) Unit (d) Product
37. Plant security is a _____ level activity.
(a) Batch (b) Facility
(c) Unit (d) Product

38. Advertising campaign for promoting the company is a _____ level activity.
 (a) Batch (b) Facility
 (c) Unit (d) Product
39. Material ordering is a _____ level activity.
 (a) Batch (b) Facility
 (c) Unit (d) Product
40. Designing the product is a _____ level activity.
 (a) Batch (b) Facility
 (c) Unit (d) Product
41. Maintenance of building is a _____ level activity.
 (a) Batch (b) Facility
 (c) Unit (d) Product
42. Which of the following is not a limitation of ABC?
 (a) Costly to maintain
 (b) Complex system
 (c) Reduce the frivolous use of common resources
 (d) Data can be easily misinterpreted
43. Company X uses activity based costing for its two products: Product B and Product D. One of the activity cost pools is parts administration. The total estimated overhead cost for that pool was ₹10,10,000 and the expected activity was 4000 part types. If product D requires 1,200 part types, the amount of overhead allocated to it would be:
 (a) ₹2,50,000 (b) ₹2,53,000
 (c) ₹3,00,000 (d) ₹3,03,000
44. Company X uses activity based costing and has the following activity cost pools and estimated overhead cost for each pool:
- Machine related – ₹2,50,000
 - Handling material – ₹5,00,000
 - Processing purchase related – ₹2,40,000
 - General factory – ₹6,30,000
- (a) ₹9,90,000 (b) ₹13,70,000
 (c) ₹16,20,000 (d) ₹13,80,000

Answer Key

1. (a)	2. (b)	3. (a)	4. (c)	5. (b)	6. (d)	7. (a)	8. (c)	9. (d)	10. (c)
11. (d)	12. (d)	13. (c)	14. (d)	15. (d)	16. (a)	17. (b)	18. (d)	19. (a)	20. (a)
21. (a)	22. (d)	23. (b)	24. (c)	25. (a)	26. (b)	27. (b)	28. (a)	29. (d)	30. (c)
31. (a)	32. (b)	33. (c)	34. (c)	35. (a)	36. (d)	37. (b)	38. (b)	39. (a)	40. (d)
41. (b)	42. (c)	43. (d)	44. (c)						

MULTIPLE CHOICE QUESTIONS

1. General Ledger Adjustment Account is also known as _____ account.
(a) Work-in-progress Ledger Control A/c (b) Cost Ledger Control A/c
(c) Stores Ledger Control A/c (d) Finished Goods Ledger Control A/c
2. In non-integrated accounting _____ account is debited for purchase of materials.
(a) Work-in-progress Ledger Control A/c (b) Cost Ledger Control A/c
(c) Stores Ledger Control A/c (d) Finished Goods Ledger Control A/c
3. For absorption of direct wages _____ account is debited.
(a) Work-in-progress Ledger Control A/c (b) Cost Ledger Control A/c
(c) Stores Ledger Control A/c (d) Finished Goods Ledger Control A/c
4. Normal wastage of material is debited to _____ account.
(a) Stores ledger control A/c (b) Work-in-progress ledger control A/c
(c) Work overheads control A/c (d) General ledger adjustment A/c
5. _____ of records is avoided under Integral Accounting.
(a) Simplification (b) Duplication
(c) Triplication (d) None of the above
6. Which account is not required under integrated accounting system?
(a) Stores ledger control A/c (b) Work-in-progress ledger control A/c
(c) Work overheads control A/c (d) General ledger adjustment A/c
7. General Ledger Adjustment Account is credited for purchases of material in cash under non-integral system.
(a) True (b) False
(c) Either of (a) or (b) (d) None of the above
8. Assets accounts are not maintained in Integrated System.
(a) True (b) False
(c) Either of (a) or (b) (d) None of the above

9. Under the system of Integrated Accounts, there is no need for a separate cost ledger.
- (a) True (b) False
(c) Either of (a) or (b) (d) None of the above
10. Under the Non-integrated accounting system
- (a) Some ledger is maintained for cost and financial accounts by accountants
(b) Separate ledgers are maintained for cost and financial accounts
(c) (a) & (b) both
(d) None of the above
11. 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
12. 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
13. 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
14. 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
15. 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) Material control account
(c) Cost Control Account
(d) None of the above
16. 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) None of the above

17. Which of the following items is included in cost accounts?
(a) Notional rent (b) Donations
(c) Transfer to general reserve (d) Rent receivable
18. When costing loss ₹5,600, administrative overhead 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
19. 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
20. Reconciliation statement is required to be prepared in case of _____ system.
(a) Integrated (b) Non-Integrated
(c) Either of the above (d) None of the above
21. Which of the following items are shown in Profit & Loss account only?
(a) Dividend paid (b) Commission received
(c) Income tax paid (d) All of the above
22. Which of the following items are shown in cost accounts only?
(a) Rent of own premises (b) Notional cost of own capital
(c) Salary of own manager at notional figure (d) All of the above
23. Goodwill written off is such item which is included in _____ accounts but not _____ in accounts.
(a) Financial; Cost (b) Cost; Financial
(c) Main; Supplementary (d) Supplementary; Main
24. Following item shall be added to costing profit to arrive at financial profit:
(a) Income tax provision (b) Interest on debentures
(c) Dividend received (d) None of the above
25. Profit as per financial accounts is ₹ 50,000. What will be the profit as per cost accounts when depreciation overcharged in cost accounts is ₹ 2,000.
(a) ₹ 50,000 (b) ₹ 48,000
(c) ₹ 52,000 (d) None of the above
26. Which of these items are not included in cost accounts?
(a) Interest received on bank deposits (b) Transfer fee received
(c) Profit on sale of assets (d) All of the above
27. Under absorption of overhead decreases profit in costing books.
(a) True (b) False
(c) Either of (a) or (b) (d) None of the above

