

**TOPPER'S CLASSES**

**CA-INTER**

**COST & MGT.  
ACCOUNTING**

**Group II – Paper 4**

**OBJECTIVE QUESTIONS BOOKLET**

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## 1

**INTRODUCTION TO COST & MGT  
ACCOUNTING**

1. .... is regarded as a specialized Branch of Accounting which involves classification, accumulation, assignment and control of costs.
  - (a) Costing
  - (b) Cost Accounting
  - (c) Cost Accountancy
  - (d) Cost
2. Total Cost of producing the Product or provision of Services includes the following:
  - (a) Actual cost only
  - (b) Notional cost only
  - (c) Both, Actual and Notional cost
  - (d) Either Actual or Notional.
3. There are so many objectives of Cost Accounting but the chief objective of Cost Accounting is to:
  - (a) Earn more profit
  - (b) Increase production
  - (c) Provide information for management for planning and control
  - (d) Fixing up the price.
4. Which of the following is not considered as a function of Management Accounting:
  - (a) Financing planning
  - (b) Decision making
  - (c) Reporting
  - (d) Cost computation.
5. Management Accounting does not include the function of:
  - (a) Planning and control
  - (b) Product costing
  - (c) Preparation of financial statements
  - (d) Decision-making.
6. Cost Accounting differs from financial accounting in respect of:
  - (a) Recording Cost
  - (b) Ascertaining Cost
  - (c) Control of Cost
  - (d) Reporting of Cost.
7. The Branch of accounting which primarily deals with processing and accounting data for internal use in a concern is:
  - (a) Financial Accounting
  - (b) Cost Accounting
  - (c) Management Accounting
  - (d) None of the above.
8. Distinction between direct cost and indirect cost is an example of ..... classification:

**[ICAI MODULE]**

  - (a) By Element
  - (b) By Controllability
  - (c) By Variability
  - (d) By Function.
9. The establishment of budgets, standard costs and actual costs of operations, processes, activities or products and the analysis of variances, profitability or the social use of funds is known as:
  - (a) Costing
  - (b) Cost Accounting

- (c) Cost Accountancy (d) Financial Accounting.
10. Cost Accounting is directed towards the needs of:
- (a) Government (b) External users  
(c) Internal users (d) Shareholders.
11. Which of the following is not to be considered the function of Cost Accounting:
- (a) Cost Ascertainment (b) Planning and Control  
(c) Decision-making (d) External Reporting.
12. Which of the following Statements is not true about Cost/Financial Accounting?
- (a) The limitations of Financial Accounting have led to the origin and evolution of Cost Accounting  
(b) Financial Accounting fails to give a product-wise or service-wise break-up of profit or loss  
(c) Financial Accounting helps to judge the efficiency or productivity of the concern  
(d) Cost Accounting techniques help the management in making decision or planning for future.
13. A Company employs three drivers to deliver goods to its customers. The Salaries paid to them are:
- (a) A part of Prime Cost A Direct Production Expenses  
(b) A Production Overheads  
(c) A Selling and Distribution Overheads.
14. The scope of Cost Accounting include ....., ....., and .....
- (a) Cost Ascertainment, Cost Preparation, and Cost Control  
(b) Tax Planning, Tax Accounting, and Financial Accounting  
(c) Presentation of Accounting information, Creation of Policy, and Day-to- day Operation  
(d) None of these.
15. A company makes plastic windows and doors. Which one of the following is likely to be a Fixed Cost?
- (a) The Cost of heating the factory (b) The Cost of the plastic  
(c) Sales Commission (d) None of these.
16. A Ltd. Company 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. A Company has to pay a ₹ 50 per unit as Royalty to the designer of a product which it manufactures and sells. The Royalty charge would be.....
- (a) Direct Expenses (b) Production Overheads  
(c) Administrative Overheads (d) Selling Overheads.
18. In a factory, Research and development expenditure is budgeted to ₹ 9,00,000. This is the normal expenditure on research activities. Due to some reasons, research is unsuccessful. The research and development expenditure will be:
- (a) Treated as deferred expenditure  
(b) Written-off to Costing Profit and Loss Account

- (c) Treated as Direct Production Cost  
(d) Treated as Factory Overheads.
19. A Ltd. has three production departments, and each department has two machines, which of the following machines cannot be treated as Cost Centre for Cost allocation: [ICAI MODULE]
- (a) Machines under the production department  
(b) Production departments  
(c) Both Production department and machines (d) A Ltd.
20. Which of the following is true about Cost Control: [ICAI MODULE]
- (a) It is a corrective function. (b) It challenges the set standards  
(c) It ends when targets achieved (d) It is concerned with future.
21. Interest paid on own capital not involving any cash outflow, which type of cost, it is .....
- (a) Imputed Cost (b) Opportunity Cost  
(c) Shut down Cost (d) Product Cost.
22. Cost associated with acquisition and conversion of material into finished product, which type of cost, it is .....
- (a) Imputed Cost (b) Capitalized Cost  
(c) Opportunity Cost (d) Product Cost.
23. .... helps in price fixation:
- (a) Financial Accounting (b) Cost Accounting  
(c) Management Accounting (d) None of the above.
24. .... is the oldest branch of Accounting:
- (a) Financial Accounting (b) Cost Accounting  
(c) Management Accounting (d) None of the above.
25. .... includes Financial Accounting, Cost Accounting, Tax Planning and Tax Accounting:
- (a) Financial Accounting (b) Cost Accounting  
(c) Management Accounting (d) None of the above.
26. Process Costing Method is suitable for: [ICAI MODULE]
- (a) Transport sector (b) Chemical industries  
(c) Dam construction (d) Furniture making.
27. Which of the following Costing Method is not appropriate for Costing of Educational Institutes situated in Delhi:
- (a) Batch Costing (b) Activity Based Costing  
(c) Absorption Costing (d) Process Costing
28. Where all costs are directly charged to a group of products, which Costing ..... Method is suitable:
- (a) Job Costing (b) Batch Costing  
(c) Process Costing (d) Contract Costing.

29. The advantage of using IT in Cost Accounting does not include: [ICAI MODULE]
- (a) Integration of various functions
  - (b) Stock needs to be reconciled with Goods Received Note
  - (c) Reduction in multicity of documents
  - (d) Customised reports can be prepared.
30. The Cost Drivers of the Business Function of Research and Development are:
- (a) No. Of Research Projects
  - (b) Personal hours on a Project
  - (c) Technical complexities of the Project
  - (d) All of the above
31. Prime Cost is .....
- (a) All costs incurred in manufacturing a product
  - (b) The total of direct costs
  - (c) The material cost of a product
  - (d) The cost of operating a department.
32. Depreciation of Plant and Machinery is an example of:
- (a) Fixed cost
  - (b) Variable cost
  - (c) Semi-Variable cost
  - (d) None of these.
33. Ticket counter in a Railway Station is an example of: [ICAI MODULE]
- (a) Cost Centre
  - (b) Revenue Centre
  - (c) Profit Centre
  - (d) Investment Centre.
34. Where the nature of the product is complex and method cannot be ascertained, which costing method is suitable:
- (a) Single output Costing
  - (b) Batch Costing
  - (c) Process Costing
  - (d) Multiple Costing.
35. Sunk Costs are .....
- (a) The historical costs which are incurred in the past and does not play any role in decision making
  - (b) The value of sacrifice made or benefit of opportunity foregone in accepting alternative course of action.
  - (c) The notional cost which do not involve any cash outlay
  - (d) None of these.
36. Absorption Costing is also referred as .....
- (a) Historical Costing
  - (b) Traditional Costing
  - (c) Full Costing
  - (d) All of the above terms.
37. As Production increases, Fixed Cost per unit .....
- (a) Decrease
  - (b) Increase
  - (c) We cannot tell
  - (d) Do not change.
38. When units produced increase, total variable costs .....
- (a) Increase in proportion to the units produced
  - (b) Increase at a greater rate than units produced
  - (c) Increase at a lesser rate than units produced

