

CA INTERMEDIATE

**PAPER-4 : COST AND MANAGEMENT
ACCOUNTING**

MULTIPLE CHOICE QUESTIONS

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CHAPTER-1

BASIC COST CONCEPTS

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

(a) Cost Unit	(c) Cost Driver
(b) Cost Object	(d) Cost Centre
3. Which of the following is true about Cost control:

(a) It is a corrective function	(c) It ends when targets achieved
(b) It challenges the set standards	(d) It is concerned with future
4. Cost Units used in Power Sector is:

(a) Kilo Meter (K.M)	(c) Number of Electric Points
(b) Kilo-Watt-Hour (kWh)	(d) Machine Hours
5. Processes Costing method is suitable for -

(a) Transport Sector	(c) Dam Construction
(b) Chemical Industries	(d) Furniture-making
6. Distinction between Direct Cost and Indirect Cost is an example of _____ classification

(a) By Element	(c) By Controllability
(b) By Function	(d) By Variability
7. The advantage of using IT in Cost Accounting does not include:
 - (a) Single Point Data Entry
 - (b) Stock needs to be reconciled with Goods Received Note
 - (c) Reduction in multiplicity of documents
 - (d) Integration of various functions
8. A Taxi Provider charges minimum Rs.80 thereafter Rs.12 per kilometer of distance travelled, the behaviour of Conveyance Cost is:

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



10. Which of the following is an example of functional classification of cost?
- | | |
|-------------------------|------------------------------|
| (a) Semi-Variable Costs | (c) Administrative Overheads |
| (b) Fixed Cost | (d) Indirect Overheads. |
11. Ticket Counter in a Railway Station is an example of
- | | |
|--------------------|-----------------------|
| (a) Cost Centre | (c) Profit Centre |
| (b) Revenue Centre | (d) Investment Centre |
12. Costs which are ascertained after they have been incurred are known as -
- | | |
|-------------------|-----------------------|
| (a) Sunk Costs | (c) Historical Costs |
| (b) Imputed Costs | (d) Opportunity Costs |
13. Generally, for the purpose of Cost Sheet preparation, costs are classified on the basis of -
- | | | | |
|---------------|-----------------|---------------|------------|
| (a) Functions | (b) Variability | (c) Relevance | (d) Nature |
|---------------|-----------------|---------------|------------|
14. Which of the following items is not excluded while preparing a Cost Sheet?
- | | |
|----------------------------|--------------------------------------|
| (a) Goodwill written off | (c) Property Tax on Factory Building |
| (b) Provision for Taxation | (d) Transfer to Reserves |
15. What is Prime Cost?
- | | |
|-------------------------------|--------------------------------|
| (a) Total Direct Costs only | (c) Total Non-Production Costs |
| (b) Total Indirect Costs only | (d) Total Production Costs |
16. Which of the following does not form part of Prime Cost-
- | |
|--|
| (a) Cost of Packing |
| (b) Cost of Transportation Paid to bring materials to Factory |
| (c) GST paid on Raw Materials (where Input Credit cannot be claimed) |
| (d) Overtime Premium paid to Workers. |
17. A Ltd received an order, for which it purchased a special frame for manufacturing. This is a part of:
- | | |
|----------------------|-------------------------------|
| (a) Direct Materials | (c) Factory Overheads |
| (b) Direct Expenses | (d) Administration Overheads. |
18. Which of the following are Direct Expenses? (1) Cost of Special Designs, Drawings or Layouts, (2) Hire of Tools or Equipment for a particular job, (3) Salesman's Wages, (4) Rent, Rates and Insurance of a Factory.
- | | | | |
|-----------------|-----------------|-----------------|-----------------|
| (a) (1) and (2) | (b) (1) and (3) | (c) (2) and (3) | (d) (3) and (4) |
|-----------------|-----------------|-----------------|-----------------|
19. Salary paid to Plant Supervisor is a part of -
- | | |
|-----------------------|--------------------------|
| (a) Direct Expenses | (c) Quality Control Cost |
| (b) Factory Overheads | (d) Administration Cost |
20. Depreciation of Director's Laptop is treated as a part of:
- | | |
|------------------------------|---------------------------------|
| (a) Administration Overheads | (c) IT Infrastructure Cost |
| (b) Factory Overheads | (d) Research & Development Cost |
21. A Manufacturing Company has set-up a lab for testing of products for compliance with standards. Salary of this Lab Staff are part of:



- | | |
|--------------------------|---------------------------------|
| (a) Works Overheads | (c) Direct Expenses |
| (b) Quality Control Cost | (d) Research & Development Cost |
22. Audit Fees paid to External Statutory Auditors is part of-
- | | |
|-------------------------|---------------------------------|
| (a) Administration Cost | (c) Selling & Distribution Cost |
| (b) Production Cost | (d) Quality Control Cost |
23. Salary paid to Factory Stores Staff is part of:
- | | |
|-----------------------|--------------------------|
| (a) Factory Overheads | (c) Direct Employee Cost |
| (b) Production Cost | (d) Direct Material Cost |
24. Canteen Expenses for Factory Workers are part of -
- | | |
|-------------------------|---------------------|
| (a) Factory Overhead | (c) Marketing Cost |
| (b) Administration Cost | (d) Direct Expenses |
25. A Company pays Royalty to State Government on the basis of production, it is treated as:
- | | |
|--------------------------|-----------------------------|
| (a) Direct Material Cost | (c) Direct Expenses |
| (b) Quality Control Cost | (d) Administration Overhead |
26. Which of the following is not an element of Works Overhead?
- | | |
|----------------------------|--------------------------------|
| (a) Store Keeper's Salary | (c) Sales Manager's Salary |
| (b) Plant Manager's Salary | (d) Product Inspector's Salary |

ANSWERS

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



CHAPTER-2

MATERIALS

1. Direct Material can be classified as -

(a) Fixed Cost	(c) Abnormal Cost
(b) Variable Cost	(d) Regular Cost
2. Direct Material is a -

(a) Administration Cost	(c) R&D Cost
(b) Selling and Distribution Cost	(d) None of these
3. In most of the manufacturing industries, the most important element of Cost is -

(a) Material	(b) Labour	(c) Overheads	(d) None
--------------	------------	---------------	----------
4. Which of the following is considered to be Normal Loss of Materials?

(a) Loss due to accidents	(c) Loss due to breaking the bulk
(b) Pilferage	(d) Loss due to careless handling of materials.
5. Which of the following is NOT considered as Normal Loss of Material?

(a) Loss due to evaporation due to prevalent weather conditions	(c) Loss due to breaking the bulk
(b) Loss due to Pilferage	(d) Loss due to transferring of liquid materials from container to another
6. In which of following methods of Pricing, costs lag behind the current economic values?

(a) Last-in-First Out Price	(c) Replacement Price
(b) First-in-First Out Price	(d) Weighted Average Price
7. At the Economic Ordering Quantity level, the following is true on an annual basis.

(a) Ordering Cost is minimum	(c) Ordering Cost is equal to the Carrying Cost
(b) Carrying Cost is minimum	(d) Purchase Price is minimum
8. Continuous Stock Taking is a part of -

(a) Annual Stock Taking	(c) ABC Analysis
(b) Perpetual Inventory	(d) Bin Cards
9. In which of the following methods, issues of materials are priced at pre-determined rate?

(a) Inflated Price Method	(c) Replacement Price Method
(b) Standard Price Method	(d) Market Price Method.
10. When Material Prices fluctuate widely, the method of pricing that gives absurd results is -

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



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

(a) Simple Average	(c) FIFO
(b) Weighted Average	(d) UFO
12. Under the FSN system of Inventory Control, Inventory is classified on the basis of:

(a) Volume of material consumption	(c) Criticality of the item of inventory for production
(b) Frequency of usage of items of inventory	(d) Value of items of inventory.
13. Form used for making a formal request to the Purchasing Department to purchase materials is a -

(a) Material Transfer Note	(c) Bill of Materials
(b) Purchase Requisition Note	(d) Material Requisition Note.
14. Which of the following is evaluated in a Supplier Decision?