28. Loss on sale of fixed assets is an item of both financial accounts and cost accounts.
 (a) True (b) False
 (c) Either of (a) or (b) (d) None of the above
29. Depreciation charged in cost books is ₹ 8,000 and in financial books is ₹ 6,700. What will be the profit as per financial books when profit as per cost book is ₹ 6,000?
 (a) ₹ 7,300 (b) ₹ 4,700
 (c) ₹ 6,000 (d) None of the above
30. When financial profit is 8,000, the administrative overhead over recovered in cost accounts is ₹ 600, the costing profit is ₹ 8,600.
 (a) True (b) False
 (c) Either of (a) or (b) (d) None of the above
31. Opening raw material value as per cost accounts is ₹ 50,000 and as per financial accounts its ₹ 60,000. In this situation costing profit will be _____ than the financial profit.
 (a) Higher (b) Lower
 (c) Either of the above (d) None of the above
32. Closing work in progress value as per cost accounts is ₹ 60,000 and as per financial accounts its ₹ 50,000. In this situation costing profit will be _____ than the financial profit.
 (a) Higher (b) Lower
 (c) Either of the above (d) None of the above
33. Closing finished goods stock value as per cost accounts is ₹ 50,000 and as per financial accounts its ₹ 60,000. In this situation costing profit will be _____ than the financial profit.
 (a) Higher (b) Lower
 (c) Either of the above (d) None of the above
34. Opening finished goods stock value as per cost accounts is ₹ 60,000 and as per financial accounts its ₹ 50,000. In this situation costing profit will be _____ than the financial profit.
 (a) Higher (b) Lower
 (c) Either of the above (d) None of the above

Answer Key

1. (b)	2. (c)	3. (a)	4. (c)	5. (b)	6. (d)	7. (b)	8. (b)	9. (a)	10. (b)
11. (b)	12. (d)	13. (b)	14. (a)	15. (a)	16. (a)	17. (a)	18. (b)	19. (a)	20. (b)
21. (d)	22. (d)	23. (a)	24. (c)	25. (c)	26. (d)	27. (b)	28. (b)	29. (a)	30. (b)
31. (a)	32. (a)	33. (b)	34. (b)						

MULTIPLE CHOICE QUESTIONS

1. Which are the feature of batch costing?
(a) Units produced are identical (b) Each batch is costed separately
(c) Each batch is a cost unit (d) All of the above
2. At Economic Batch Quantity, sum of _____ cost & _____ cost is minimum.
(a) Set-up and ordering (b) Carrying and Ordering
(c) Set-up and carrying (d) None of the above
3. Which of the following production batch sizes will minimize cost where annual output is 20,000 units, set-up costs per batch are ₹ 25 and holding costs are ₹ 3 per unit.
(a) 83 units (b) 267 units
(c) 577 units (d) 480 units
4. The ____ costing is used when a quantity of similar and identical products are manufactured together.
(a) Job (b) Batch
(c) Contract (d) Process
5. A television company manufactures several components in batches. The following data relates to one component: Annual demand - 32,000 units; setup cost per batch - Rs 120; Annual rate of interest - 12%; Cost of production per unit - Rs 8. The economic batch quantity is ____ units.
(a) 4,000 (b) 3,000
(c) 2,000 (d) 1,000
6. Batch costing is applied to engineering workshops.
(a) True (b) False
(c) Either (a) or (b) (d) None of the above
7. Batch costing is a variant of job costing.
(a) True (b) False
(c) Either (a) or (b) (d) None of the above

8. Batch costing is use for toy manufacturing firm.
- (a) True (b) False
(c) Either (a) or (b) (d) None of the above
9. 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
10. 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
11. 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
12. 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
13. Job costing is:
- (a) Applicable to all industries regardless of the products or services provided
(b) Techniques of costing
(c) Suitable where similar products are produced on mass scale
(d) Method of costing used for non-standard and non-repetitive products
14. The production planning department prepares a list of materials and stores required for the completion of a specific job order, this list is know as:
- (a) Bin card (b) Bill of material
(c) material requisition slip (d) None of the above
15. Batch costing is a type of:
- (a) Process costing (b) Job costing
(c) differential costing (d) Direct costing

- 16.** 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
- 17.** 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
- 18.** 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)

Answer Key

1. (d)	2. (c)	3. (c)	4. (b)	5. (c)	6. (b)	7. (a)	8. (a)	9. (a)	10. (b)
11. (c)	12. (c)	13. (d)	14. (b)	15. (b)	16. (b)	17. (d)	18. (d)		

MULTIPLE CHOICE QUESTIONS

1. _____ costing is applied where work is usually carried out within a factory or workshop and is of short duration.
(a) Job (b) Batch
(c) Contract (d) None of the above
2. Labour time on each job are recorded on a _____ which is then costed and recorded on the Job Cost Sheet.
(a) Wage Sheet (b) Job Card
(c) Either of the above (d) None of the above
3. _____ costing is applied where production is not on continuous basis.
(a) Job (b) Batch
(c) Contract (d) None of the above
4. _____ account is prepared for each job so that its cost and various components of cost can be readily ascertained.
(a) Job (b) Batch
(c) Contract (d) None of the above
5. Which of the following is not the advantage of Job costing?
(a) Helps to detect profitable and non-profitable job
(b) Spoilage & defective can be easily identified to the job
(c) It is time consuming
(d) All of the above
6. A company wishes to earn a 15% profit margin on selling price when quoting for a job which of the following is the profit mark-up on cost which will achieve the required profit margin?
(a) 15% (b) 17.65%
(c) 85% (d) 13.04%

7. A Job order cost accumulation system is most suitable where:
- | | |
|---|--|
| (a) Mass production techniques are used | (b) Continuous processing is performed |
| (c) Homogeneous products are produced | (d) Customized products are produced |
8. Each job has a ____ prepared for it that bears the job number and which is used to collect all cost data relating to the job.
- | | |
|--------------------|-----------------|
| (a) Job time sheet | (b) Job ticket |
| (c) Job cost card | (d) Job account |
9. Job costing is used in _____.
- | | |
|------------------|--------------------|
| (a) Paper mill | (b) Printing press |
| (c) Textile mill | (d) Chemical work |
10. Job card is meant to recorded the attendance or works.
- | | |
|-----------------------|-----------------------|
| (a) True | (b) False |
| (c) Either (a) or (b) | (d) None of the above |
11. In case product produced or jobs undertaken are of diverse nature, the system of costing to be used should be:
- | | |
|---------------------|-----------------------|
| (a) Process costing | (b) Operation costing |
| (c) Job costing | (d) None of the above |
12. 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 |
13. 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 |
14. 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 note |
| (c) Purchase order | (d) Purchase requisition |
15. 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 the above |

16. 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 the above.