- (d) Do not change.
39. All Opportunity costs are:
- (a) Relevant Costs (b) Irrelevant Costs  
(c) Increment Costs (d) None of these.
40. Most of the historical costs are:
- (a) Relevant Costs (b) Irrelevant Costs  
(c) Increment Costs (d) None of these.
41. Single or output costing is used when the production is ....., identical and a ..... article is produced.
- (a) Uniform, single (b) Fixed, variable  
(c) Operating, fixed (d) None of the above.
42. Joint Cost is suitable for which industry:
- (a) Infrastructure Industry (b) Ornament Industry  
(c) Oil Industry (d) Fertilizer Industry.
43. Costs which are constant for a given level of output and then increase by a fixed amount at a higher level of output are called:
- (a) Step costs (b) Differential costs  
(c) Committed costs (d) Opportunity costs.
44. Batch Costing Method is suitable for which industry:
- (a) Sugar Industry (b) Chemical Industry  
(c) Pharmaceutical Industry (d) Oil Industry.
45. Conversion Cost is referred as:
- (a) Direct Material Cost + Factory Overheads  
(b) Direct Labour Cost + Factory Overheads  
(c) Direct Labour Cost + Direct Expenses + Factory Overheads  
(d) Factory Cost – Direct Labour Cost.
46. Canteen expenses for factory workers are part of:
- (a) Factory Overheads  
(b) Administration Cost  
(c) Marketing Cost  
(d) None of these.
47. Which of the following is an example of functional classification of cost? [ICAI MODULE]
- (a) Direct Material Cost (b) Direct Labour Cost  
(c) Factory Overheads (d) Indirect Material Cost.
48. 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.



1. Raw materials are directly identifiable as part of the final product and are classified as .....
  - (a) Period costs
  - (b) Fixed costs
  - (c) Direct materials
  - (d) Any of the above
2. Inventory consists of .....
  - (a) Intangible property
  - (b) Tangible property
  - (c) (a) or (b)
  - (d) (a) & (b)
3. Which of the following statement is correct in relation to "Need for proper inventory control"?
  - (a) Inadequate inventory may lead to keep men and machines waiting.
  - (b) Materials do not constitute a significant part of the total production cost hence proper planning and controlling of inventories is not a big deal.
  - (c) Funds are not tied up in surplus stores and stocks.
  - (d) All of the above
4. Inventory is valued at .....
  - (a) Replacement price
  - (b) Replacement price or purchase value, whichever is less.
  - (c) At cost or net realizable value whichever is less.
  - (d) Replacement price or net realizable value, whichever is less.
5. \_\_\_\_\_ indicated the level of each particular item of stock at any point of time.
  - (a) Bill of Material
  - (b) Material Requisition Note
  - (c) A bin card
  - (d) All of the above.
6. Which of the following details are recorded in bin card?
  - (a) Date of order and supplier name along with address
  - (b) Record of quantities only
  - (c) Record of both quantities & values
  - (d) All of the above:
7. Inventory held for sale in the ordinary course of business is known as .....
  - (a) Finished Goods
  - (b) Raw Material
  - (c) Work-in-progress
  - (d) Miscellaneous inventory
8. \_\_\_\_\_ is a list of materials, with specifications, material codes and quantity of each material required for a particular job, process or production unit.
  - (a) Material Transfer Note
  - (b) Bill of Materials
  - (c) Purchase Requisition
  - (c) Bin Card



9. Which of the following method is based on the assumption that, latest consignment of a materials or goods manufactured are exhausted first and the closing stock is valued at the cost of earliest lot in hand?
- (a) FIFO Method (b) Highest-in-first-out method  
(c) Average cost method (d) LIFO Method
10. \_\_\_\_\_ are those cost, which can be identified and traceable to particular product or costing unit or cost centre.
- (a) Indirect material costs (b) Period costs  
(c) Direct material costs (d) Fixed costs
11. Wood used in production of tables and chairs, steel bars used in steel factory etc. are the examples of \_\_\_\_\_
- (a) Indirect material (b) Direct material  
(c) Fixed material (d) All of the above
12. When material prices fluctuate widely, the method of pricing that gives absurd result is:
- (a) Simple average price (b) Weighted average price  
(c) Moving average price (d) Inflated price.
13. When materials are unloaded, the warehouse staff check the material unloaded with the delivery note. Then the warehouse staff prepares a \_\_\_\_\_, a copy of which is given to the supplier' carrier as a proof of delivery.
- (a) Delivery note (b) Material receipt note  
(c) Bill of Material (d) Purchase Requisition
14. ....are those items, which are moving at a slow rate and this may arise due to general depression in demand due to keen competition.
- (a) Dormant stocks (b) Written-off stocks  
(c) Slow moving stocks (d) Any of the above
15. CIMA defines \_\_\_\_\_ as, "an internal instruction to a buying office to procure goods or services.
- (a) Bin card (b) Store accounting  
(c) Bill of Material (d) Purchase requisition
16. In which of the following posting is done before the transaction takes place?
- (a) Bill of Material (b) Bin card  
(c) Purchase requisition (d) General ledger
17. A Company manufactures 5,000 units of a product per month. The cost of placing an order is ₹ 100. Purchase price of the raw material is ₹ 10 per kg. Average consumption of raw material is 275 kgs. Per week. The carrying cost of inventory is 20% per annum. The Economic order quantity is .....
- (a) 1,196 kgs. (b) 707 kgs.  
(c) 2,500 kgs. (d) 2,399 kgs.

18. When materials are delivered, a supplier's carrier will usually provide a document called \_\_\_\_\_ to confirm the details of delivery.
- (a) Material Transfer Note (b) Materials Inspection Note  
(c) Delivery Note (d) Purchase Requisition
19. \_\_\_\_\_ represents the unusable loss, which can be sold. It is a residue, which is measurable and has a minor value.
- (a) Waste (b) Scrap  
(c) Spoilage (d) Defective
20. If small quantities of direct material used in the end product like gums and threads are used in binding books then it may be categorized as
- (a) Miscellaneous cost (b) Preliminary cost  
(c) Indirect material cost (d) Fixed cost of production
21. Direct material can be classified as:
- (a) Fixed Cost  
(b) Variable Cost  
(c) Semi-variable Cost  
(d) Prime Cost.
22. Bill of material acts as an authorization to the \_\_\_\_\_ in procuring the materials and the concerned department in material requisition from the stores.
- (a) Manufacturing department (b) Store department  
(c) Research department (d) Sales department
23. \_\_\_\_\_ records the quantity details, rate and values of stock movements.
- (a) Stores ledger (b) Sales ledger  
(c) Material Transfer Note (d) Delivery Note
24. \_\_\_\_\_ are that portion of the process loss, which can be converted into a finished product by incurring more material and labour expenses.
- (a) Waste (b) Scrap  
(c) Spoilage (d) Defectives
25. CIMA defines \_\_\_\_\_ as, "the recording as they occur of receipts, issues and the resulting balances of individual items of stock in either quantity or quality and value".
- (a) Per-paid Inventory System (b) Continuous Stock Taking  
(c) Perpetual Inventory System (d) Budgetary Control System
26. Which of the following accounting treatment is correct in relation to "Spoilage"?
- (a) Loss due to spoilage can be debited to the job/product/process in which it occurred.  
(b) It may be charged to factory overheads so that the loss is borne by all products.  
(c) If spoilage occurs on a specific job/ special order, it is charged to that job itself.  
(d) All of the above
27. Which of the following technique can be used for inventory control?
- (a) Standard Costing (b) ABC Analysis