(a) Financial Background	(c) Time for Delivery
(b) Quality of Materials	(d) All of the above
15. Classification of Materials on the basis of their Importance in Value is called -

(a) EOQ Analysis	(c) ABC Analysis
(b) Stock Level Analysis	(d) Value Analysis
16. Issue Request by Production Department to Stores Department is called -

(a) Request for Proposal	(c) Purchase Requisition
(b) Stores Requisition	(d) Consumption Statement
17. For Return of Excess Materials from Production Department to Stores, the document used is.....

(a) Material Return Note	(c) Shop Credit Note
(b) Stores Debit Note	(d) All the above (same)
18. Which of the following is NOT related to a Standard List of Materials and Components?

(a) Consumption Statement	(c) Material Specification List
(b) Bill of Materials	(d) Material List
19. Formal Request to Purchase Department to procure materials from Suppliers is called..

(a) Purchase Order	(c) Purchase A/c
(b) Purchase Requisition	(d) Purchase Offer
20. Which of the following is NOT a Stores related Record?

(a) Bin Cards	(c) Job Cards
(b) Stock Control Cards	(d) Stores Ledger
21. Which of the following is NOT recorded on a Bin Card?

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



22. What is the formula for Re Order Level?
- (a) Minimum Usage X Minimum Lead Time
(b) Minimum Usage X Maximum Lead Time
(c) Maximum Usage X Minimum Lead Time
(d) Maximum Usage X Maximum Lead Time
23. (ROL + ROQ (-) Minimum Usage X Minimum Lead Time) is the computation formula for....
- (a) Maximum Level (c) Average Level
(b) Minimum Level (d) Danger Level
24. Inventory Turnover Ratio is expressed in -
- (a) Rupees (b) Percentage (c) Times (d) Any
25. Generally, a T/o Ratio and days Average Inventory Held is preferable.
- (a) High, Less (b) Low, High (c) Low, Low (d) High, High
26. Pricing of Materials in the order in which they are purchased is called.....Method
- (a) Specific Identification (c) LIFO
(b) FIFO (d) Orderly
27. Under UFO, the Closing Stock of Inventory will be valued generally at.....prices.
- (a) Latest (b) Earliest (c) Average (d) Inflated
28. Landed Cost of Materials does NOT include.....
- (a) Cost of Containers (c) Stock Insurance
(b) Carriage Inwards (d) Unloading Charges
29. Cost of Abnormal Loss of Materials is.....
- (a) Debited to Costing P&L (c) Included in Landed Cost
(b) Credited to Costing P&L (d) Included in OH
30. If RM Requirement is 18,250 units p.a.. Ordering Cost is Rs.50 and Carrying Cost Rs.0.1 per day, EOQ
- (a) 4,272 units (c) 8,162 units
(b) 224 units (d) None of the above
31. Which of these is a treatment for Rectification Cost of Normal Defectives?
- (a) Charged to General OH (c) Charged to Specific Department
(b) Charged to Good Products (d) All of the above
32. Material Returned to Vendor is treated as..... In the Stores Ledger.
- (a) Suspense (b) Receipt (c) Issue (d) Stock
33. Which of these is NOT used in the context of Material Cost Control?
- (a) Goods Received Note (c) Stores Requisition
(b) Bill of Materials (d) Profit Reconciliation Statement
34. The Production Planning Department prepares a List of Materials and Stores required for the completion of a specific job order. This List is known as -



(a) Bin Card

(c) Material Requisition Slip

(b) Bill of Material

(d) Production Planning Note

ANSWERS

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



CHAPTER-3

EMPLOYEE COST

1. Idle Time is the time under which-
 - (a) Full Wages are paid to workers
 - (b) No Output is produced by the workers
 - (c) Both (a) and (b)
 - (d) None of the above.
2. Idle Time is -
 - (a) Time spent by workers in Factory
 - (b) Time spent by workers in Office
 - (c) Time spent by workers off their work
 - (d) Time spent by workers on their job
3. When a Direct Worker is paid on a monthly fixed salary basis, the following is true:
 - (a) There is no Idle Time Lost
 - (b) There is no Idle Time Cost.
 - (c) Idle Time Cost is separated and treated as Overhead.
 - (d) Salary is fully treated as Factory Overhead Cost.
4. Cost of Idle Time due to non-availability of Raw Material is-
 - (a) Charged to Overhead Costs
 - (b) Charged to respective Jobs
 - (c) Charged to Costing Profit and Loss Account
 - (d) Charged to Supplier
5. Time and Motion Study is conducted by-

(a) Time Keeping Department	(c) Payroll Department
(b) Personnel Department	(d) Engineering Department
6. Wages Sheet is generally prepared by -

(a) Time-Keeping Department	(c) Payroll Department
(b) Personnel Department	(d) Engineering Department
7. Identify, which one of the following, does not account for increasing Labour Productivity-

(a) Job Satisfaction	(c) High Labour Turnover
(b) Motivating Workers	(d) Proper Supervision and Control.
8. For reducing the Labour Cost per unit, which of the following factors is the most important?

(a) Low Wage Rates	(c) Higher Productivity or Efficiency
(b) Longer hours of work	(d) Strict control and supervision
9. Which of the following formula is appropriate in measuring Labour Turnover?
 - (a) Number of Persons Replaced/ Average Number of Workers
 - (b) Numbers of Persons Separated / Number of Workers at the beginning of the year



- (c) $(\text{Number of persons replaced} + \text{number of persons separated}) / (\text{number of persons at the beginning} + \text{the number of persons at the end of the year})$
- (d) None of the above
10. Time Booking refers to a method wherein _of an employee is recorded.
- (a) Attendance (c) Health Status
- (b) Book Keeping details (d) Time spent on a particular job.
11. Employee Cost includes-
- (a) Wages and Salaries (c) Payment for Overtime
- (b) Allowances and Incentives (d) All of the above.
12. If the time saved is less than 50% of the Standard Time, then the Wages under Rowan and Halsey Premium Plan on comparison gives-
- (a) More wages to workers under Rowan plan than Halsey plan
- (b) More wages to workers under Halsey plan than Rowan plan
- (c) Equal wages under two plans
- (d) None of the above.
13. Standard Time of a job is 60 hours and guaranteed time rate is Rs.30 per hour. What is the amount of wages under Rowan plan if job is completed in 48 hours?
- (a) Rs. 1,620 (b) Rs.1,728 (c) Rs. 1,800 (d) Rs.1,440
14. Standard Time of a job is 60 hours and guaranteed time rate is Rs.30 per hour. What is the amount of Bonus under Halsey plan if job is completed in 48 hours?
- (a) Rs. 1,620 (b) Rs.1,440 (c) Rs.180 (d) Rs.1,728
15. Important factors for control of employee cost can be-
- (a) Time and Motion Study (c) Control over employee turnover
- (b) Control over idle time and overtime (d) All of the above.
16. Out of the following methods attendance is marked by recognizing an employee based on physical and behavioural traits—
- (a) Punch Card Attendance method (c) Attendance Register method
- (b) Bio- Metric Attendance system (d) Token Method.
17. If overtime is required for meeting urgent orders, the Overtime Premium should be charged as-
- (a) Respective job (C) Costing P& L A/c
- (b) Overhead Cost (d) None of above.
18. Keeping a record of Total Time spent by the worker inside the Factory is called -
- (a) Time Keeping (c) Time Managing
- (b) Time Booking (d) Time Recording
19. Time Booking refers to keeping a record of -
- (a) Time spent by workers on their jobs
- (b) Time spent by workers in factory