17. Which of the following statement is true:

- (a) Job cost sheet may be prepare 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) None of the above

Answer Key

1. (a)	2. (b)	3. (a)	4. (a)	5. (c)	6. (b)	7. (d)	8. (c)	9. (b)	10. (b)
11. (c)	12. (b)	13. (a)	14. (b)	15. (a)	16. (a)	17. (d)			

MULTIPLE CHOICE QUESTIONS

1. The method of costing used in a refinery used is _____.
(a) Process (b) Batch
(c) Multiple (d) Contract
2. The method of costing applied in biscuit industries is _____ costing and in steel industry _____ costing.
(a) Job, Contract (b) Job, Process
(c) Process, Operation (d) Job, Batch
3. The valuation of abnormal wastage is not based on cost.
(a) True (b) False
(c) Either of (a) or (b) (d) None of the above
4. When the actual loss is more than the estimated loss, the difference between the two is considered to be _____.
(a) Abnormal loss (b) Normal Loss
(c) Loss (d) None of them
5. When actual loss is less than the estimated loss, the difference between the two is considered to be _____.
(a) Abnormal Gain (b) Normal Loss
(c) Abnormal Loss (d) Income
6. When actual loss is _____ than the estimated loss, the difference between the two is considered to be abnormal gain.
(a) More (b) less
(c) Higher (d) none of them
7. The cost of _____ process loss is absorbed in the cost of production of good units.
(a) Abnormal (b) Normal
(c) Both (a) & (b) (d) none of them

8. In inter process profits, the output of one process is transferred from one process to another not at _____ but at _____.
 (a) Market price, actual cost (b) Actual cost, Market price
 (c) Both (a) & (b) (d) none of them
9. Equivalent units represent the production of a process in terms of _____ units.
 (a) Total Production (b) Completed
 (c) Semi-finished (d) Both (a) & (b)
10. In process costing, cost per unit increases due to:
 (a) Normal loss (b) Normal gain
 (c) Abnormal loss (d) Abnormal gain
11. The type of process loss that should not be allowed to affect the cost of good unit is:
 (a) Abnormal loss (b) Normal loss
 (c) Seasonal loss (d) Standard loss
12. 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
13. 100 units are processed at a total cost of ₹160, normal loss is 10%, & scrap units are sold @₹0.25 each. If the output is 80 units, then the value of abnormal loss is:
 (a) ₹2.50 (b) ₹16
 (c) ₹17.50 (d) ₹17.75
14. 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
15. 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
16. 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 realized by the sale of loss units should be credited to the process account.

17. 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.
18. 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
19. 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-progress and cost of the current period are aggregated and the aggregate cost is divided by output in terms of complete units.
 - (d) Closing stock of work in process is valued at current cost.
20. 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
21. Lean Labs develops 55mm film using a four step process that moves progressively through four departments. The company specialized 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 Lean Labs is using is:
- (a) Operation costing
 - (b) Activity based costing
 - (c) Job-order costing
 - (d) Process costing
22. 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 by the "tightness" of production standards
23. The valuation of abnormal wastage-is not based on cost.
- (a) True
 - (b) False
 - (c) Either of (a) or (b)
 - (d) None of the above

24. The balance of abnormal wastage account being profit is transferred to the profit and loss account.
- (a) True (b) False
(c) Either of (a) or (b) (d) None of the above

25. 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 ₹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) ₹2,080 (b) ₹2,115
(c) ₹2,200 (d) ₹2,332

26. 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 ₹2.50 and conversion costs (labour & overheads) ₹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 to 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
27. An input of 5000kg of material introduced into the process and the expected loss is 8% and if the actual output from the process is 4300, the abnormal loss is _____kg.
- (a) 300 (b) 400
(c) 500 (d) 600
28. When 1000 units are 60% complete in a process, it is equivalent to _____completed units.
- (a) 60 (b) 600
(c) 6,000 (d) 1,000
29. Cost of normal output of 800 units is ₹ 2,400 than value of abnormal wastage of 200 units will be:
- (a) ₹ 60 (b) ₹ 600
(c) ₹ 6,000 (d) None of the above
30. Input in a process is 10,000 units and normal loss is 5%. If finished output in process is only 9,600 units, then there is an:
- (a) Abnormal gain of 100 units (b) Abnormal gain of 400 units
(c) Abnormal loss of 100 units (d) Abnormal loss of 400 units

31. In a particular process it is expected, that for every 200 kg. of raw material input, output of good material will be 190 kg. In a period 1,280 Kg. of raw material were input at a cost of ₹ 3,000 and 1,178 kg. of good output were produced. What is the cost per kg. of the good output (to the nearest place).
- (a) ₹ 2.42 (b) ₹ 2.27
(c) ₹ 2.52 (d) ₹ 2.47
32. In a machine process the normal spoilage rate to be 2% of input. Spoiled units are sold for 53 paise each. In a period 5,000 units were input at a cost of ₹ 2 each. The total output of good units was 4,750. How much will be written off to the profit and loss account in respect of the abnormal spoilage?
- (a) ₹ 304.00 (b) ₹ 304.50
(c) ₹ 225.00 (d) ₹ 225.50
33. Purchased materials are added in the second department of a three department process: this does not increase the number of units produced in the second department and would,
- (a) Not change the number of units produced in the second department
(b) Decrease total work-in-process inventory
(c) Increase the factory overhead portion of the ending work-in-process inventory
(d) Increase total unit cost.
34. In X Ltd. 500 units of raw material were introduced in Process I .The actual output and normal loss of the respective processes are:

	Output	Normal loss on output
Process I	450 units	10%
Process II	340 units	20%
Process III	270 units	25%

The abnormal effective in Process III is ____ units.

- (a) 10 (b) 15
(c) 20 (d) 25

Answer Key

1. (a)	2. (b)	3. (b)	4. (a)	5. (a)	6. (b)	7. (b)	8. (b)	9. (b)	10. (a)
11. (a)	12. (c)	13. (c)	14. (b)	15. (b)	16. (c)	17. (d)	18. (c)	19. (c)	20. (b)
21. (d)	22. (d)	23. (b)	24. (b)	25. (b)	26. (b)	27. (a)	28. (b)	29. (b)	30. (a)
31. (d)	32. (b)	33. (d)	34. (b)						

MULTIPLE CHOICE QUESTIONS

1. A bakery produces cakes, biscuit and bread. These products should be treated as:
(a) Joint Products (b) By Products
(c) Co-products (d) None of the above
2. Wood pieces, left out in furniture should be treated as:
(a) Waste (b) By Products
(c) Scrap (d) None of the above
3. In accounting of joint products under market value method, joint costs will be apportioned to the products in the ratio of _____ of individual products.
(a) Sales value (b) Contribution
(c) Physical units (d) None of the above
4. A furniture manufacturing company manufactures tables, chairs, cots, interior decorating furniture is an example of:
(a) Joint Products (b) By Products
(c) Co-products (d) None of the above
5. An oil manufacturing company manufactures petrol, diesel, lubricant oil, natural gas etc. from the crude oil is an example of:
(a) Joint Products (b) By Products
(c) Co-products (d) None of the above
6. The production of molasses arising during manufacturing of sugar is an example of:
(a) Joint Product (b) By Product
(c) Co-product (d) None of the above
7. The production of husk arising in rice mill during rice production is an example of:
(a) Joint Product (b) By Product
(c) Co-product (d) None of the above