- (c) Integrated Accounting System                      (d) Any of the above
28. \_\_\_\_\_ is an optimum quantity of material to be ordered every time an order is placed. EOQ may be defined as that quantity of purchase which minimizes material order cost and material carrying cost.
- (a) Quantity in such lot which has maximum discount  
(b) Special Order Quantity (SOQ)  
(c) Standard Order Quantity (SOQ)  
(d) Economic Order Quantity (EOQ)
29. The model and formula of EOQ was developed by in 1913.
- (a) F. W. Taylor    (b) F. Wilson Harris  
(c) F. Walter Harris                                      (d) F. W. Marshall
30. \_\_\_\_\_ are those materials or components which are so damaged in the manufacturing process that they cannot be repaired or reconditioned.
- (a) Spoilage    (b) Waste  
(c) Scrap    (d) Defective
31. When prices of materials have a rising trend, then the suitable method for issuing the materials:
- (a) FIFO    (b) LIFO  
(c) HIFO    (d) Standard cost price
32. Which of the following is not correct for calculation of Re-ordering level of inventory?
- (a) (Maximum consumption x Maximum Re-order period)  
(b) (Maximum consumption x Lead time) + Safety stock  
(c) (Minimum Level + Consumption during time lag period)  
(d) (Maximum consumption x Lead time) - Safety stock.
33. \_\_\_\_\_ may be defined as that quantity of purchase which minimizes material order cost and material carrying cost.
- (a) Basic Ordering Quantity                      (b) Constant Ordering Quantity  
(c) Economic Order Quantity                      (d) Any of the above
34. Which of the following statement is true in relation to ABC Analysis of inventory control?
- (a) **Category A:** It contains a relatively large number of inexpensive items.  
**Category B:** It contains inventory items, which are neither very expensive nor very cheap.  
**Category C:** It contains inventory items, which are in massive quantities.
- (b) **Category A:** It contains inventory items, which are neither very expensive nor very cheap. Moreover, they are used in moderate quantities.  
**Category B:** It contains a relatively large number of items. But they are either very inexpensive items or used in very small quantities so that they do not constitute small percentage of the total value of inventories.  
**Category C:** It contains inventory items, which are expensive or used in massive quantities. Thus, they low in quantity but high in value.
- (c) **Category A:** It contains inventory items, which are low in quantity but high in value.

- Category B:** It contains inventory items, which are neither very expensive nor very cheap. They are used in moderate quantities.
- Category C:** It contains inventory items, which are in massive quantities, but they are very inexpensive.
35. Which of the following is property of Normal Waste"?
- (a) It is included in output quantity.
  - (b) It do not involves further costs of disposing
  - (c) It is avoidable and controllable
  - (d) None of the above
36. \_\_\_\_\_are goods/units which can be converted into a finished product by incurring more material & labour expenses.
- (a) Scrap
  - (b) Waste
  - (c) Spoilage
  - (d) Defectives
37. Under a continuous record of receipt and issue of materials is maintained by the stores department and the information about the stock of material is always available.
- (a) Perpetual Inventory System
  - (b) Continuous Stock Taking
  - (c) Periodic Inventory System
  - (d) Just in time
38. Reorder Level = Safety Stock + \_\_\_\_\_
- (a) Maximum re-order period
  - (b) Maximum usage
  - (c) Minimum consumption
  - (d) Normal lead time consumption
39. Which of the following treatment is correct for "Waste"?
- (a) Abnormal waste is unavoidable and uncontrollable and treated as part of the product cost.
  - (b) Normal waste is transferred to the Costing P & L A/ c
  - (c) Both (a) & (b)
  - (d) Neither (a) nor (b)
40. Which of the following is required in order to calculate EOQ?
- (a) Cost of equity ( $K_e$ )
  - (b) Stock-out Cost
  - (c) Opportunity Cost
  - (d) All of the above
41. Which of the following formula is used to calculate Re-order Level?
- (a) (Maximum usage  $\times$  Maximum re-order period)
  - (b) Safety Stock + Normal lead time consumption
  - (c) (Average usage  $\times$  Average re-order period)
  - (d) (a) or (b)
42. Which of the following is/are example of "Waste" in relation to material cost?
- (a) Smoke
  - (b) Sawdust in timber industry
  - (c) Portion of the process loss, which can be converted into a finished product
  - (d) All of the above

43. Which of the following formula is used to calculate Maximum Level?
- (a)  $(\text{Re-order level} + \text{Re-order qty}) - (\text{Maximum consumption} \times \text{Maximum re-order period})$
  - (b)  $(\text{Re-order level} + \text{Re-order qty}) - (\text{Minimum consumption} \times \text{Minimum re-order period})$
  - (c)  $(\text{Re-order level} + \text{EOQ}) - (\text{Minimum consumption} \times \text{Minimum re-order period})$
  - (d) (b) or (c)
44. Re-order Level is also known as \_\_\_\_\_
- (a) Re-order Quantity
  - (b) Economic order quantity
  - (c) Reorder point
  - (d) (a) or (c)
45. Danger Level = ?
- (a)  $(\text{Maximum consumption} \times \text{Lead time for emergency purchase})$
  - (b)  $(\text{Average consumption} \times \text{Lead time for emergency purchase})$
  - (c)  $(\text{Minimum} \times \text{Lead time for emergency purchase})$
  - (d)  $\text{Ordering Level} - (\text{Average Usage} \times \text{Re - order Period})$
46. \_\_\_\_\_ Purchase means the purchase of goods or material such that delivery immediately precedes their use.
- (a) Economic order quantity
  - (b) Reorder point
  - (c) Re-order Quantity
  - (d) Just in time (JIT)
47.  $(\text{Maximum usage} - \text{Average Usage}) \times \text{Lead Time} = ?$
- (a) Re-order Point
  - (b) Danger Level
  - (c) Safety Stock Level
  - (d) Reorder Level
48. Which of these is not a Material control technique:
- (a) ABC Analysis
  - (b) Fixation-of raw material levels
  - (c) Maintaining stores ledger
  - (d) Control over slow moving and non-moving items
49. Out of the following, what is not the work of purchase department?
- (a) Receiving purchase requisition
  - (b) Exploring the sources of material supply
  - (c) Preparation and execution of purchase orders
  - (d) Accounting for material received
50. Bin Card 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
51. 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
52. Economic order quantity is that quantity at which cost of holding and carrying inventory is
- (a) Maximum and equal (b) Minimum and equal
- (c) It can be maximum or minimum de-pending upon case to case.
- (d) Minimum and unequal
53. ABC analysis is an inventory control technique in which:
- (a) Inventory levels are maintained
- (b) Inventory is classified into A, B and C category with A being the highest quantity, lowest value.
- (c) Inventory is classified into A, B and C Category with A being the lowest quantity, highest value
- (d) Either (b) or (c)
54. Which one out of the following is not an inventory valuation method?
- (a) FIFO (b) LIFO
- (c) Weighted Average (d) EOQ
55. In case of rising prices (inflation), FIFO method will:
- (a) Provide lowest value of closing stock and profit
- (b) Provide highest value of closing stock and profit
- (c) Provide highest value of closing stock but lowest value of profit
- (d) Provide highest value of profit but lowest value of closing stock
56. The method of regular physical verification of material throughout the year is known as:
- (a) Periodic Stock taking (b) Bin Card System
- (c) Continuous Stock taking (d) Stock Ledger System.
57. Cost of abnormal wastage is \_\_\_\_\_
- (a) Charged to the product cost
- (b) Charged to the profit & loss account
- (c) Charged partly to the product and partly profit & loss account
- (d) Not charged at all.
58. The average annual consumption of material is 20,000 kg at a price of ₹ 2 per kg. The storage cost is 1696 on average inventory and the cost of placing one order is ₹ 50. How much is to be purchased at a time?
- (a) 2,500 kg (b) 2,000 kg
- (c) 2,532 kg (d) 2,352 kg
59. Annual consumption of material - 4,000 units, Ordering Cost - ₹ 5, Cost per unit - ₹ 2, Storage & carrying cost – 896 p.a. The Economic Order Quantity for the item is
- (a) 500 units (b) 800 units
- (c) 300 units (d) 400 units

60. The annual demand of a certain component bought from the market is 1,000 units. The cost of placing an order is ₹ 60 and the carrying cost per unit is ₹ 3 p.a. The Economic Order Quantity for the item is
- (a) 200 units (b) 400 units  
(c) 600 units (d) 500 units

61. For a particular item of store, the following information are available:

Re-order quantity = 12 units

Maximum consumption per week = 300 units

Normal consumption per week = 200 units

Re-order period = 2 to 4 weeks

The Re-order level = ?

- (a) 600 units (b) 400 units  
(c) 1,200 units (d) one of the above
62. Which of the following items can be classified as “A” as per ABC Analysis of inventory control?

Model Number	Units	Unit cost (₹)
1	7,000	5.00
2	24,000	3.00
3	1,500	10.00
4	600	22.00
5	38,000	1.50
6	40,000	0.50
7	60,000	0.20
8	3,000	3.50
9	300	8.00
10	29,000	0.40
11	11,500	7.10
12	4,100	6.20

- (a) 3,4,6,7 (b) 1,3,5,11,12  
(c) 1,3,4, 11, 12 (d) 1,2,5, 11, 12
63. Which of the following items can be classified as “C” as per ABC Analysis of inventory control?