- (c) Time spent by workers without work
- (d) Time spent by workers other than working hours
20. Which of these is a Manual Method of Time Keeping?
- (a) Dial Time Recorder (c) Biometric Devices
- (b) Punch Cards (d) Metal Discs
21. Time lost between finish of one job and start of next job is an example of.....
- (a) Lost Time (c) Normal Idle Time
- (b) Elapsed Time (d) Abnormal Idle Time
22. Overtime is-
- (a) Actual Hours being more than Normal Time
- (b) Actual Hours being more than Standard Time
- (c) Standard Hours being more than Actual Hours
- (d) Actual Hours being less than Standard Time
23. Persistent Overtime Work may signify....
- (a) Understaffing (c) Limited Production Facilities
- (b) Labour Inefficiency (d) All of the above
24. Wages attributable to Normal Idle Time is treated as
- (a) Direct Wages (c) Either of the above
- (b) Production OH (d) None of the above
25. Which of these is NOT a measure for controlling Overtime and its Cost?
- (a) Effective Supervision (c) Proper Definition of Standard Time
- (b) Retrenchment of Workers (d) Sanction for OT Work
26. Rate of Change in Labour Force of a Firm during a period is called...
- (a) Labour Turnover Ratio (c) Labour Cost Ratio
- (b) Labour Utilisation Ratio (d) Labour Change Ratio
27. In the context of Labour Turnover, Number of Workers left and discharged is called....
- (a) Accession (c) New Recruitment
- (b) Replacement (d) Separation
28. (Hours Worked X Rate per Hour) is the computation of Wages under...
- (a) Incentive System (c) Attendance System
- (b) Piece Rate System (d) Time Rate System
29. Under Halsey System, generally. Bonus is computed as.....X Time Saved X Rate per hour
- (a) 30% (c) 70%
- (b) 50% (d) Actual Hrs-rStd Hrs
30. A Worker will earn equal wages under Halsey and Rowan System, if Time Saved equals -
- (a) 50% of Std Time (c) 1/2 of Total Time
- (b) 50% of Actual Time (d) 1/2 of Lost Time



31. Evaluating an Individual's performance on the job is called -
 (a) Job Evaluation (c) Merit Rating
 (b) Personnel System (d) Scoring System
32. Labour Efficiency (based on Time) is given by the Formula.....
 (a) Std Time/Actual Time (c) Idle Time/Std Time
 (b) Actual Time/Std Time (d) Idle Time/Actual Time
33. If Wages per day of 8 hours is Rs.500, Std Output is 100 units. Actual Output is 120, Piece Rate Wages=
 (a) Rs.500 (b) Rs.600 (c) Rs.62.5 (d) Rs.5
34. If Std Time is 8 hours. Actual Time is 6 hours. Rate per hour is Rs.100, Rowan Wages =
 (a) Rs.600 (b) Rs.150 (c) Rs.750 (d) Rs.700
35. If Actual Output in 8 hours is 700 units. Standard Output is 90 units per hour. Efficiency Ratio is
 (a) 97.22% (b) 102.86% (c) 100% (d) 77.78%
36. What is the treatment of Incentive Bonus to Workers in Cost Accounting?
 (a) Appropriation of Profit (c) Deferred Cost
 (b) Abnormal Cost (d) Direct Wages

ANSWERS

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



CHAPTER-14

OVERHEADS & ABSORPTION COSTING SYSTEM

1. "Fixed Overhead Costs are not affected in monetary terms during a given period by a change in output". But this statement is valid provided:
 - (a) Increase in Output is not substantial
 - (b) Increase in Output is substantial
 - (c) Both (a) and (b)
 - (d) None of the above.
2. _____ Capacity is defined as actually utilised capacity of a plant.
 - (a) Theoretical
 - (b) Installed
 - (c) Practical
 - (d) Idle
3. Maximum Possible Productive Capacity of a plant when no operating time is lost is its -
 - (a) Normal Capacity
 - (b) Practical Capacity
 - (c) Theoretical Capacity
 - (d) Capacity based on Sales Expectancy
4. The allotment of whole items of cost to Cost Centres or Cost Units is called:
 - (a) Cost Absorption
 - (b) Cost Apportionment
 - (c) Cost Allocation
 - (d) Cost Determination
5. Charging to a Cost Center, those overheads that result solely for the existence of that Cost Center is known as -
 - (a) Allocation
 - (b) Apportionment
 - (c) Absorption
 - (d) Allotment
6. Charging of common Overheads Cost to various Cost Centers, using appropriate bases is known as -
 - (a) Allocation
 - (b) Apportionment
 - (c) Absorption
 - (d) Allotment
7. Distribution of Service Department Overheads Cost to Production Departments, using different assumptions and methods is known as -
 - (a) Allocation
 - (b) Apportionment
 - (c) Absorption
 - (d) Re-Apportionment
8. Absorption means charging of Overheads to -
 - (a) Cost Centers
 - (b) Cost Objects
 - (c) Cost Drivers
 - (d) Cost Pools
9. Which of the following is NOT a Service Department?
 - (a) Costing Department
 - (b) Machining Department
 - (c) Time Keeping Department
 - (d) Stores Department
10. Which of the following is a Service Department?
 - (a) Refining Department
 - (b) Machining Department
 - (c) Receiving Department
 - (d) Finishing Department



11. Packing Cost is part of -

(a) Production Cost	(c) Distribution Cost
(b) Selling Cost	(d) It may be any of the above
12. Primary Packing Cost is a part of:

(a) Direct Material Cost	(c) Selling Overheads
(b) Production Cost	(d) Distribution Overheads.
13. Directors Remuneration is a part of -

(a) Production Overhead	(c) Selling Overhead
(b) Administration Overhead	(d) Distribution Overhead.
14. Which of the following is not the classification of Overhead based on its functionality?

(a) Factory Overhead	(c) Fixed Overhead
(b) Administrative Overhead	(d) Selling Overhead.
15. Advertisement Expense is an example of:

(a) Distribution Overhead	(c) Selling Overhead
(b) Production Overhead	(d) Administration Overhead.
16. Which of the following is not treated as a Manufacturing Overhead?

(a) Lubricants	(c) Appportioned Administration Overheads
(b) Cotton Waste	(d) Night Shift Allowance paid to a Factory Worker due to general work pressure.
17. Normal Capacity of a Plant refers to the difference between -

(a) Maximum Capacity and Practical Capacity	(c) Practical capacity and estimated idle capacity as revealed by long term sales trend
(b) Practical Capacity and Normal Capacity	(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	(c) Machine Hours
(b) Direct Labour Hours	(d) Normal Capacity
19. When Absorbed Overhead is higher than the amount of Overhead incurred, it is called -

(a) Under-absorption of Overhead	(c) Proper absorption of Overhead
(b) Over-absorption of Overhead	(d) Re-absorption of Overhead
20. When Absorbed Overhead is less than the amount of Overhead incurred, it is called -

(a) Under-absorption of Overhead	(c) Proper absorption of Overhead
(b) Over-absorption of Overhead	(d) Re-absorption of Overhead
21. Which of the following overhead cost may not be apportioned on the basis of Direct Wages?

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



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

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

ANSWERS

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



CHAPTER-5

ACTIVITY BASED COSTING (ABC)

1. A Cost Driver is -
 - (a) An item of Production Overheads
 - (b) A Common Cost which is shared over Cost Centres
 - (c) Any Cost relating to Transport Sector
 - (d) An resource or activity which generates costs.
2. In Activity Based Costing, costs are accumulated by activity. Such Accumulated Amounts are called -

(a) Cost Drivers	(c) Cost Pools
(b) Cost Objects	(d) Cost Benefit Analysis.
3. A Cost Driver -
 - (a) is a force behind the overhead cost
 - (b) is an allocation base
 - (c) is a transaction that is a significant determinant of cost
 - (d) is all of the above.
4. Which of the following is not a correct match:

	Activity	Cost Driver
(a)	Production Scheduling	Number of Production Runs
(b)	Despatching	Number of Despatch Orders
(c)	Machinery Maintenance	Maintenance Hours
(d)	Inspection	Machine Hours
5. Find the one which is not appropriate in the following list
 - (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.
6. 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.
7. Which of the following is not a benefit of ABC?