8. Timber boards made from different trees is an example of:
- (a) Joint Product (b) By Product
(c) Co-product (d) None of the above
9. Production of white flour, brown flour, animal feeding stuff in a flour-mill is an example of:
- (a) Joint Product (b) By Product
(c) Co-product (d) None of the above
10. Ash produced in thermal power plant is an example of:
- (a) Joint Product (b) By Product
(c) Co-product (d) Scrap
11. The main product is usually produced in greater quantities than ____.
- (a) Joint Product (b) By Product
(c) Co-product (d) None of these
12. 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
13. 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
14. 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 for individual products
(d) Both (b) and (c)
15. 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

- 16.** 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
- 17.** Which of the following is a co-product
- (a) Diesel and petrol in an oil refinery
 - (b) Edible oils and oil cakes
 - (c) Cured and butter in a dairy
 - (d) Mustard oil and sunflower oil in an oil processing company
- 18.** 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
- 19.** Which of following method can be used when the join 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
- 20.** 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.
- 21.** 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) By-product cost is borne by the good units
 - (c) By-product is ignored
 - (d) By-product cost is determined taking value of similar goods
- 22.** 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 ₹1,00,000 and results in 60,000 units of MS and 90,000 units of CB. Each MS sells for ₹200 per unit, and each CB sells for ₹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) ₹60,000 (b) ₹1,80,000
(c) ₹2,25,000 (d) ₹1,20,000

23. Kay company manufactures two hair care lotions, Livi and Sili, out of a joint process. The joint (common) costs incurred are ₹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 ₹240 per gallon, and Sili sells for ₹390 per gallon.

If additional processing costs beyond the split-off point are ₹140 per gallon for Livi and ₹90 per gallon for Sili, the amount of joint cost of each production run allocated to Livi on a physical-quantity basis is:

- (a) ₹3,40,000 (b) ₹3,78,000
(c) ₹2,32,000 (d) ₹5,80,000

24. 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

Answer Key

1. (c)	2. (c)	3. (a)	4. (c)	5. (a)	6. (b)	7. (b)	8. (c)	9. (a)	10. (b)
11. (b)	12. (b)	13. (b)	14. (d)	15. (c)	16. (c)	17. (d)	18. (b)	19. (a)	20. (c)
21. (b)	22. (a)	23. (b)	24. (c)						

MULTIPLE CHOICE QUESTIONS

- State which of the following are the characteristics of service costing.
 - High levels of indirect costs as a proportion of total costs
 - Use of composite cost units
 - Use of equivalent units

(a) (1) only (b) (1) & (2) only
(c) (2) only (d) (2) & (3) only
- Which of the following organizations should not be advised to use service costing?
 - Distribution service
 - Hospital
 - Maintenance department of a manufacturing company
 - A light engineering company
- _____ is the most suitable method in a transport industry.
 - Operation Costing
 - Service Costing
 - Process Costing
 - Job Costing
- Room/day is the cost unit used in _____.
 - Hotels
 - Hospitals
 - Schools
 - None of these
- In electricity supply company uses _____ as cost unit.
 - Kilo watt hour
 - Per household
 - Voltage
 - None of these
- In transportation costing a composite unit such as _____ is used.
 - Passenger km
 - Per km
 - Per passenger ton
 - Per passenger
- Boiler house costing is an example of _____ costing.
 - Operation
 - Service
 - Process
 - Job

8. Service costing is not used in one of the following:
- | | |
|-----------------|-----------------|
| (a) Electricity | (b) Hospitals |
| (c) Transport | (d) Electronics |
9. Operating Costing is used in _____ concerns.
- | | |
|-----------------------|----------------------|
| (a) Manufacturing | (b) Trading |
| (c) Service providing | (d) All of the above |
10. An example of a simple cost unit in transport costing is ____.
- | | |
|--------------|------------------------|
| (a) Per Mile | (b) Per passenger mile |
| (c) Per km | (d) Both (a) & (c) |
11. The per unit cost of a powerhouse is calculated by machine hour rate.
- | | |
|--------------------------|-----------------------|
| (a) True | (b) False |
| (c) Either of (a) or (b) | (d) None of the above |
12. The unit under operating costing is selected according to nature of business.
- | | |
|--------------------------|-----------------------|
| (a) True | (b) False |
| (c) Either of (a) or (b) | (d) None of the above |
13. For finding expenses a daily log book is maintained of each vehicle.
- | | |
|--------------------------|-----------------------|
| (a) True | (b) False |
| (c) Either of (a) or (b) | (d) None of the above |
14. Absolute tonne kilometer and commercial tonne kilometer are synonyms.
- | | |
|--------------------------|-----------------------|
| (a) True | (b) False |
| (c) Either of (a) or (b) | (d) None of the above |
15. Which of the following pair is not correct with regard to Operating Costing:
- | | |
|--|--------------------------------------|
| (a) Passenger Transport — per passenger km | (b) Electricity Generation — per KWh |
| (c) Hotel — per person hour | (d) Medical Service —per patient day |
16. Composite cost unit for a hospital is:
- | | |
|-----------------|---------------------|
| (a) per patient | (b) per patient-day |
| (c) per day | (d) per bed |
17. Cost of diesel and lubricant is an example of:
- | | |
|------------------------|-----------------------|
| (a) operating cost | (b) fixed charges |
| (c) semi-variable cost | (d) none of the above |
18. Cost units used in power sector is:
- | | |
|-------------------------------|-------------------------|
| (a) Kilo meter (KM) | (b) Kilowatt-hour (kWh) |
| (c) Number of electric points | (d) Number of hours |

19. Absolute Tonne-km is an example of:

- | | |
|--------------------------------------|--|
| (a) Composite unit in power sector | (b) Composite unit of transport sector |
| (c) Composite unit for bus operation | (d) Composite unit for oil and natural gas |

20. 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 |

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

- | | |
|--------------|----------------------|
| (a) project | (b) batch work |
| (c) contract | (d) all of the above |

22. 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) |

23. BOT approach means:

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

24. Pre-product development activities in insurance companies, include:

- | | |
|------------------------------|-----------------------------------|
| (a) Processing of claim | (b) Selling of policy |
| (c) Provisions of conditions | (d) policy application processing |

25. 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 |

26. A hotel has a capacity of 100 single and 20 double rooms. The average occupancy of both single and double rooms is expected to be 80% throughout the year of 365 days. The rent of double room has been fixed at 125% of the rent of a single room. The total notional single rooms/day are _____.