Items	Annual usage	Value p.u.
1	20,000	60
2	10,000	100
3	32,000	11
4	28,000	10
5	60,000	3.40

- (a) Item number 5 only (b) Item number 5, 4  
(c) Item number 3, 4 (d) Item number 5, 2

64. A manufacturer requires 9,600 units of a certain component annually. This is currently purchased from a regular supplier at ₹ 50 per unit. The cost of placing an order is ₹ 60 per order and the annual carrying cost is ₹ 5 per price. Annual ordering plus carrying cost =?
- (a) 2,400 (b) 480  
(c) 4,800 (d) 240
65. A publishing house purchases 2,000 units of a particular item per year at a unit cost of ₹ 20. The ordering cost per order is ₹ 50 and the inventory carrying cost is 25%. How will be the total cost if company decides to buy in EOQ?
- (a) 41,325 (b) 41,000  
(c) 41,500 (d) 41,525
66. A factory requires 1,500 units of an item per month. The cost of each unit is ₹ 27. The cost per order is ₹ 150 and inventory carrying charge works out to 20% of average inventory. Supplier offers 2% price discount on a minimum supply of 1,200 units. How much money will be saved by accepting suppliers offer?
- (a) 6,995 (b) 9,695  
(c) 12,870  
(d) Nothing will be saved and company will have incur extra cost.
67. JP Ltd., manufactures of a special product, follows the policy of EOQ (Economic Order Quantity) for one of its components. The component's details are as follows:  
Purchase price per component: 200  
Cost of an order: ₹ 100  
Annual cost of carrying one unit in inventory:  
10% of purchase price  
Total cost of inventory and ordering per annum: ₹ 4,000.  
Compute the EOQ.
- (a) 200 units (b) 400 units  
(c) 600 units (d) 800 units
68. A firm requires 16,000 units of a certain component which it buys at ₹ 60 each. The cost of placing an order and following it up is ₹ 120 and the annual storage charges works out to 10% of the cost of the item. To get maximum benefit the firm should place order for at a time.
- (a) 1,000 units (b) 900 units  
(c) 800 units (d) 700 units
69. The average annual consumption of material is 20,000 kg at a price of ₹ 2 per kg. The storage cost is 16% on average inventory and the cost of placing one order is ₹ 50. What is the time gap between two orders?
- (a) 7 orders in year (b) 8 orders in year  
(c) 9 orders in year (d) 6 orders in year



70. G Ltd. produces a product, which has a monthly demand of 4,000 units. The product requires a component X, which is purchased at ₹ 20. For every finished product, one unit of component is required. The ordering cost is ₹ 120 per order and the holding cost is 10% p.a. EOQ =?
- (a) 2,400 units (b) 4,200 units  
(c) 4,400 units (d) 2,200 units
71. In a Company the weekly minimum and maximum consumption of Material-A are 25 and 75 units respectively. The reorder quantity as fixed by the company is 300 units.  
Material-A is received within 4 to 6 weeks from the date of supply order. Minimum Level =?
- (a) 450 units (b) 200 units  
(c) 650 units (d) 800 units
72. A company manufactures several components in batches. The following data relates to one component:  
Annual demand: 32,000 units; Set-up cost per batch: ₹120.  
Annual rate of interest: 1296;  
Cost of production per unit: ₹ 16.  
The Economic Batch Quantity is \_\_\_\_\_
- (a) 2,500 units (b) 4,000 units  
(c) 3,000 units (d) 2,000 units
73. G Ltd. produces a product, which has a monthly demand of 4,000 units. The product requires a component X, which is purchased at ₹ 20. For every finished product, one unit of component is required. The ordering cost is ₹ 120 per order and the holding cost is 1096 p.a. At EOQ level purchase, Ordering Cost + Carrying Cost =?
- (a) 2,400 (b) 4,800  
(c) 2,800 (d) 4,400
74. Raw material price = ₹ 60 per kg., Handling = cost = ₹ 360, Freight = ₹ 390 per order, Incremental carrying cost of inventory raw material = ₹ 0.50 per kg per month, Cost of working capital finance on the investment in inventory = ₹ 9 per kg p. Annual production = 1,00,000 units.  
2.5 units are obtained from one kg of raw material, EOQ =?
- (a) 2,000 kg (b) 3,000 kg  
(c) 4,000 kg (d) 5,000 kg
75. If the minimum stock level and average stock level of raw material A are 4,000 and 9,000 units respectively, find out its "Re-order quantity".
- (a) 10,000 units (b) 5,000 units  
(c) 2,500 units (d) 26,000 units
76. Which type of material is classified as 'A' type in ABC analysis-
- (a) High price, more quantity (b) High price, less quantity  
(c) Low price, more quantity (d) Low price, less quantity
77. Which of the following formula cannot be used to calculate re-order level-
- (a) Minimum level + consumption during lead time

- (b) Maximum consumption  $\times$  maximum re-order period
- (c) Maximum consumption  $\times$  lead time + safety stock
- (d) Minimum consumption  $\times$  minimum re-order period
78. Which of the following is recorded by bin card-
- (a) Quantity (b) Quantity and value
- (c) Value (d) Quality
79. If the minimum stock level and average stock level of raw material 'A' are 4,000 & 9,000 units respectively, what is its re-order quantity -
- (a) 8,000 units (b) 11,000 units
- (c) 10,000 units (d) 9,000 units
80. The method of regular physical verification of material throughout the year is known as-
- (a) Periodic stock taking (b) Bin card system
- (c) Continuous stock taking (d) Stock ledger system
81. In inflationary situation, which system of inventory valuation shows higher profits -
- (a) LIFO (b) FIFO
- (c) HIFO (d) Weighted average
82. Under which of the following inventory control technique, maximum and minimum level of each stock is laid down-
- (a) Min-max plan (b) Two-bin system
- (c) Order cycle system (d) ABC analysis
83. A company manufactures 5,000 units of a product per month. The cost of placing an order is ₹ 100. Purchase price of the raw material is ₹ 10 per kg. Average consumption of raw material is 275 kg per week. The carrying cost of inventory is 20% per annum. The economic order quantity is-
- (a) 1,196 kg (b) 707 kg
- (c) 2,449 kg (d) 2,400 kg
84. Under which of the following inventory control techniques, two piles or bundles are maintained for each item of stock-
- (a) Min-max plan (b) Order cycling system
- (c) Two-bin system (d) ABC analysis
85. A store ledger is a record of receipts, issues and closing balances of material by entering -
- (a) Quantity only (b) Quantity and value
- (c) Value only (d) Quality only
86. Bill of material acts as an authorization to the stores department in procuring the material and all the materials listed on the bill are sent to the -
- (a) Sales department (b) Production department
- (c) Accounts department (d) Stores department
87. Which of the following method based on the assumption that costliest materials are issued first and inventory is valued at the lowest possible price -
- (a) FIFO method (b) UFO method



94. About 50 units are required every day for a machine. Fixed cost of ₹ 50 is incurred for placing an order. The inventory carrying cost per unit amounts to ₹ 0.02 per day. The lead period is 32 days. Economic Order Quantity is -
- (a) 200 Units (b) 300 Units  
(c) 500 Units (d) 100 Units

**ANSWERS**

1.	(c)	2.	(b)	3.	(a)	4.	(c)	5.	(c)	6.	(b)	7.	(a)
8.	(b)	9.	(d)	10.	(c)	11.	(b)	12.	(a)	13.	(b)	14.	(c)
15.	(d)	16.	(b)	17.	(a)	18.	(c)	19.	(b)	20.	(c)	21.	(b)
22.	(b)	23.	(a)	24.	(b)	25.	(c)	26.	(d)	27.	(b)	28.	(d)
29.	(b)	30.	(a)	31.	(b)	32.	(d)	33.	(c)	34.	(c)	35.	(d)
36.	(d)	37.	(a)	38.	(d)	39.	(d)	40.	(b)	41.	(d)	42.	(a)
43.	(d)	44.	(d)	45.	(b)	46.	(d)	47.	(c)	48.	(c)	49.	(d)
50.	(b)	51.	(a)	52.	(b)	53.	(c)	54.	(d)	55.	(b)	56.	(c)
57.	(b)	58.	(a)	59.	(a)	60.	(a)	61.	(c)	62.	(b)	63.	(a)
64.	(a)	65.	(b)	66.	(b)	67.	(a)	68.	(c)	69.	(b)	70.	(a)
71.	(b)	72.	(d)	73.	(b)	74.	(a)	75.	(a)	76.	(b)	77.	(d)
78.	(a)	79.	(c)	80.	(c)	81.	(b)	82.	(a)	83.	(a)	84.	(c)
85.	(b)	86.	(b)	87.	(c)	88.	(b)	89.	(a)	90.	(c)	91.	(b)
91.	(b)	92.	(b)	93.	(b)	94.	(c)						