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



8. Which of these is NOT a Cost Driver for Marketing and Sales Function?

(a) Number of Advertisements/ Insertions	(b) Number of Research Projects
(c) Number of Sales Personnel	(d) Sales Revenue
9. Which of these is NOT a Cost Driver for Customer Service Activity?

(a) Number of Service Calls	(c) Hours spent on servicing products
(b) Number of Products serviced	(d) Sales Revenue
10. Which of these is NOT a Cost Driver for the Activity "Design of Products, Services & Processes"?

(a) Number of Products in design	(b) Number of Parts per Product
(c) Number of Employee Training Programmes	(d) Number of Engineering Hours
11. Which of these is generally a "Unit Level Activity" Cost?

(a) Material Ordering - where an order is placed for every batch of production.	(b) Machine Set-Up Costs - where machines need re-setting for each different batch / lot.
(c) Inspection of Products - where the first item in every batch is inspected.	(d) Use of Indirect Materials and Consumables
12. Identify the "Batch Level Activity" Cost out of the following.

(a) Ground Maintenance	(b) Use of Indirect Materials and Consumables
(c) Inspection of Products	(d) Product Designing
13. The steps involved for implementation 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 employees at all levels	(d) Strategy and Value Chain Analysis.
14. 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	(c) (1) False; (2) True
(b) (1) True; (2) True	(d) (1) False; (2) False.
15. The key elements of Activity Based Budgeting are

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

ANSWERS

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



CHAPTER-6

COST ACCOUNTING SYSTEMS

1. Under the Non-Integrated Accounting System -
 - (a) Same Ledger is maintained for Cost and Financial Accounts by Accountants
 - (b) Separate Ledgers are maintained for Cost and Financial Accounts
 - (c) All transactions relating to Incomes, Expenditure, Assets and Liabilities are completely recorded
 - (d) Product-wise or Department-wise information is not maintained.
2. Notional Costs -
 - (a) May be included in Integrated Accounts
 - (b) May be included in Non- Integrated Accounts
 - (c) Cannot be included in Non-Integrated Accounts
 - (d) are not accounted at all in Integrated or Non-Integrated Accounts.
3. Under Non-Integrated Accounting System, the account made to complete double entry is -

(a) Stores Ledger Control Account	(c) Finished Goods Control Account
(b) Work in Progress Control Account	(d) General Ledger Adjustment Account
4. Integrated Systems of accounts are maintained -
 - (a) in separate books of accounts for costing and financial accounting purposes
 - (b) in same books of accounts
 - (c) in computerized system only
 - (d) All of the above.
5. Integral Accounts eliminate the necessity of using the-

(a) Cost Ledger Control Account	(c) Overhead Suspense account
(b) Store Ledger Control Account	(d) WIP Control Account
6. Under Non-Integrated System of Accounting, Purchase of Raw Material is debited to -

(a) Stores Ledger Control Account	(c) Purchase Account
(b) General Ledger Adjustment Account	(d) Supplier Account
7. Under Non-Integrated Accounts, if materials worth Rs. 1,500 are purchased for a special job, then which account will be debited -
 - (a) Special Job Account / Work in Process Account
 - (b) Raw Material Control Account
 - (c) Purchase Account
 - (d) General Ledger Adjustment Account
8. Which account is to be debited if materials worth Rs.500 are returned to vendor under Non-Integrated Accounts -
 - (a) Cost Ledger Control Account
 - (b) Finished Goods Control Account



- (c) WIP Control Account
- (d) Raw Material Control Account
9. What is the Journal Entry under Integrated System for purchase of Materials on credit?
- (a) Dr.Stores Ledger Control, Cr.Purchases
- (b) Dr.Stores Ledger Control, Cr.General Ledger Adjustment
- (c) Dr.Stores Ledger Control, Cr.Supplier
- (d) Dr.General Ledger Adjustment, Cr.Supplier
10. What is the Journal Entry under Integrated System for payment to Creditors for supplies made?
- (a) Dr.Creditors, Cr.Purchases
- (b) Dr.Creditors, Cr.General Ledger Adjustment
- (c) Dr.Creditors, Cr.Cost Ledger Control
- (d) Dr.Creditors, Cr.Cash or Bank
11. What is the Journal Entry under Non-Integrated System for recording Sales made?
- (a) No entry
- (b) Dr.Sales, Cr.General Ledger Adjustment
- (c) Dr. Cash or Bank, Cr.Sales
- (d) Dr. General Ledger Adjustment, Cr.Sales
12. What is the Journal Entry under Non Integrated System, for absorption of Factory Overhead?
- (a) Dr. Factory OH Control, Cr.WIP Control
- (b) Dr.WIP Control, Cr.Factory OH Control
- (c) Dr.WIP Control, Cr.General Ledger Adjustment
- (d) Dr. Factory OH Control, Cr. General Ledger Adjustment
13. Which of the following items is most likely to be included in Cost Accounts?
- (a) Notional Rent (c) (c.) Transfer to General Reserve
- (b) Donations (d) Rent Receivable.
14. Which of the following is considered as accounting record?
- (a) Bin Card (c) Stores Ledger
- (b) Bill of Material (d) Stores Requisition
15. When Loss as per Cost Records is Rs.5,600, AOH under-absorbed being Rs.600, the Loss as per Financial Accounts should be -
- (a) Rs.5,600 (b) Rs.6,200 (c) Rs.5,000 (d) None
16. When you attempt a reconciliation of profits as per Financial Accounts and Cost Accounts, the following is done:
- (a) Add the underabsorption of OH in Cost Accounts if you start from the Profits as per Financial Accounts.
- (b) Add the underabsorption of OH in Cost Accounts if you start from the profits as per Cost Accounts.



- (c) Add the overabsorption of OH in Cost Accounts if you start from the profits as per Financial Accounts.
- (d) Add the overabsorption of OH in Cost Accounts if you start from the profits as per Cost Accounts.
17. Which of the following items should be added to Costing Profit to arrive at Financial Profit?
- (a) Over-absorption of Works Overhead
- (b) Interest paid on Debentures
- (c) Income Tax Paid
- (d) Stores Adjustment debited in Financial Books
18. In Profit Reconciliation Statement, Expenses shown only in Financial Accounts are -
- (a) Added to Financial Profit (c) Added to Costing Profit
- (b) Deducted from Financial Profit (d) Omitted from Reconciliation
19. In Profit Reconciliation Statement, Incomes shown only in Financial Accounts are -
- (a) Added to Financial Profit (c) Deducted from Costing Profit
- (b) Deducted from Financial Profit (d) Omitted from Reconciliation
20. In Profit Reconciliation Statement, Transfers to Reserves are -
- (a) Added to Financial Profit (c) Added to Costing Profit
- (b) Deducted from Financial Profit (d) Omitted from Reconciliation
21. In Profit Reconciliation Statement, Closing Stock Undervalued in Financial Accounts are -
- (a) Added to Financial Profit (c) Added to Costing Profit
- (b) Deducted from Financial Profit (d) Omitted from Reconciliation
22. In Profit Reconciliation Statement, Expenses shown only in Cost Accounts are -
- (a) Added to Financial Profit (c) Deducted from Costing Profit
- (b) Deducted from Financial Profit (d) Omitted from Reconciliation
23. There is a Loss as per Financial Accounts Rs. 10,600, Donations not shown in Cost Accounts Rs. 6,000. What would be the Profit or Loss as per Cost Accounts?
- (a) Loss Rs. 16,600 (c) Loss Rs. 4,600
- (b) Profit Rs. 16,600 (d) Profit Rs. 4,600