- | | |
|------------|------------|
| (a) 36,000 | (b) 35,040 |
| (c) 36,500 | (d) 35,500 |

27. The hospital is opened for 365 days, but bed occupancy is 25 patients per day in 120 days and 20 bed occupied in another 80 days. Extra beds occupied during the year is 400. The patient days of the hospital are _____.

- | | |
|-----------|-----------|
| (a) 3,500 | (b) 4,000 |
| (c) 4,500 | (d) 5,000 |

28. The seating capacity of a school bus is 60 students one way. The seating capacity is fully occupied during the whole year. The school follows differential bus fee based on distance travelled as under:

Distance to and from school	Buss fee	Students availing the facility
4 kms	25% of Full	15%
8 kms	50% of Full	30%
16 kms	Full	55%

The total students, equivalent to 25% fare students per tripe are:

- (a) 177 (b) 264
(c) 354 (d) 424

29. Calculate the most appropriate unit cost for a distribution division of a multinational company using the following information.

- Miles travelled 636,500
- Tonnes carried 2,479
- Number of drivers 20
- Hours worked by drivers 35,520
- Tonnes miles carried 375,200
- Cost incurred 562,800

- (a) ₹0.88 (b) ₹1.50
(c) ₹15.84 (d) ₹28,140

30. The following information is available for the W hotel for the latest thirty day period.

- Number of rooms available per night 40
- Percentage occupancy achieved 65%
- Room servicing cost incurred ₹3,900
- The room servicing cost per occupied room-night last period, to the nearest ₹was:

- (a) ₹3.25 (b) ₹5.00
(c) ₹97.50 (d) ₹150.00

31. A transport company is running five buses between two towns, which are 80 kms apart. Seating capacity of each bus is 80 passengers. Actually passengers carried by each bus were 78% of seating capacity. All buses ran on all days of the month. Each bus made one round trip per day. Passenger kms are:

- (a) 2,81,250 (b) 1,87,500
(c) 5,62,500 (d) none of the above

Answer Key

1. (c)	2. (c)	3. (b)	4. (a)	5. (a)	6. (a)	7. (b)	8. (d)	9. (c)	10. (d)
11. (b)	12. (a)	13. (a)	14. (b)	15. (c)	16. (b)	17. (a)	18. (b)	19. (b)	20. (c)
21. (a)	22. (a)	23. (a)	24. (c)	25. (d)	26. (c)	27. (d)	28. (c)	29. (b)	30. (b)
31. (c)									

MULTIPLE CHOICE QUESTIONS

1. Standard cost is a _____ cost.
(a) Predetermined (b) Historical
(c) Actual (d) Final
2. Standard costing is more widely applied in _____ industries.
(a) Jobbing (b) Construction
(c) Process and engineering (d) All of the above
3. Three types of standards are _____.
(a) Actual standard, base standard and normal standard
(b) Currency standard, basic standard & normal standard
(c) Expected standard, ideal standard and normal standard
(d) Current standard, basic standard & normal standard
4. The deviation of the actual cost or profit or sales from the standard cost or profit or sale is known as _____.
(a) Difference (b) Variance
(c) Discrepancy (d) Inconsistency
5. Management by exception is exercising control over _____.
(a) Costs (b) Favorable items
(c) Unfavorable items (d) All of the above
6. An unfavourable material price variance occurs because of:
(a) Less than anticipated normal wastage in the manufacturing process
(b) Price increase in raw materials
(c) More than anticipated normal wastage in the manufacturing process
(d) Price decrease in raw materials
7. Volume variance arises because of:
(a) Increase or decrease in actual output as compared to the budgeted output
(b) Increase in overhead rate per hour

- (c) Difference in budgeted overheads and actual overheads
- (d) Decrease in overhead rate per hour

8. _____ represents the difference between hours paid and hours worked.

- (a) Actual hours
- (b) Standard hours
- (c) Idle hours
- (d) Budgeted hours

9. _____ is a predetermined calculation of how much costs should be under specified working conditions.

- (a) Standard cost
- (b) Actual cost
- (c) Historical cost
- (d) None of the above

10. A standard that is developed using theoretical conditions for a given manufacturing process is known as:

- (a) Expected standard
- (b) Ideal standard
- (c) Current standard
- (d) Normal standard

11. Analysis of variance is done in order to determine the reasons for increase or decrease in profit.

- (a) True
- (b) False
- (c) Either of (a) or (b)
- (d) None of the above

12. Labour efficiency variance is due to the different between standard hours for actual output and actual hours for actual output.

- (a) True
- (b) False
- (c) Either of (a) or (b)
- (d) None of the above

13. Which of the following is not a reason for an idle time variance.

- (a) Wage rate increase
- (b) Machine breakdown
- (c) Illness or injury of worker
- (d) Non-availability of material

14. Which of the following would explain an adverse variable production overhead efficiency variance?

- (1) Employees were of a lower skill level than specified in the standard
- (2) Unexpected idle time resulted from a series of machine breakdown
- (3) Poor quality material was difficult to process
- (a) (1), (2) & (3)
- (b) (1) & (2)
- (c) (2) & (3)
- (d) (1) & (3)

15. Standard costs are already adjusted for _____ losses.

- (a) Normal
- (b) Abnormal
- (c) Both (a) & (b)
- (d) None of the above

16. Which of the following is the cause of material price variance?

- (a) Use of non-standard material
- (b) Pilferage
- (c) Rush purchases
- (d) Change in the quality of materials

17. Which of the following is not the cause of material price variance?
(a) Change in the delivery cost (b) Change in the market price of materials
(c) Change in the method of production (d) Change in the rate of excise duty etc.
18. Which of the following is not the cause of material usage variance?
(a) Defect in plant & machinery (b) Change in the design of the product
(c) Inefficient purchasing (d) Use of substitute material
19. Which of the following is not the cause of material yield variance?
(a) Lack of due card in handling (b) Defective methods of operation
(c) Lack of proper supervision (d) None of the above
20. Which of the following is not the cause of labour efficiency variance?
(a) Use of non-standard grade of workers (b) Use of defective method of operation
(c) Poor working conditions (d) Break-down of plant and machinery
21. Which of the following is not the cause of idle time variance?
(a) Power failure (b) Breakdown of plant & machinery
(c) Delay in giving production instructions (d) Poor working conditions
22. Which of the following is not the cause of fixed overhead expenditure variance?
(a) Rise in price due to inflation (b) Power failure
(c) Change in methods of operation (d) Improperly set standards
23. Which of the following is not the cause of fixed overhead volume variance?
(a) Machine breakdown (b) Labour strikes or lock outs
(c) Defective scheduling & routing of production (d) None of the above
24. Which of the following is the cause of fixed overhead efficiency variance?
(a) Poor supervision (b) Frequent power failure
(c) Improperly set standards (d) All of the above
25. Which of the following is not the cause of fixed overhead capacity variance?
(a) Labour troubles (b) Shortage of material
(c) Frequent power failure (d) Defective material
26. If the control ratio is 100% or more, it indicates a _____ position.
(a) Favorable (b) Unfavorable
(c) Either of (a) or (b) (d) None of the above
27. 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