# 3

## EMPLOYEE COST AND DIRECT EXPENSES

1. Which of the following is an abnormal cause of idle time \_\_\_\_\_
  - (a) Time taken by workers to travel the distance between the main gate of factory and place of their work.
  - (b) Time lost between the finish of one job and starting of next job.
  - (c) Time spent to meet their personal needs like taking lunch, tea etc.
  - (d) Machine break downs
2. If overtime is resorted to at the desire of the customer, then the overtime premium \_\_\_\_\_
  - (a) Should be charged to costing profit and loss account.
  - (b) Should not be charged at all
  - (c) Should be charged to the job directly
  - (d) Should be charged to the highest profit making department
3. Labour turnover means \_\_\_\_\_
  - (a) Turnover generated by labour
  - (b) Rate of change in composition of labour force during a specified period
  - (c) Either of the above
  - (d) Both of the above
4. Which of the following is not an avoidable cause of labour turnover \_\_\_\_\_
  - (a) Dissatisfaction with job
  - (b) Lack of training facilities
  - (c) Low wages and allowance
  - (d) Disability, making a worker unfit for work
5. Costs associated with labour turnover can be categorized into \_\_\_\_\_
  - (a) Preventive Costs only
  - (b) Replacement costs only
  - (c) Both of the above
  - (d) Machine cost
6. Labour cost covers .....
  - (a) Wages paid to the workers
  - (b) Various payments made to a worker due to his employment.
  - (c) Overtime payments
  - (d) All of the above
7. The labour- cost which is traceable or identified to particular product or cost centre is known as .....
  - (a) Indirect labour cost
  - (b) Direct labour cost
  - (c) Variable labour cost
  - (d) (b) or (c)
8. Which of the following reason shows that there is need for distinguishing between direct and indirect labour cost?
  - (a) Introduction of new product in the market
  - (b) Minimizing the competition in overseas market

- (c) Introduction of incentive schemes  
(d) All of the above
9. Rent free accommodation or accommodation provided at concessional rate should be classified as \_\_\_\_\_  
(a) Fringe Benefits (b) Deferred Monetary Benefits  
(c) Fixed standard labour cost (d) Pecuniary Benefits
10. \_\_\_\_\_ is process whereby company make assessment of particular job to know how worth is it.  
(a) Merit Rating (b) Performance appraisal  
(c) Induction (d) Job evaluation
11. \_\_\_\_\_ is of utmost importance where payment is made on the basis of time worked.  
(a) Classification of workers as direct labour and indirect labour  
(b) Computation of factory overhead rate on the basis of labour hours  
(c) Classification of various payments made to a worker  
(d) Correct recording of employees attendance time
12. Direct labour cost \_\_\_\_\_  
(a) Should be treated as production overhead.  
(b) Should be charged using supplementary overhead rate  
(c) Should be treated as abnormal cost and charged to costing profit & loss account.  
(d) Becomes part of prime cost.
13. Which of the following is method of job evaluation?  
(a) Graphic rating scale method (b) Factor comparison method  
(c) Forced distribution method (d) All of the above
14. \_\_\_\_\_ cost represents the wages paid for the time lost.  
(a) Overtime (b) Extra time  
(c) Idle time (d) Any of the above
15. In relation to labour cost "dearness allowance" will be classified as \_\_\_\_\_  
(a) Deferred Monetary Benefits (b) Fringe Benefits  
(c) Non-Pecuniary Gains (d) Monetary Benefits
16. The labour cost which is not traceable or identified to particular product or cost centre is known as \_\_\_\_\_  
(a) Indirect labour cost (b) Variable labour cost  
(c) Fixed labour cost (d) (a) or (c)
17. Direct labour cost is ..... in nature.  
(a) Variable (b) Fixed  
(c) Semi-variable (d) Fixed or semi-variable
18. In relation to labour cost "Time Keeping "Time Booking" have same meaning?  
(a) True (b) False  
(c) Partly true (d) Partly false

19. In relation to labour cost "Employer's contribution to ESI" will be classified as \_\_\_\_\_
- (a) Pecuniary Benefits (b) Deferred Monetary Benefits  
(c) Fringe Benefits (d) Non-Pecuniary Gains
20. Which of the following is method of job evaluation?
- (a) Filed review method (b) Forced distribution method  
(c) Check list method (d) None of the above
21. Which of the following is not objective of time-keeping?
- (a) Preparation of payrolls  
(b) Ascertaining idle time  
(c) Ascertaining and controlling labour cost  
(d) Disability, making a worker unfit for work
22. \_\_\_\_\_ is process whereby company evaluate job done by each employee.
- (a) Job evaluation (b) Time booking  
(c) Merit rating (d) Time keeping
23. Which of the following is not "Normal Idle Time"?
- (a) Negligence of supervision (b) Rest pauses  
(c) Tool setting time (d) Time interval between one job and another
24. Which of the following formula is correct for calculating earning of the worker as per "Time Rate System" of wage payment?
- (a) Standard hours worked  $\times$  Rate per hour (b) Actual hours worked/Rate per hour  
(c) No. of units produced  $\times$  Rate per hour (d) Actual hours worked  $\times$  Rate per hour
25. Which of the following is not example of direct labour cost?
- (a) Wages paid to the workers engaged in machining department  
(b) Wages paid to employees engaged in supervision  
(c) Both (a) & (b)  
(d) Neither (a) nor (b)
26. \_\_\_\_\_ is basically recording the details of work done and the time spent by workers on each job or process.
- (a) Time Keeping (b) Time Booking  
(c) Time Spending (d) Idle time register
27. In relation to labour cost "Production Bonus" will be classified as \_\_\_\_\_
- (a) Pecuniary Benefits (b) Deferred Monetary Benefits  
(c) Fringe Benefits (d) Non-Pecuniary Gains
28. When some benefit or allowances are given to employee in addition to normal wages/ salary, then such additional benefits are popularly called as \_\_\_\_\_
- (a) Additional benefits (b) Deferred benefits  
(c) Non-absorbed labour cost (d) Fringe benefits

29. A worker who is appointed for a short duration to carry on normal business activities in place of regular but temporarily absent worker is known as
- (a) Outdoor worker (b) Permanent worker  
(c) Casual worker (d) Indirect worker
30. In merit rating ranking of employees is done on the basis of their
- (a) Age (b) Salary structure  
(c) Performance (d) Any of the above
31. Indirect direct labour cost is generally \_\_\_\_\_ in nature.
- (a) Variable (b) Fixed  
(c) Semi-variable (d) Fixed or semi-variable
32. In "Time Rate System" of wage payment wage rate can be fixed on \_\_\_\_\_
- (a) Hourly, daily or monthly basis  
(b) Weekly, fortnightly or monthly basis  
(c) Daily, weekly, fortnightly or monthly basis  
(d) Hourly, daily, weekly, fortnightly or monthly basis
33. Under \_\_\_\_\_ of time keeping each worker is allotted a token with a hole bearing his identification number.
- (a) Time Recording Clocks (b) Attendance Register Method  
(c) Dial Time Records (d) Metal Disc Method
34. Which of the following formula is correct for calculating earning of the worker as per "Piece Rate System" of wage payment?
- (a) Standard output  $\times$  Rate per unit (b) Actual output  $\times$  Rate per hour  
(c) No. of units produced  $\times$  Rate per unit (d) No. of units produced  $\times$  Rate per hour
35. In relation to labour cost "Employer's contribution to ESI" will be classified as \_\_\_\_\_
- (a) Pecuniary Benefits (b) Deferred Monetary Benefits  
(c) Fringe Benefits (d) Non-Pecuniary Gains
36. Which of the following is not "Abnormal Idle Time"?
- (a) Break downs (b) Negligence of supervision  
(c) Strikes or lockouts (d) Time taken to adjust machines
37. \_\_\_\_\_ refers to correct recording of the employees' attendance time.
- (a) Time booking (b) Time keeping  
(c) Time spending (d) Time pass
38. Which of the following is Manual Method of time keeping?
- (a) Metal Disc Method (b) Dial Time Records  
(c) Time Recording Clocks (d) All of the above
39. Which of the following formula is correct for calculating earning of the worker as per "Halsey Plan" of wage payment?
- (a)  $(\text{Time saved} \times \text{Hourly rate}) + 50\% (\text{Time taken} \times \text{Hourly rate})$   
(b)  $(\text{Time taken} \times \text{Piece rate}) + 50\% (\text{Time saved} \times \text{Hourly rate})$