ANSWERS

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



CHAPTER-7

JOB AND BATCH COSTING

1. If the product produced or jobs undertaken are of diverse nature, the system of costing to be used should be:
 - (a) Process Costing
 - (b) Operating Costing
 - (c) Job Costing
 - (d) Multiple Costing
2. Job Costing is -
 - (a) applicable to all industries regardless of the products or services provided
 - (b) a technique of costing
 - (c) most suitable where similar products are produced on mass scale
 - (d) a method of costing used for non-standard and non-repetitive products
3. Batch Costing is a type of -
 - (a) Process Costing
 - (b) Job Costing
 - (c) Differential Costing
 - (d) Direct Costing
4. Batch Costing is similar to that under job costing except with the difference that a -
 - (a) Job becomes a Cost Unit.
 - (b) Batch becomes the Cost Unit instead of a Job
 - (c) Process becomes a Cost Unit
 - (d) Batch becomes the Cost Centre
5. Batch Costing is applied effectively in the following situation:
 - (a) paper manufacturing
 - (b) drug manufacturing
 - (c) designer clothes manufacturing
 - (d) oil refining
6. Batch Costing is suitable for-
 - (a) Sugar Industry
 - (b) Chemical Industry
 - (c) Pharma Industry
 - (d) Oil Industry
7. The main points of distinction between Job and Contract Costing includes -
 - (a) Length of time to complete.
 - (b) Big jobs
 - (c) Activities to be done outside the factory area
 - (d) All of the above.
8. Economic Batch Quantity is that size of the batch of production where -
 - (a) Average Production Cost is minimum
 - (b) Set-Up Cost per Production Run is minimum
 - (c) Carrying Cost per unit per annum is minimum
 - (d) Sum of annual Set Up Cost and Carrying Costs is minimum
9. Job Costing is similar to that under Batch Costing except with the difference that a:
 - (a) Job becomes a Cost Unit



- (b) Batch becomes the Cost Unit instead of a job
- (c) Process becomes a Cost Unit
- (d) Job becomes the Cost Centre
10. In Job Costing, which of the following documents are used to record the issue of Direct Material to a job?
- (a) Goods Received Note (c) Purchase Order
- (b) Material Requisition (d) Purchase Requisition.
11. Which of the following would best describe the characteristics of Job Costing: (i) homogeneous products; (ii) customer driven production; (iii) short period of time between the commencement and completion of the Cost Unit.
- (a) (i) and (ii) only (c) (i) and (iii) only
- (b) (ii) and (iii) only (d) (ii) only
12. The most suitable cost system where the products differ in type of materials and work performed is :
- (a) Job Costing (c) Operating Costing
- (b) Process Costing (d) Multiple Costing
13. Which of the following statements is true:
- (a) Job Costing is applicable for Service Sector.
- (b) Job Costing cannot be used in conjunction with marginal costing.
- (c) There is no difference between Job Costing and Process Costing.
- (d) Job Cost Sheet may be used for estimating profit of jobs.
14. Which of the following statements is true:
- (a) A Production Order is an order received from a customer for particular jobs.
- (b) There is no difference between Job Costing and Batch Costing.
- (c) In Job Costing method, a Cost Sheet is prepared for each job.
- (d) Job Costing is applicable where a Firm undertakes mass production of a homogeneous product.
15. Which of the following statements is true:
- (a) Job Cost Sheet may be prepared for facilitating routing and scheduling of the job
- (b) Job Costing can be suitably used for concerns producing uniformly any specific product
- (c) Job Costing cannot be used in Companies using standard costing
- (d) Neither (a) nor (b) nor (c).
16. Job Costing is used in -
- (a) Furniture-making (c) Printing Press
- (b) Repair Shops (d) All of the above
17. In a Job Cost System, costs are accumulated -
- (a) By Output Quantity (c) By Department or Process
- (b) By specific job (d) By kind of material used



ANSWERS

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





CHAPTER-8

SINGLE - OUTPUT - UNIT COSTING

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

(a) Different methods of Costing	(c) Different techniques of costing
(b) Uniform Costing	(d) Marginal Costing
2. In order to determine cost of the product or service, following are used:

(a) Techniques of costing like Marginal, Standard, etc.	
(b) Methods of Costing	
(c) Comparatives of Costing	
(d) Principles of Costing	
3. Which of the following is an appropriate example of Direct Expenses?

(a) Rent for Warehouse	(c) Bonus to Employees
(b) Royalty charged on Production	(d) Works Directors' Salaries
4. Unit Costing is applicable where -

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

(a) Cost of Direct Materials, Direct Labour, Direct Expenses	
(b) Direct Labour, Direct Expenses, Indirect Material, Indirect Labour, Indirect Expenses	
(c) Prime Cost plus Factory Overheads	
(d) All costs up to the product reaching the consumer, less Direct Material Costs	
6. The following is an example of Direct Expenses -

(a) Special Raw Material which is a substantial part of the Prime Cost	
(b) Royalty paid for Production Process	
(c) Overtime Charges paid to Direct Worker to complete work before time	
(d) Catalogue of Prices of Finished Products	
7. In Product Costing, Warehouse Expense is an example of -

(a) Production Overhead	(c) Distribution Overhead
(b) Selling Overhead	(d) Costing Overhead
8. Which of the following items is not included in preparation of Cost Sheet in Single Costing?

(a) Carriage Inward	(c) Sales Commission
(b) Purchase Returns	(d) Interest Paid on Debt
9. Cost units of Automobile Industry is-

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



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

(a) Percentage of Direct Wages Basis

(c) Machine Hour Rate

(b) Direct Labour Rate

(d) Rate per unit of output

ANSWERS

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
(a)	(b)	(b)	(c)	(b)	(b)	(c)	(d)	(d)	(d)



CHAPTER-9

JOINT PRODUCTS AND BY PRODUCTS

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

(a) Common Product	(c) Joint Product
(b) By-Product	(d) Co Product
2. Joint Cost Concept is suitable for-

(a) Infrastructure Industry	(c) Oil Industry
(b) Ornament Industry	(d) Fertilizer Industry
3. Method of apportioning Joint Costs on the basis of output of each joint product at the point of split off is

(a) Sales Value Method	(b) Physical Unit Method
(c) Average Cost Method	
(d) Marginal Cost and Contribution Method.	
4. In the Net Realisable Value Method, for apportioning Joint Costs over the joint products, the basis of apportionment would be -

(a) Selling Price per unit of each of the Joint Products
(b) Selling Price multiplied by units sold of each of the major Joint Products
(c) Sales Value of each Joint Product less Further Processing Costs of individual products
(d) Net Contribution obtained from each of the Joint Products
5. The main purpose of accounting of Joint Products and By-Products is to:

(a) determine the Opportunity Cost
(b) determine the Replacement Cost
(c) determine Profit or Loss on each product line
(d) determine the Total Profit of the business
6. Under Net Realizable Value method of apportioning Joint Costs to joint products, the Selling & Distribution Cost is:

(a) added to Joint Cost	(b) deducted from Further Processing Cost
(c) deducted from Sales Value	(d) not relevant for computation at all
7. Which of the following is a Co-Product:

(a) Diesel and Petrol in an Oil Refinery	(b) Edible Oils and Oil Cakes
(c) Curd and Butter in a Dairy	
(d) Mustard Oil and Sunflower Oil in an Oil Processing Company	
8. Which of the following is an example of By-Product?