- 28.** The deviations between actual and standard cost is known as:
- (a) Multiple analysis
 - (b) Variable cost analysis
 - (c) Variance analysis
 - (d) Linear trend analysis
- 29.** The standard which is attainable under favourable conditions is:
- (a) Theoretical standard
 - (b) Expected standard
 - (c) Normal standard
 - (d) Basic standard
- 30.** The standard most suitable from cost control point of view is:
- (a) Normal standard
 - (b) Theoretical standard
 - (c) Expected standard
 - (d) Basic standard
- 31.** Overhead cost variance is:
- (a) The difference between overheads recovered on actual output – actual overheads 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
- 32.** 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
- 33.** If standard hours for 100 units of output are 400 @ ₹2 per hour and actual hours take are 380 @ ₹2.25 per, then the labour rate variance is:
- (a) ₹95 (adverse)
 - (b) ₹100 (adverse)
 - (c) ₹25 (favourable)
 - (d) ₹120 (adverse)
- 34.** 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 & loss account
- 35.** 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
- 36.** 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.

37. During a period 17,500 labour hours were worked at a standard cost of ₹6.50 per hour. The labour efficiency variance was ₹7,800 favourable. How many standard hours were produced?
- (a) 1,200 (b) 16,300
(c) 17,500 (d) 18,500
38. During April, 300 labour hours were worked for a total cost of ₹4,800. The variable overhead expenditure variance was ₹600 (A). Overheads are assumed to be related to direct labour hours of active working. What was the standard cost per labour hour?
- (a) ₹14 (b) ₹16.50
(c) ₹17.50 (d) ₹18
39. The actual output of 1,62,500 units and actual fixed costs of ₹87,000 were exactly as budgeted. However, the actual expenditure of ₹3,00,000 was ₹18,000 over budget. What was the budget variable cost per unit?
- (a) ₹1.20 (b) ₹1.31
(c) ₹1.42 (d) ₹1.50
40. The budgeted fixed overheads for a budgeted production of 10,000 units is ₹20,000. For a certain period the actual production was 11,000 units and actual expenditure came to ₹24,000. Then, the volume variance is ₹_____.
- (a) 4,000 (A) (b) 4,000 (F)
(c) 2,000 (A) (d) 2,000 (F)
41. In a factory where standard costing is followed 9,600 kgs. of materials at ₹10.50/kg were actually consumed resulting in a price variance of ₹4,800 (A) and usage variance of ₹4,000 (F) the standard cost of actual production is ₹_____.
- (a) 96,000 (b) 1,00,000
(c) 1,10,000 (d) 1,20,000
42. If the capacity usage ratio of a production department is 99% and activity ratio is 90% then the efficiency ratio of the department is _____.
- (a) 100 % (b) 80%
(c) 110% (d) 89.10%
43. The standard variable overhead cost of a product is ₹10 (5 hours @ ₹2/hr). In a certain month it took 1800 hours at a cost of ₹4,200 to manufacture 400 units. Then, the variable overhead expenditure variance is ₹_____.
- (a) 600 (A) (b) 600 (F)
(c) 400 (A) (d) 400 (F)
44. The standard variable overhead cost of a product is ₹10 (5 hours @ ₹2/hr). In a certain month it took 1800 hours at a cost of ₹4,200 to manufacture 400 units. Then, the variable overhead efficiency variance is ₹_____.
- (a) 600 (A) (b) 600 (F)
(c) 400 (A) (d) 400 (F)

45. In a factory of ABC Ltd. where standard costing is followed, the budgeted fixed overheads for a budgeted production of ₹4,800 units is ₹24,000 for a certain period. Actual expenditure incurred was ₹22,000 resulting in a fixed overhead volume variance of ₹3,000 (A). Then actual production for the period was _____.
- (a) 5,400 units (b) 3,000 units
(c) 4,200 units (d) None of the above
46. In a factory of XYZ Ltd. operating standard cost system, 2000 kgs. of a material @12 per kg were used for a product resulting in price variance of ₹6,000 (F) and usage variance of ₹3,000 (A). Then Standard material cost of actual production was ₹_____.
- (a) 24,000 (b) 27,000
(c) 30,000 (d) 33,000
47. A company budgets for fixed overhead of ₹24,000 and production of 4,800 units Actual production is ₹4,200 units and fixed overhead cost incurred is ₹22,000 .The fixed overhead volume variance is ₹_____.
- (a) 3,000 (A) (b) 3,000 (F)
(c) 2,000 (A) (d) 2,000 (F)
48. SK Ltd. purchased 6,850 kg of materials for ₹21,920. The material price variance was ₹1,370 (F). The standard price per kg was ₹_____.
- (a) 3.00 (b) 3.20
(c) 3.40 (d) 3.60
49. The information relating to the direct material cost is as under:
- Standard price per unit ₹3.60
 - Actual quantity allowed for actual production 1,600 units
 - Standard material allowed for actual production 1,450 units
 - Material price variance on purchase ₹240 (F)
- What is the actual purchase price per unit?
- (a) ₹3.15 (b) ₹3.25
(c) ₹3.35 (d) ₹3.45