- (c)  $(\text{Time taken} \times \text{Hourly rate}) + 33.3396 (\text{Time saved} \times \text{Hourly rate})$
- (d)  $(\text{Time taken} \times \text{Hourly rate}) + 5096 (\text{Time saved} \times \text{Hourly rate})$
40. Which of the following statement is correct in relation to "Job Evaluation"?
- (a) It means to determine relative position of one job to another job in the organization.
- (b) It is procedure designed to rank jobs on formal basis.
- (c) It is done to set or fix wages/salary structure.
- (d) All of the above
41. Idle time is the time under which-
- (a) Full wages are paid to workers
- (b) No productivity is given by the workers
- (c) Both (a) and (b)
- (d) None of the above
42. In relation to labour cost "Free or Subsidized Food" will be classified as \_\_\_\_\_
- (a) Pecuniary Benefits (b) Deferred Monetary Benefits
- (c) Fringe Benefits (d) Monetary Benefits
43. Overtime arises due to \_\_\_\_\_
- (a) Working due to seasonal rush
- (b) Completing a job or order within a specified period as requested b the customer
- (c) Working due general pressure of work and labour shortage etc.
- (d) Any of the above
44. In relation to labour cost "Retirement Gratuity" will be classified as \_\_\_\_\_
- (a) Pecuniary Benefits (b) Deferred Monetary Benefits
- (c) Fringe Benefits (d) Monetary Benefits
45. In which of the following method of time keeping an attendance register is kept in the time office at factory gate or in each department for workers employed therein?
- (a) Attendance Register Method (b) Metal Disc Method
- (c) Time Recording Clocks (d) Dial Time Records
46. The overtime rate is \_\_\_\_\_
- (a) Always higher than the normal rate and is usually double the normal rate.
- (b) Equal to the normal rate and is lower than the normal rate.
- (c) Equal to the normal rate and is half to the normal rate.
- (d) (b) or (c)
47. If overtime is required to cope with production programmes or for meeting urgent orders, the overtime premium should be
- (a) Treated as administrative overhead cost
- (b) Treated as prime cost
- (c) Treated as overhead cost of that department or cost centre which works overtime.
- (d) Should not be charged to cost, but to Costing P & L A/c.

48. In relation to labour cost "Profit Bonus" will be classified as \_\_\_\_\_
- (a) Pecuniary Benefits (b) Deferred Monetary Benefits  
(c) Fringe Benefits (d) Non-Pecuniary Gains
49. Which of the following formula is correct for computation of labour efficiency?
- (a)  $\text{Efficiency \%} = \frac{\text{Actual Output}}{\text{Standard Output}} \times 100$   
(b)  $\text{Efficiency \%} = \frac{\text{Standard Output}}{\text{Actual Output}} \times 100$   
(c)  $\text{Efficiency \%} = \frac{\text{Time Taken}}{\text{Standard Time}} \times 100$   
(d)  $\text{Efficiency \%} = \frac{\text{Actual Time}}{\text{Actual Output}} \times 100$
50. Cost of idle time due to non-availability of raw material is-
- (a) Charged to overhead costs  
(b) Charged to respective jobs  
(c) Charged to costing profit and loss account  
(d) None of the above
51. Normal idle time occurs due to \_\_\_\_\_
- (a) Avoidable causes (b) Uncontrollable causes  
(c) Unavoidable causes (d) Unavoidable & uncontrollable causes
52. Under Halsey Plan \_\_\_\_\_
- (a) 50% of the time taken is allowed as bonus  
(b) 50% of the standard time is allowed as bonus.  
(c) 50% of the time saved is allowed as bonus.  
(d) 50% of guaranteed time rate is allowed as bonus.
53. In relation to labour cost "Free or subsidized education to children" will be classified as \_\_\_\_\_
- (a) Pecuniary Benefits (b) Deferred Monetary Benefits  
(c) Fringe Benefits (d) Monetary Benefits
54. Fringe benefits provided to office staff should be treated as \_\_\_\_\_
- (a) Prime cost (b) Factory overheads  
(c) Indirect factory overheads (d) Administration overheads
55. Which of the following treatment is correct in cost accounting in relation to "Overtime Premium" if customer agreeing to bear the overtime cost?
- (a) Overtime premium may be charged to the job directly.  
(b) Should not be charged to cost, but to Costing P & L A/c.  
(c) Should be treated as administrative overhead cost  
(d) All of the above
56. \_\_\_\_\_ refers to the situation when a worker works beyond his normal working hours.
- (a) Overproduction (b) Extra production  
(c) Overtime (d) Under time
57. Overtime worked on account of abnormal conditions such as flood, earthquake etc.
- (a) Should not be charged to cost, but to Costing P & L A/c.  
(b) Should be treated as prime cost

- (c) Should be treated as administrative overhead cost
- (d) None of the above
58. In relation to labour cost "Expenses incurred on canteen, creches, sports club, etc." will be classified as \_\_\_\_\_
- (a) Pecuniary Benefits (b) Deferred Monetary Benefits
- (c) Fringe Benefits (d) Monetary Benefits
59. Time and motion study is conducted by:
- (a) Time keeping department (b) Personnel department
- (c) Payroll department (d) Engineering department
60. Expenses incurred on fringe benefits in respect of factory workers \_\_\_\_\_
- (a) Becomes part of prime cost
- (b) Should be treated as deferred monetary benefits
- (c) Should be treated as factory overheads
- (d) Any of the above
61. A worker, who do not work in the factory premises but either works in his home or at factory site is known as \_\_\_\_\_
- (a) Indirect worker (b) Casual Worker
- (c) Out worker (d) (a)or(c)
62. Which of the following formula is correct for computation of labour efficiency?
- (a)  $\text{Efficiency \%} = \text{Time Taken} / \text{Standard Time} \times 100$
- (b)  $\text{Efficiency \%} = \text{Standard Output} / \text{Actual Output} \times 100$
- (c)  $\text{Efficiency \%} = \text{Standard Output} / \text{Standard Time} \times 100$
- (d)  $\text{Efficiency \%} = \text{Standard Time} / \text{Time Taken} \times 100$
63. 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
64. In relation to labour cost "Medical & hospital facilities" will be classified as \_\_\_\_\_
- (a) Pecuniary Benefits (b) Deferred Monetary Benefits
- (c) Fringe Benefits (d) Monetary Benefits
65. Abnormal idle time occurs due to \_\_\_\_\_
- (a) Avoidable & uncontrollable causes (b) Unavoidable & uncontrollable causes
- (c) Unavoidable & controllable causes (d) A voidable & controllable causes
66. Labour turnover is measured by-
- (a) Number of persons replaced/ average number of workers
- (b) Numbers of persons separated / number of workers at the beginning of the year
- (c)  $(\text{Number of persons replaced} + \text{number of persons separated}) / (\text{number of persons at the beginning} + \text{the number of persons at the end of the year})$
- (d) None of the above