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



9. Which of following method can be used when the Joint Products are of unequal quantity and used for captive consumption:
- (a) Technical estimates, using market value of similar goods
 - (b) Net Realisable Value method
 - (c) Physical Units method
 - (d) Market Value at Split-Off Method.
10. Which of the following statement is not correct in relation to Co-Products:
- (a) Co-Products may also have joint products
 - (b) Costing for Co-Products are done according to Process Costing Method
 - (c) Co-Products do not have any By-Products
 - (d) Co-Products are treated as a separate cost object for costing purpose.
11. When a By-Product does not have any Realisable Value, the Cost of By-Product is:
- (a) transferred to Costing Profit & Loss A/c
 - (b) borne by the good units
 - (c) ignored
 - (d) determined taking value of similar goods.
12. AB Ltd produces 2 products A and B from a joint milling process. A standard production run incurs joint costs of Rs. 1,00,000 and results in 60,000 units of A and 90,000 units of B. A and B have a Sale Price of Rs.200 and Rs.450 per unit respectively. Assuming no further processing work is done after the split-off point, the amount of Joint Cost allocated to B on a physical quantity allocation basis would be:
- (a) Rs.60,000 (b) Rs.40,000 (c) Rs. 1,00,000 (d) Rs. 1,20,000
13. BV Company manufactures two 2 items, B and V, out of a joint process, with Joint Costs Rs.6,30,000 for a standard production run that generates 1,80,000 units of B and 1,20,000 units of V. B sells for Rs.240 per unit, and V sells for Rs.390 per unit. If Additional Processing Costs beyond the split-off point are Rs.140 per unit for B and Rs.90 per unit for V, the amount of joint cost of each production run allocated to V on a Sales Value basis is -
- (a) Rs.3,40,000 (b) Rs.3,27,600 (c) Rs.2,32,000 (d) Rs.5,80,000
14. For allocating Joint Costs to Joint Products, the Sales Price at point of sale, reduced by cost to complete after split-off, is assumed to be equal to the:
- (a) Joint Costs
 - (b) Sales Price less a Normal Profit Margin at point of sale
 - (c) Net Sales Value at split off
 - (d) Total Costs

ANSWERS

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



CHAPTER-10

PROCESS COSTING

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

(a) Abnormal Loss	(c) Seasonal Loss
(b) Normal Loss	(d) Standard Loss.
2. 200 units were introduced in a process in which 20 units is the normal loss. If the actual output is 150 units, then there is:

(a) No Abnormal Loss	(c) Abnormal Loss of 30 units
(b) No Wastage in Production	(d) Abnormal Gain of 30 units
3. 200 units are processed at a total cost of Rs. 16,700, Normal Loss is 10%. Scrap units are sold at Rs.25 each. If the output is 150 units, then the value of abnormal loss is:

(a) Rs.90	(b) Rs.108	(c) Rs.2,700	(d) Rs.3,240
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4. When Average Method is used in Process Costing, the Opening Inventory Costs are:

(a) Subtracted from the Current Costs	(c) Kept separate from the Costs of the Current Period
(b) Added to the Current Costs	(d) Averaged with other costs to arrive at Total Cost
5. Spoilage that occurs under inefficient operating conditions and is ordinarily controllable is called -

(a) Normal Spoilage	(c) Normal Defectives
(b) Abnormal Spoilage	(d) Rectified Work
6. The cost of Normal Process Loss is

(a) Absorbed by good units produced and amount realised by the sale of loss units should be debited to Process A/c	(c) Absorbed by good units produced
(b) Debited to Costing Profit and Loss Account	(d) Debited to Costing Profit and Loss Account and amount realised by the sale of loss units should be credited to the Process A/c
7. The value of Abnormal Loss is equal to:

(a) Total Cost of Materials	(c) Total Process Cost less Cost of Scrap
(b) Total Process Cost less Realizable Value of Normal Loss	(d) Total Process Cost less Realizable Value of Normal Loss less Value of Transferred Out Goods.
8. Inter-Process Profit is calculated, because:

(a) a process is a Cost 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.



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16. Assume 550 units were worked on during a period in which a total of 500 good units were completed. Normal Spoilage was 30 units; Abnormal Spoilage was 20 units. Total Production Costs were Rs.2,20,000. The Company accounts for Abnormal Spoilage separately in its Income Statement as Loss due to Abnormal Spoilage. Normal Spoilage is not accounted for separately. What is the cost of the good units produced?
- (a) Rs.2,08,000 (c) Rs.2,20,000
(b) Rs.2,11,538 (d) Rs.2,33,222
17. In a period. Good Units completed (units) 15,000, Normal Spoilage (units) 300, Abnormal Spoilage (units) 100. Unit Costs were: Material Rs.2.50 and Conversion (Labour & Overheads) Rs.6.00. The number of units that the Company would transfer to its Finished Goods Stock and the related cost of these units are -
- (a) 15,000 units transferred at a cost of Rs. 1,27,500
(b) 15,000 units transferred at a cost of Rs. 1,30,050
(c) 15,000 units transferred at a cost of Rs. 1,35,000
(d) 15,300 units transferred at a cost of Rs. 1,30,050

ANSWERS

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



CHAPTER-11

SERVICE COSTING

1. Composite Cost Unit for a Hospital is:

(a) Per Patient	(c) Per Day
(b) Per Patient-Day	(d) Per Bed
2. Cost Unit of Cargo Transport Industry is

(a) Kilometers	(c) Tonne Kilometers
(b) Passenger Kilometres	(d) Number of Vehicles
3. In Passenger Transport Sector, Cost of Diesel and Lubricants is an example of:

(a) Operating Cost	(c) Semi-Variable Cost
(b) Fixed Charges	(d) Running Charges
4. Absolute Tonne-Km is an example of Composite Cost Units in -

(a) Power Sector	(c) Bus Operation
(b) Cargo Transport	(d) Oil and Natural Gas
5. Operating Costing is NOT applicable to -

(a) Hospitals	(c) Transport Undertaking
(b) Cinemas	(d) Oil Refinery
6. Depreciation is treated as Fixed Cost if it is related to

(a) Activity Level	(c) Efflux of time
(b) Related with Machine Hours	(d) Notional Value of Asset
7. Generally, Depreciation on Assets is an example of-

(a) Fixed Cost	(c) Semi Variable Cost
(b) Variable Cost	(d) Non-Cost Expenditure
8. Jobs undertaken by IT & ITES organizations are considered as:

(a) Project	(c) Contract
(b) Batch Work	(d) Multiple Cost Unit
9. In Toll Road Costing, the repetitive costs includes -

(a) Maintenance Cost	(c) Neither (a) nor (b)
(b) Annual Operating Costs	(d) Both (a) and (b).
10. BOT approach means:

(a) Build, Operate and Transfer	(c) Build, Operate and Trash
(b) Buy, Operate and Transfer	(d) Build, Own and Trash.
11. Pre-Product Development activities in Insurance Companies, include:

(a) Processing of Claim	(c) Provision of Conditions
(b) Selling of Policy	(d) Policy Application Processing.
12. Which of the following costing method is not appropriate for costing of Educational Institutes:



- | | |
|----------------------------|------------------------|
| (a) Batch Costing | (c) Absorption Costing |
| (b) Activity Based Costing | (d) Process Costing |
13. Cost of Services under Operating Costing is ascertained by preparing -
- | | |
|---------------------|------------------------|
| (a) Cost Sheet | (c) Job Cost Sheet |
| (b) Process Account | (d) Production Account |
14. A Hotel has 100 rooms of which 80% are normally occupied in summer and 25% in winter. Summer and Winter to be taken as 6 months each and normal days in a month be assumed to be 30. The Total Occupied Room Days per annum will be -
- | | |
|---------------------|---------------------|
| (a) 4500 Room Days | (c) 36000 Room Days |
| (b) 18900 Room Days | (d) 14400 Room Days |