Answer Key

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

MULTIPLE CHOICE QUESTIONS

1. According to marginal costing assumptions, costs are influenced by _____ mainly.
(a) Output (b) Selling price
(c) Variable cost (d) Fixed cost
2. In _____ costing both variable and fixed cost are charged to products.
(a) Absorption (b) Marginal
(c) Both (a) & (b) (d) None of the above
3. Under marginal costing, stocks are valued at prime cost plus _____.
(a) Fixed manufacturing overheads (b) Variable manufacturing overheads
(c) Both (a) & (b) (d) None of the above
4. Under _____ costing, fixed cost are regarded as period cost.
(a) Marginal costing (b) Absorption costing
(c) Both (a) & (b) (d) None of the above
5. Under _____ costing, stock valuation gets affected due to impact of the related fixed costs.
(a) Marginal costing (b) Absorption costing
(c) Both (a) & (b) (d) None of the above
6. CVP analysis makes an attempt to measure variation in _____, and _____ with variation in _____.
(a) Cost; Volume; Profit (b) Profit; Volume; Cost
(c) Cost; Profit; Volume (d) None of the above
7. At break-even point, total contribution is just enough to cover _____ costs.
(a) Variable cost (b) Fixed cost
(c) Both (a) & (b) (d) None of the above
8. Improvement in P/V Ratio can be done by _____.
(a) Increasing the selling price (b) Reducing the variable cost
(c) Changing the sales mix (d) All of the above

9. P/V ratio will _____ at different levels of production.
- (a) Decrease (b) Increase
(c) Remain Constant (d) None of the above
10. Improvements in margin of safety can be done by _____.
- (a) Increasing the selling price (b) Increasing the volume of sales
(c) Reducing the variable cost (d) All of the above
11. _____ is formed at the break-even point at which the sales line cuts the total cost line.
- (a) Angle of incidence (b) Angle of fixed cost
(c) Angle of profitability (d) None of the above
12. In 'make or buy' decision, it is profitable to buy from outside only when the supplier's price is below the firm's own _____.
- (a) Variable cost (b) Fixed cost
(c) Total cost (d) Prime cost
13. A company's approach to a make or buy decision:
- (a) Depends on whether the company is operating at or below normal value
(b) Involves an analysis of avoidable costs
(c) Should use absorption (full costing)
(d) Should use activity based costing

14. The cost behavior pattern for a company is as follows:

Activity (Units)	500	700	900
Total Cost (Rs.)	2,500	3,100	4,600

If fixed cost remains unchanged throughout all activity levels, which of the following statements is true in relation to cost behavior?

- (a) Variable cost per unit is constant for all activity levels.
(b) Variable cost per unit increase above 700 units.
(c) Total average cost per unit is constant for all activity levels.
(d) Variable cost per unit falls above 50 units.
15. An increase in fixed costs will result in which of the following?
- (a) A decrease in the contribution to sales ratio
(b) A decrease in the constitution per unit
(c) An increase in the break-even point sales level
(d) An increase in the margin of safety
16. Under marginal costing the cost of product includes:
- (a) Prime cost only (b) Prime cost and variable overheads
(c) prime cost and fixed overheads (d) Prime cost and factory overheads

17. 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 cost as period costs
 - (d) Including only variable costs in income statement
18. Period costs are:
- (a) Variable costs
 - (b) fixed costs
 - (c) Prime costs
 - (d) Overhead costs
19. 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
20. 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 to that of absorption costing
 - (d) None of the above
21. The difference between marginal costing and absorption costing is regarding the treatment of:
- (a) Prime cost
 - (b) Fixed overheads
 - (c) Direct materials
 - (d) Variable overheads
22. 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) It is a misnomer, it in fact refers to contribution i.e. (sales revenue – variable costs)
 - (d) None of the above
23. 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
24. If PV 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
25. The PV ratio of a product is 0.6 and profit is ₹9,000. The margin of safety is:
- (a) ₹5,400
 - (b) ₹15,000
 - (c) ₹22,500
 - (d) ₹3,600

26. The present unit cost data for a product are: selling price ₹15; variable cost ₹8. If selling price is reduced by 10% and variable costs are increased by 12.5%, which of the following is the amended contribution to sales ratio?
- (a) 0.50 (b) 0.666
(c) 0.25 (d) 0.333
27. Existing sales are ₹1,00,000 (500 units), variable costs are ₹60,000 and fixed costs are ₹24,000. If selling price is reduced by 10% which of the following is the break-even sales quantity?
- (a) 400 (b) 450
(c) 500 (d) 550
28. Product A has a contribution to sales ratio of 0.50; Product B has a contribution to sales ratio of 0.40. At present 100 units of each product are sold. If total sales units remain at the present level but an extra 20 units of B are substituted for 20 units of A, which of the following is true for the overall positions?
- (a) Contribution to sales ratio remain unchanged
(b) Contribution to sales ratio rises from 0.45 to 0.50
(c) Contribution to sales ratio rises from 0.45 to 0.46
(d) Contribution to sales ratio falls from 0.45 to 0.44
29. A company's fixed cost amount to ₹120 lakhs p.a. and its overall P/V ratio is 0.4 the annual sales of the company should be ₹_____ lakhs to have a margin of safety of 25%.
- (a) 400 (b) 450
(c) 500 (d) 550
30. The variable cost of a product increases by 10% and the management raises the unit selling price by 10%. The fixed cost remain unchanged. Then BEP of the firm _____.
- (a) Increases (b) Decreases
(c) Remains same (d) Raise in long term
31. A company maintains a Margin of safety of 25% on its current sales and earns a profit of ₹30 lakhs per annum. If the company has a profit Volume (P/V) Ratio of 40%, its current sales amount to ₹___ lakhs.
- (a) 200 (b) 250
(c) 300 (d) 350
32. A company an annual turnover of ₹200 lakhs and an average C/S ratio of 40%. It makes 10% profit on sales before charging depreciation and interest which amount to ₹10 lakhs and ₹15 lakhs respectively. The annual fixed cost of the company is ₹_____ lakhs.
- (a) 80 (b) 60
(c) 75 (d) 55

33. Sale for two consecutive months of a company are ₹3,80,000 and ₹4,20,000 the company's net profits for these months amounted to ₹24,000 and ₹40,000 respectively. There is no change in C/S ratio or fixed costs. The P/V ratio of the company is _____.
 (a) 25% (b) 30%
 (c) 35% (d) 40%
34. A product sells for ₹8 each with variable cost of ₹5 each. Fixed costs are budgeted at ₹18,000 or ₹2 per unit. The margin of safety is:
 (a) 50% (b) 66.67%
 (c) 33.33% (d) None of the above
35. A company determines its selling price by marking up variable cost 60%. In addition, the company uses frequent selling price mark downs to stimulate sales. If the mark down average 10%, then the company's contribution margin ratio is:
 (a) 27.5% (b) 37.58%
 (c) 30.56% (d) 41.75%