67. Expenses incurred on fringe benefits in respect of factory workers should be treated as factory overheads and apportioned among the 'Production or Service Centers' on the basis of
- (a) Number of workers in each department
  - (b) Number of machines in each department.
  - (c) Number of machine hours worked in each department.
  - (d) Number of supervisors in each department.
68. 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
69. Employee Cost includes-
- (a) Wages and salaries
  - (b) Allowances and incentives
  - (c) Payment for overtime
  - (d) All of the above
70. Out worker is \_\_\_\_\_
- (a) Worker who works inside the factory
  - (b) Is temporarily entered in rolls of personnel
  - (c) (a) or (b)
  - (d) Is not entered in rolls of personnel
71. Normal idle time is \_\_\_\_\_
- (a) Treated as a part of the cost of production
  - (b) Not included as a part of production cost
  - (c) Shown as a separate item in the Costing P & L A/c.
  - (d) Separately shown in financial accounts
72. Abnormal idle time cost is \_\_\_\_\_
- (a) Not included as a part of production cost
  - (b) Is shown as a separate item in the Costing P & L A/c.
  - (c) Only (a) but not (b)
  - (d) Both (a) & (b)
73. Remuneration to labour may be based on \_\_\_\_\_
- (a) Time spent
  - (b) Output produced
  - (c) Combination of time spent and output produced
  - (d) Any of the above
74. In which of the following case bonus of efficient worker and less efficient worker will be same under Rowan Plan?
- (a) If time taken by efficient worker is equal to time saved by less efficient worker.
  - (b) If time taken by less efficient worker is equal to time saved by efficient worker.
  - (c) Both (a) & (b)
  - (d) Either (a) or (b)

75. Group system of wage payment is applied when \_\_\_\_\_
- (a) Different jobs or operations are performed by same worker
  - (b) Different workers have equal efficiency
  - (c) Jobs or operations are required to be done by a number of workers.
  - (d) Any of the above
76. Labour turnover refers to \_\_\_\_\_
- (a) The rate of change in production during a specified period of time.
  - (b) The rate of change in the composition of labour force of a concern during a specified period of time.
  - (c) Ratio which is calculated to turnover achieved by workers for a given period of time.
  - (d) Any of the above
77. Labour turnover may arise due to \_\_\_\_\_
- (a) No liking for job
  - (b) Unsuitably of job
  - (c) Dissatisfaction with job
  - (d) All of the above
78. 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
79. Which of the following cost is associated with labour turnover?
- (a) Preventive Cost
  - (b) Replacement Cost
  - (c) Idle time cost
  - (d) Both (a) & (b)
80. Which of the following provide guaranteed time wages to the worker?
- (a) Emersion's Plan
  - (b) Time Rate System
  - (c) Halsey Plan
  - (d) All of the above
81. Standard time of a job is 60 hours and guaranteed time rate is ₹ 0.30 per hour. What is the amount of wages under Rowan plan if job is completed in 48 hours?
- (a) ₹ 16.20
  - (b) ₹ 17.28
  - (c) ₹ 18.00
  - (d) ₹ 14.40
82. Labour turnover \_\_\_\_\_
- (a) Increases the labour productivity and increases costs
  - (b) Reduces the labour productivity and reduces costs.
  - (c) Increases the labour productivity and reduces costs.
  - (d) Reduces the labour productivity and increases costs.
83. Which of the following is unavoidable cause of labour turnover?
- (a) Discharge due to prolonged illness
  - (b) Criminal prosecution
  - (c) Marriage/pregnancy in the case of female workers

- (d) All of the above
84. The input-output ratio in case of labour means the ratio of \_\_\_\_\_
- (a) The value of output to the wages paid
  - (b) Standard time of the production to the actual time paid for
  - (c) Abnormal idle time to normal idle time
  - (d) Number of workers employed to the sanctioned strength
85. Job specification is \_\_\_\_\_
- (a) The list of operations to be performed for completing the concerned job
  - (b) The requirement in terms of goods to be produced or work to be done
  - (c) The list of qualities and qualifications which the employees concerned should have to do the job well.
  - (d) The name of the employees who will be assigned to a job.
86. Direct labour means \_\_\_\_\_
- (a) Labour completing the work manually
  - (b) Labour which is recruited directly and not through contractors
  - (c) Permanent labour in the production department
  - (d) Labour which can be conveniently associated with a particular cost unit.
87. Time and motion study is essential for \_\_\_\_\_
- (a) A rational promotion policy
  - (b) Completing a job on time
  - (c) Determining the standard-time and correct method of completing a task
  - (d) Determining prices of products
88. For reducing the labour cost per unit, which of the following factors is the most important?
- (a) Low wage rates
  - (b) Higher input-output ratio
  - (c) Strict control and supervision
  - (d) Longer hours of work
89. Which of the following statements are true?
- (a) Productivity of workers can be improved only if they are supervised closely.
  - (b) It is no use paying higher wages to labour because they would spend their money on drinking and smoking.
  - (c) A well satisfied team of workers can raise productivity to a large extent
  - (d) None of the above
90. In which of the following situation "Earnings" under the both methods i.e. Halsey Plan and Rowan Plan will be the same?
- (a) When, Time Taken = Time Saved
  - (b) When, Time Saved = Zero
  - (c) When, Time Allowed = Time Taken
  - (d) All of the above
91. Which of the following department is involved in control of labour cost?
- (a) Personnel Department
  - (b) Time-keeping Department
  - (c) Payroll Department
  - (d) All of the above

92. \_\_\_\_\_ is inherent in any work situation and cannot be eliminated.
- (a) Normal idle time (b) Abnormal idle time  
(c) Concealed idle time (d) All of the above
93. Normal rate per hour = ₹ 100, Expected output = 25 units per hour, Actual production in 8-hour day = 180 units. Earning under piece rate system = ?
- (a) ₹ 800 (b) ₹ 45  
(c) ₹ 745 (d) ₹ 720
94. Weekly working hours = 48 hours,  
Hourly wages rate = ₹ 7.5,  
Piece rate unit = ₹ 3,  
Normal time per piece = 24 minutes,  
Normal output per week = 120 pieces  
Actual output for the = 150 pieces  
Earning under Halsey Premium scheme (50% sharing) = ?
- (a) ₹ 405 (b) ₹ 540  
(c) ₹ 450 (d) ₹ 562.50
95. A worker produced 200 units in a week's time. The guaranteed weekly wage payment for 45 hours is ₹ 81. The expected time to produce one unit is 15 minutes which is raised further by 20% under the incentive scheme. What will be the earnings per hour of that worker under Halsey (50% sharing) bonus scheme?
- (a) ₹ 2.1 per hour (b) ₹ 2.00 per hour  
(c) ₹ 2.50 per hour (d) ₹ 2.25 per hour
96. 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
97. Calculate the earnings of a worker under Halsey Plan from the following particulars:  
Hourly rate of wages guaranteed 0.50 paise per hour.  
Standard time for producing one dozen articles - 3 hours.  
Actual time taken by the worker to produce 20 dozen articles - 48 hours.
- (a) ₹ 30.00 (b) ₹ 28.80  
(c) ₹ 27.00 (d) ₹ 29.20
98. Calculate the earnings of a worker under Rowan Plan from the following particulars:  
Hourly rate of wages guaranteed 0.50 paise per hour.  
Standard time for producing one dozen articles - 3 hours.  
Actual time taken by the worker to produce 20 dozen articles - 48 hours.
- (a) ₹ 30.00 (b) ₹ 28.80  
(c) ₹ 27.00 (d) ₹ 29.20