ANSWERS

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

**CHAPTER-12****STANDARD COSTING AND VARIANCE ANALYSIS**

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



Material Cost is -				
(a)	Rs.25,000	(b)	Rs.30,000	(c) Rs.250
				(d) Rs.Nil
11.	Material Cost Variance is equal to -			
(a)	Material Usage Variance + Material Mix Variance			
(b)	Material Price Variance + Material Usage Variance			
(c)	Material Price Variance + Material Yield Variance			
(d)	Material Mix Variance + Material Yield Variance			
12.	Standard Price of Material per kg Rs.50, Standard Usage per unit of production is 5 kg. Budgeted Output is 120 units, while Actual Output is 100 units. During the period 625 kg of Material were purchased of which 75 kg were in stock at period end. There was no opening Stock. What is the Standard Quantity of Raw Material in this case?			
(a)	600 kg	(b)	625 kg	(c) 500 kg
				(d) 550 kg
13.	Which of the following variance arises ONLY when more than one material is used in the manufacture of a product?			
(a)	Material Price Variance		(c)	Material Yield Variance
(b)	Material Usage Variance		(d)	Material Mix Variance
14.	Standard Material Price per kg is Rs.20, Standard Usage per unit of production is 5 kg. Actual Usage of Material for production of 100 units is 520 kgs, all of which was purchased at Rs.22 per kg. Material Usage Variance in this case is -			
(a)	1,040 (A)	(b)	1,440 (A)	(c) 400(F)
				(d) 400 (A)
15.	Standard Material Price per kg is Rs.20, Standard Usage per unit of production is 5 kg. Actual Usage of Material for production of 100 units is 520 kgs, all of which was purchased at Rs.22 per kg. Material Price Variance in this case is -			
(a)	1,040 (A)	(b)	1,040 (F)	(c) 1,440 (A)
				(d) 400 (A)
16.	Standard Material Price per kg is Rs.20, Standard Usage per unit of production is 5 kg. Actual Usage of Material for production of 100 units is 520 kgs, all of which was purchased at Rs.22 per kg. Material Cost Variance in this case is -			
(a)	1,040 (A)	(b)	1,040 (F)	(c) 1,440 (A)
				(d) 1,440 (F)
17.	If Standard Hours for 100 units of output are 400 at Rs.200 per hour and Actual Hours taken are 380 at Rs.225 per hour, then the Labour Rate Variance is:			
(a)	Rs.9,500 (Adverse)		(c)	Rs.2,500 (Favourable)
(b)	Rs. 10,000 (Adverse)		(d)	Rs. 12,000 (Adverse).
18.	Abnormal Non-Controllable Variances are best disposed-off by transferring to -			
(a)	Cost of Goods Sold			
(b)	Cost of Goods Sold and Inventories			
(c)	Inventories of Work-in-Progress and Finished Goods			
(d)	Costing Profit and Loss Account			



19. Idle Time Variance is obtained by multiplying the difference between -
- Standard and Actual Hours by the Actual Rate of Labour per hour
 - Actual Productive Labour Hours and Actual Labour Hours Paid, by the Standard Rate of Labour per hour
 - Standard Hours and Actual Productive Labour Hours, by the Standard Rate of Labour per hour
 - Standard Hours and Actual Labour Hours Paid, by the Standard Rate of Labour per hour
20. Basic Standards are standards, which:
- require high degree of efficiency and performance.
 - are average in nature and useful in long term planning.
 - which can be attained or achieved
 - are assumed to remain unchanged for a long time.
21. During a period. Standard Labour is 24 Skilled Labour Hours and 30 Unskilled Labour Hours at Rs.60 and Rs.40 respectively as the Standard Labour Rates. Actually, 20 skilled and 25 unskilled Labour Hours were used at Rs. 50 and Rs.50 respectively. Then, the Labour Mix Variance will be -
- Adverse
 - Favourable
 - Zero
 - Favourable for Skilled and unfavourable for Unskilled
22. Budgeted Material Cost for 10,000 units is Rs. 15,000, and 9,000 units were actually produced at a Material Cost of Rs. 16,200. The Material Cost Variance is:
- Rs. 1,200 (A)
 - Rs. 2,700 (A)
 - Rs. 1,500 (A)
 - Rs. 1,200 (F)
23. During a period, 3,600 Labour Hours were worked and Standard VOH Rate was Rs.8 per hour. The VOH Efficiency Variance was Rs.8,800 (Adv). How many Standard Hours were produced?
- 3,600 hours
 - 2,500 hours
 - 4,700 hours
 - 1,100 hours
24. During a period, 5,120 Labour Hours were worked at a Standard Rate of Rs.75 per hour. The Direct Labour Efficiency Variance was Rs.33,000 (A). How many Standard Hours were produced?
- 5,120 hours
 - 5,560 hours
 - 4,680 hours
 - 3,300 hours

ANSWERS

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



CHAPTER-13

MARGINAL COSTING

1. Under Marginal Costing, the Cost of Product for Inventory Valuation includes -
 - (a) Prime Costs only
 - (b) Prime Costs and Variable Factory Overheads
 - (c) Prime Costs and Fixed Factory Overheads.
 - (d) Prime Costs and All Factory Overheads.
2. Reporting under Marginal Costing is accomplished by
 - (a) Treating all Costs as Period Costs
 - (b) Eliminating the Work-in-Progress Inventory Account.
 - (c) Matching Variable Costs against Revenue and treating Fixed Costs as Period Costs.
 - (d) Including only Variable Costs in the Income Statement.
3. Period Costs are -

(a) Variable Costs	(c) Prime Costs
(b) Fixed Costs	(d) Overheads Costs
4. Which of the following best describes a Fixed Cost?
 - (a) It may change in total where such change is unrelated to changes in production.
 - (b) It may change in total where such change is related to changes in production.
 - (c) It is constant per unit of change in production.
 - (d) It may change in total where such change depends on production within the relevant range.
5. When Sales and Production (in units) are the same, then the Profit under Marginal Costing will bewhen compared to Absorption Costing.

(a) higher than	(c) equal to
(b) lower than	(d) None of the above
6. When Sales exceeds Production (in units), then the Profit under Marginal Costing will be.....when compared to Absorption Costing.

(a) higher than	(c) equal to
(b) lower than	(d) None of above
7. When Sales is less than Production (in units), then the Profit under Marginal Costing will bewhen compared to Absorption Costing.

(a) higher than	equal to
(b) lower than	(d) None of above
8. The main difference between Marginal Costing and Absorption Costing is regarding the treatment of:

(a) Prime Cost	(c) Direct Materials
(b) Fixed Overheads	(d) Variable Overheads



9. Under Profit Volume Ratio, the term Profit -
- (a) means the Sales Proceeds in excess of Total Costs
 - (b) means the Net Operating Profit for the period
 - (c) represents the Profit available for distribution for Dividend
 - (d) is a misnomer, it in fact refers to Contribution i.e. (Sales Revenue less Variable Costs).
10. PV Ratio will increase if there is -
- (a) a decrease in Fixed Cost
 - (b) an increase in Fixed Cost
 - (c) a decrease in Selling Price per unit
 - (d) a decrease in Variable Cost per unit
11. Variable Cost-
- (a) Remains fixed in total at all output levels
 - (b) Remains fixed per unit at all output levels
 - (c) Varies per unit for different output levels
 - (d) is dependent on the Profit earned
12. The technique of Differential Cost is adopted -
- (a) To ascertain PV Ratio
 - (b) To ascertain Marginal Cost
 - (c) To ascertain Total Cost per unit
 - (d) To make choice between two or more alternative courses of action
13. Difference between the costs of two alternatives is known as the -
- (a) Variable Cost
 - (b) Opportunity Cost
 - (c) Marginal Cost
 - (d) Differential Cost
14. It is planned to sell 1,00,000 units of Product A at Rs.12 per unit. Fixed Costs are Rs.2,80,000. To achieve a profit of Rs.2,00,000, what would the Variable Costs be?
- (a) Rs. 4,80,000
 - (b) Rs. 7,20,000
 - (c) Rs. 9,00,000
 - (d) Rs. 9,20,000
15. If Sales are Rs. 1,50,000 and Variable Cost are Rs. 50,000. Compute PV Ratio.
- (a) 66.66%
 - (b) 100%
 - (c) 133.33%
 - (d) 33.33%
16. Fixed Cost is Rs. 30,000 and Variable Cost Ratio is 80% Compute BEP in Rupees.
- (a) Rs. 37,500
 - (b) Rs. 1,50,000
 - (c) Rs. 1,87,500
 - (d) Rs. 1,12,500
17. A Firm has Fixed Expenses Rs.90,000, Sales Rs.3,00,000 and Profit Rs.60,000. Its Variable Cost Ratio is -
- (a) 30%
 - (b) 20%
 - (c) 60%
 - (d) 50%
18. Marginal Costing Technique follows the following basis of classification -
- (a) Element wise
 - (b) Function-wise
 - (c) Behaviour-wise
 - (d) Identifiability-wise
19. Factors which can change the Break-Even Point:
- (a) Change in Total Fixed Costs
 - (b) Change in Variable Costs per unit
 - (c) Change in the Selling Price per unit
 - (d) All of the above