Answer Key

1. (a)	2. (a)	3. (b)	4. (a)	5. (b)	6. (c)	7. (b)	8. (d)	9. (c)	10. (d)
11. (a)	12. (a)	13. (b)	14. (b)	15. (c)	16. (b)	17. (c)	18. (b)	19. (c)	20. (a)
21. (b)	22. (c)	23. (d)	24. (c)	25. (b)	26. (d)	27. (a)	28. (d)	29. (a)	30. (c)
31. (c)	32. (c)	33. (d)	34. (c)	35. (c)					

MULTIPLE CHOICE QUESTIONS

1. Budgeting system _____ key managerial functions.
(a) Integrates (b) Dismisses
(c) Discharge (d) None of the above
2. The budget relating to _____ must be prepared first and the other budgets should be prepared in the light of that factor.
(a) Material (b) Labour
(c) Limiting Factor (d) Production
3. The budget which commonly takes the form of budgeted profit and loss account and balance sheet is _____.
(a) Fixed budget (b) Performance budget
(c) Flexible budget (d) Master budget
4. _____ budget is the preparation of budget starting from a clean state.
(a) Zero Base budget (b) Performance budget
(c) Cash budget (d) Master budget
5. The level of attainment in the budget refers to:
(a) The extent to which actual cost differs from that budgeted
(b) The performance of employees and management
(c) The level of operating standard at which the budget is set
(d) The volume of output achieved
6. The direct material usage budget and direct material purchases budget differ because of which of the following?
(a) The level of material scrap forecast occur
(b) The level of efficiency of men or machines
(c) A change in the level of finished goods stock
(d) A planned change in the level of material stock

7. The quantity of raw material in the purchase budget may be higher than the quantity of raw material in the production budget because
- (a) stock levels are being reduced
 - (b) raw material prices are falling
 - (c) the company obtains discount for bulk purchases
 - (d) Units sold will be higher than units made
8. A Ltd. is manufacturing company that has no production resources limitations for the foreseeable future. The Managing Director has asked the company managers to coordinate the preparation of their budgets for the next financial year. In what order should the following budgets be prepared?
- (i) Sales budget
 - (ii) Cash budget
 - (iii) Production budget
 - (iv) Purchase budget
 - (v) Finished goods inventory budget
- (a) (ii), (iii), (iv), (v), (i)
 - (b) (i), (v), (iii), (iv), (ii)
 - (c) (i), (iv), (v), (iii), (ii)
 - (d) (iv), (v), (iii), (i), (ii)
9. Which of the following is not the objective of budgetary control?
- (a) Planning
 - (b) Performance evaluation
 - (c) Expensive technique
 - (d) Control
10. Zero base budgeting is a _____ oriented approach.
- (a) Decision
 - (b) Accounting
 - (c) Management
 - (d) None of the above
11. Budgeted production =
- (a) Budgeted sales + closing stock + opening stock
 - (b) Budgeted sales - closing stock + opening stock
 - (c) Budgeted sales + closing stock - opening stock
 - (d) Budgeted sales - closing stock - opening stock
12. _____ budget is prepared by the Personnel Department and is submitted to the Budget Committee for its approval.
- (a) Sales
 - (b) Cash
 - (c) Purchase
 - (d) Labour
13. 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

14. 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
15. 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
16. 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
17. "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
18. A budget report is prepared on the principle of exception and thus-
- (a) Only favourable 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
19. Purchase budget and materials budget are same:
- (a) Purchase 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
20. 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

21. 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

22. 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

23. ABC Co. makes a single product and is preparing its material usage budget for next year. Each unit of product requires 2kg of material and 5,000 units of product are to be produced next year. Opening inventory of material is budgeted to be 800 kg and ABC Co. budgets to increase material inventory at the end of next year by 20%. The material usage budget for next year is:

- (a) 8,000 Kg
- (b) 9,940 Kg
- (c) 10,000 Kg
- (d) 10,160 Kg

24. Budgeted sales of X for March are 18,000 units. At the end of the production process for X, 10% of production units are scrapped as defectives. Opening inventories for X for March are budgeted to be 15,000 units and closing inventories will be 11,400 units. All inventories of finished goods must have successfully passed the quality control check. The production budget for X for March, in units is:

- (a) 12,960
- (b) 14,400
- (c) 15,840
- (d) 16,000

25. Champu Co. manufactures a single product T. Budgeted production output of product T during June is 200 units. Each unit of product T requires 6 labour hours for completion and Champu Co. anticipates 20 percent idle time. Labour is paid at a rate of ₹7 per hour. The direct labour cost budget for March is:

- (a) ₹6,720
- (b) ₹8,400
- (c) ₹10,080
- (d) ₹10,500

26. ABC Ltd. is currently preparing its cash budget for the year to 31st march 2014. An extract from its sales budget for the same year shows the following sales values.

Month	(₹)
March	60,000
April	70,000
May	55,000
June	65,000

40% of its sales are expected to be for cash. Of its credit sales, 70% are expected to pay in month after sale and take a 2% discount. 27% are expected to pay in the second month after the sale, and the remaining 3% are expected to be bad debts. The value of sales budget to be shown in the cash budget for May 2013 is:

- (a) ₹60,532
(c) ₹66,532

- (b) ₹61,120
(d) ₹86,620

27. A co. manufactures a single product and has drawn up the following flexible budget for the year.

	60% (₹)	70% (₹)	80% (₹)
Direct materials	1,20,000	1,40,000	1,60,000
Direct labour	90,000	1,05,000	1,20,000
Production overheads	54,000	58,000	62,000
Other overheads	40,000	40,000	40,000
Total Cost	3,04,000	3,43,000	3,82,000

What would be the total cost in a budget that is prepared at the 77% level of activity?

- (a) ₹3,30,300
(c) ₹3,73,000

- (b) ₹3,70,300
(d) ₹3,77,300

28. Product units are produced at the rate of 3 units per useful direct labour hour. Direct labour idle time is 10% of hours paid for. Sales of 540 units are planned. Which of the following is the direct labour budget (hours)?

- (a) 1,620 hours
(c) 180 hours

- (b) 1,800 hours
(d) 200 hours

29. In a Flexible Budget format, the depreciation at the output of 4500 units is ₹12000, the depreciation per units at 5000 units would be:

- (a) ₹2.67
(c) ₹2.27

- (b) ₹2.40
(d) ₹2.00

Answer Key

1. (a)	2. (c)	3. (d)	4. (a)	5. (c)	6. (d)	7. (c)	8. (b)	9. (c)	10. (a)
11. (c)	12. (d)	13. (c)	14. (b)	15. (c)	16. (b)	17. (c)	18. (c)	19. (b)	20. (b)
21. (c)	22. (c)	23. (c)	24. (d)	25. (d)	26. (d)	27. (b)	28. (d)	29. (b)	