20. If PV Ratio is 40% of Sales, then the remaining 60% is called.....?
- (a) Profit (c) Variable Cost
(b) Fixed Cost (d) Margin of Safety
21. If BEP is 40% of Sales, then the remaining 60% is called.....?
- (a) Profit (c) Variable Cost
(b) Fixed Cost (d) Margin of Safety
22. If PVR is 60% and Profit is Rs.9,000, then Margin of Safety is -
- (a) Rs. 5,400 (b) Rs. 15,000 (c) Rs.22,500 (d) Rs.3,600
23. If Sales are Rs. 90,000 and Variable Cost to Sales is 75%. Contribution is -
- (a) Rs.90,000 (b) Rs.22,500 (c) Rs. 1,12,500 (d) Rs. 67,500
24. Contribution is Rs. 1,25,000, Break Even Point at 40% of Total Sales is Rs.2,50,000. Compute PVR.
- (a) 50% (b) 20% (c) 17.5% (d) 12.5%
25. Net Profit Ratio is 12% and BEP is 40% of Total Sales. Compute PV Ratio.
- (a) 60% (b) 52% (c) 28% (d) 20%
26. A Company manufactures a product and sells at a Unit Price of Rs.75. Annual Fixed Cost is Rs.90,000 per year. The Contribution to Sales ratio is 40%. What will be the Break Even Quantity of the Company?
- (a) 1,200 units (b) 2,000 units (c) 3,000 units (d) 4,000 units
27. Product A generates a Contribution of 40% on Sales. Fixed Cost attributable to A is Rs.75,000. What is the Sales Revenue required to achieve a profit of Rs.25,000?
- (a) Rs 2,50,000 (b) Rs 2,25,000 (c) Rs 1,87,500 (d) Rs 62,500
28. Sales and Profit of a Firm for last year are Rs.3,00,000 and Rs.75,000. The corresponding figures for the current year are Rs.5,00,000 and Rs.2,00,000 respectively. The PV Ratio of the Firm is
- (a) 12.5% (b) 50.0% (c) 62.5% (d) 37.5

ANSWERS

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



CHAPTER-14

BUDGETARY CONTROL

1. Budgets are shown in.....Terms
 - (a) systematic
 - (b) quantitative
 - (c) abstract
 - (d) pessimistic
2. Which of the following is not an element of Master Budget?
 - (a) Capital Expenditure Budget
 - (b) Production Schedule
 - (c) Operating Expenses Budget
 - (d) All of the above
3. Sales Budget is a-
 - (a) Expenditure Budget
 - (b) Functional Budget
 - (c) Master Budget
 - (d) Cash Budget
4. If a Company wishes to establish a Factory Overhead Budget System in which estimated costs can be derived directly from estimates of activity levels, it should prepare a:
 - (a) Master Budget
 - (b) Cash Budget
 - (c) Flexible Budget
 - (d) Fixed Budget
5. The classification of Fixed and Variable Cost is useful for the preparation of:
 - (a) Master Budget
 - (b) Flexible Budget
 - (c) Cash Budget
 - (d) Capital Budget
6. The basic difference between a Fixed Budget and Flexible Budget is that a Fixed Budget -
 - (a) is concerned with a single level of activity, while Flexible Budget is prepared for different levels of activity
 - (b) is concerned with Fixed Costs, while Flexible Budget is concerned with Variable Costs.
 - (c) is fixed while Flexible Budget changes
 - (d) cannot be differentiated from a Flexible Budget
7. A Flexible Budget requires a careful study of -
 - (a) Actual and Standard Expenses
 - (b) Past and Current Expenses
 - (c) Production Overheads, Selling and Administrative Expenses.
 - (d) Fixed, Semi-Fixed and Variable Expenses
8. Budget Manual is a document:
 - (a) Which contains different type of Budgets to be formulated only.
 - (b) Which contains the details about Standard Cost of the products to be made.
 - (c) Setting out the budget organization and procedures for preparing a budget including fixation of responsibilities, formats and records required for the purpose of preparing a budget and for exercising budgetary control system.
 - (d) None of the above.



9. The Budget Control Organization is usually headed by a top executive who is known as -
- | | |
|---------------------------------------|------------------------------------|
| (a) General Manager | (c) Accountant of the Organization |
| (b) Budget Director/Budget Controller | (d) None of the above. |
10. "A Favourable Budget Variance is always an indication of efficient performance". Do you agree, give reason?
- (a) A favourable variance indicates, saving on the part of the organization hence it indicates efficient performance of the organization.
- (b) Under all situations, a Favourable Variance of an organization speaks about its efficient performance.
- (c) A Favourable Variance does not necessarily indicate efficient performance, because such a Variance might have been arrived at by not carrying out the expenses mentioned in the budget.
- (d) None of the above.
11. A Budget Report is prepared on the principle of exception and thus-
- (a) Only Unfavourable Variances should be shown
- (b) Only Favourable Variance should be shown
- (c) Both Favourable and Unfavourable Variances should be shown
- (d) Need not be prepared at all.
12. Which of the following is not a potential benefit of using a Budgeting System?
- (a) More motivated Managers
- (b) Enhanced co-ordination of Firm activities
- (c) Improved Inter-Departmental Communication
- (d) More accurate Financial Statements for External Reporting
13. Cash Budget of a Company indicates a possibility of a short-term surplus. Which of the following would be appropriate action to be taken in such a situation?
- (a) Purchase new Fixed Assets
- (b) Repay Long-Term Loans
- (c) Write off Preliminary Expenses
- (d) Pay Creditors early to obtain a Cash Discount
14. Efficiency Ratio is:
- (a) Activity Ratio multiplied by Capacity Ratio
- (b) Activity Ratio divided by Capacity Ratio
- (c) Calendar Ratio multiplied by Capacity Ratio
- (d) Calendar Ratio divided by Capacity Ratio
15. Activity Ratio depicts whether -
- (a) the actual capacity utilized exceeds or falls short of the budgeted capacity
- (b) the actual hours used for actual production were more or less than the standard hours



- (c) the actual activity was more or less than the budgeted capacity
- (d) the actual days worked was more or less than the planned days
16. Which of the following is usually a Short-Term Budget?
- (a) Capital Expenditure Budget (c) Cash Budget
- (b) Research and Development Budget (d) All of the above
17. Which of the following is a Long-Term Budget?
- (a) Master Budget (c) Cash Budget
- (b) Flexible Budget (d) Capital Expenditure Budget
18. If an organization has all the resources it needs for production, then the Principal Budget Factor will be -
- (a) non-existing (c) Raw Materials
- (b) Sales Demand (d) Labour Supply
19. Materials become Key Factor, if
- (a) quota restrictions exist
- (b) insufficient advertisement prevails
- (c) there is low demand
- (d) there is no problem with supplies of materials
20. The budget that is prepared first of all is -
- (a) Master Budget (c) Cash Budget
- (b) Budget with Key Factor (d) Capital Expenditure Budget

ANSWERS

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