99. 2 hours allowed to a worker to produce 5 units and wages has been paid @ ₹ 25 per hour. In a 48 hours week the worker produced 170 units.  
Earning as per Halsey 5096 system =?
- (a) 1,450 (b) 1,553  
(c) 1,940 (d) 1,428.29
100. Out of the following methods attendance is marked by recognizing an employee based on physical and behavioural traits-
- (a) Punch Card Attendance method (b) Bio- Metric Attendance system  
(c) Attendance Register method (d) Token Method
101. Weekly working hours = 48 hours,  
Hourly wages rate = ₹ 7.5,  
Piece rate unit = ₹ 3,  
Normal time per piece = 24 minutes,  
Normal output per week = 120 pieces  
Actual output for the = 150 pieces  
Earning under piece rate system =?
- (a) ₹ 405 (b) ₹ 540  
(c) ₹ 450 (d) ₹ 562.50
102. A worker is allowed 60 hours to complete the job on a guaranteed wages of ₹ 10 per hour. Under the Rowan Plan, he gets an hourly wages of ₹ 12 per hour. For the same saving in time, how much he will get under the Halsey Plan per hour?
- (a) ₹ 48 (b) ₹ 540  
(c) ₹ 11.25 (d) ₹ 20
103. If overtime is required for meeting urgent orders, the overtime premium should be charged as-
- (a) Respective job (b) Overhead cost  
(c) Costing P& L A/c (d) None of above
104. 2 hours allowed to a worker to produce 5 units and wages has been paid @ ₹ 25 per hour. In a 48 hours week the worker produced 170 units.  
Earning as per Rowan system = ?
- (a) 1,450 (b) 1,553  
(c) 1,940 (d) 1,428.29
105. A, B, & C in a particular day had produced 200, 250 and 300 pieces respectively of a Product P. The time allowed for production of 25 units of P is 1 hour and the hourly rate of wages payment is ₹ 8. Calculate for each of these three workers the effective earning per hour under Halsey Premium Bonus (50% sharing) Method of Labour Remuneration.
- (a) ₹ 8, ₹ 9.6, ₹ 10.67 (b) ₹ 64, Rs. 72, ₹ 80  
(c) ₹ 64, ₹ 76.80, ₹ 85.83 (d) ₹ 8, Rs. 9, ₹ 10



106. Standard production per month per worker = 1,000 units, Actual production = 850 units, Piece work rate is ₹ 50 per unit, Additional production bonus is ₹ 1,000 for each percentage of actual production exceeding 80% of standard. Dearness allowance: ₹ 1,000 per month. Earnings =?
- (a) ₹ 48,500 (b) ₹ 47,500  
(c) ₹ 42,500 (d) ₹ 50,000
107. A worker under the Halsey Plan of remuneration has a day rate of ₹ 1,200 per week of 48 hours, plus a cost of living bonus of ₹ 10 per hour worked. He is given an 8 hour task to perform, which he accomplishes in 6 hours. He is allowed 30% of the time saved as premium bonus. What would be his total earnings?
- (a) ₹ 247.50 (b) ₹ 225.00  
(c) ₹ 230.25 (d) ₹ 247.76
108. A worker produced 200 units in a week's time. The guaranteed weekly wage payment for 45 hours is ₹ 81. The expected time to produce one unit is 15 minutes which is raised further by 20% under the incentive scheme. What will be the earnings of that worker under Rowan bonus schemes?
- (a) ₹ 104.50 (b) ₹ 101.25  
(c) ₹ 94.50 (d) ₹ 110.25
109. A worker is allowed 10 hours to complete a job on daily wages. He takes 6 hours to complete the job under a scheme of payment by result. His day rate is ₹ 6 per hour and piece rate is ₹ 36. The material cost of the products is ₹ 40 and the overheads are charged at 150% of the total direct wages. Calculate the factory cost of the product if wages are paid to the worker as per piece work plan.
- (a) ₹ 166 (b) ₹ 160  
(c) ₹ 130 (d) ₹ 36
110. Actual production on particular day = 120 units, time allowed for 10 units of is 1 hour and hourly rate is ₹ 4. Earning under piece rate system =?
- (a) ₹ 32 (b) ₹ 40  
(c) ₹ 48 (d) ₹ 45
111. The cost accountant of Akash Ltd. has computed labour turnover rates for the quarter ended 31<sup>st</sup> March, 2014 as 20%, 10% and 6% respectively under 'flux method', 'replacement method' and 'separation method'. If the number of workers replaced during that quarter is 80, find the number of workers who left and discharged –
- (a) 48 (b) 112  
(c) 80 (d) 800
112. In a factory where piece work system is followed with guaranteed minimum wages of ₹ 120 for eight hours, incentive payments are made according to Rowan bonus scheme. The standard time per unit is 10 minutes. If in a five day week of 40 working hours the actual production is 300 units, what will be the total earning of the worker -
- (a) ₹ 640 (b) ₹ 720  
(c) ₹ 750 (d) ₹ 800

113. A worker who does not work in the factory premises, but works from his home or at site of the factory is called -
- (a) Temporary worker (b) Out worker  
(c) Contractual worker (d) Casual worker
114. Which of the following is not a method used for time booking -
- (a) Daily time sheets (b) Weekly time sheets  
(c) Job cards (d) Pay roll
115. What will be the treatment of overtime premium in cost accounting, if it is due to circumstances beyond control-
- (a) Charged to general overheads  
(b) Charged to the job directly  
(c) Charged to the concerned department  
(d) Charged to costing profit and loss account
116. Which of the following is not an objective of time-booking -
- (a) Apportionment of overheads again jobs  
(b) Preparation of payrolls  
(c) Ascertaining idle time for the purpose of control  
(d) Calculation of labour cost of jobs done
117. A worker is allowed 2 hours to produce 5 units of a product. Wages are paid to the worker @ ₹ 20 per hour in a 48 hours week, the worker produced 150 units. The earnings of the worker as per rowan plan will be-
- (a) ₹ 1,940 (b) ₹ 1,450  
(c) ₹ 1,553 (d) ₹ 1,152
118. The rate of change of labour force in an organization during a specified period is called-
- (a) Labour efficiency (b) Labour turnover  
(c) Labour productivity (d) Labour planning
119. Two workmen 'X' and 'Y' produce the same product using the same material. 'X' is paid bonus according to halsey plan, while 'y' is paid bonus according to Rowan plan. The time allowed to manufacture the product is 100 hours. 'X' takes 60 hours and 'Y' takes 80 hours to complete the product. the normal hourly rate of wages of workman 'X' is ₹ 24 per hour. The total earnings of both the workmen are same. The normal hourly rate of wages of workman 'y' will be -
- (a) ₹ 25 per hour (b) ₹ 30 per hour  
(c) ₹ 20 per hour (d) ₹ 22.5 per hour
120. No. of workers on the payroll:  
At the beginning of the month: 600  
At the end of the month: 700  
During the month, 5 workers left, 20 workers were discharged and 75 workers were recruited. Of these, 10 workers were recruited in the vacancies of those leaving while the rest were engaged for an expansion scheme. The labour turnover rate according to replacement method will be -

- (a) 1.54% (b) 6%
- (c) 3% (d) 1.82%
121. Normal idle time is-
- (a) Treated as part of cost of production
- (b) Not included as a part of cost of production
- (c) Charged to costing profit and loss account
- (d) Separately shown in financial statements
122. Wage rate: ₹ 1.50 per hour  
 Time allowed for job: 20 hours  
 Time taken: 15 hours  
 The total earnings of the worker under Halsey plan is -
- (a) ₹ 26.25 (b) ₹ 26.55
- (c) ₹ 27.25 (d) ₹ 27.55
123. A worker completes a job in certain number of hours. The standard time allowed for the job is 10 hours and the hourly rate of wages is ₹ 10 the worker earns a bonus of ₹ 2 at 50% rate under Halsey plan. his total wages under the rowan premium plan is -
- (a) ₹ 8.30 (b) ₹ 8.20
- (c) ₹ 8.50 (d) ₹ 8.40

**ANSWERS**

1.	(d)	2.	(c)	3.	(b)	4.	(d)	5.	(c)	6.	(d)	7.	(d)
8.	(c)	9.	(a)	10.	(d)	11.	(d)	12.	(d)	13.	(b)	14.	(c)
15.	(d)	16.	(d)	17.	(a)	18.	(b)	19.	(b)	20.	(d)	21.	(d)
22.	(c)	23.	(a)	24.	(d)	25.	(b)	26.	(b)	27.	(a)	28.	(d)
29.	(c)	30.	(c)	31.	(b)	32.	(d)	33.	(d)	34.	(c)	35.	(b)
36.	(d)	37.	(b)	38.	(a)	39.	(d)	40.	(d)	41.	(c)	42.	(c)
43.	(d)	44.	(b)	45.	(a)	46.	(a)	47.	(c)	48.	(b)	49.	(a)
50.	(c)	51.	(d)	52.	(c)	53.	(c)	54.	(d)	55.	(a)	56.	(c)
57.	(a)	58.	(c)	59.	(d)	60.	(c)	61.	(c)	62.	(d)	63.	(c)
64.	(c)	65.	(d)	66.	(a)	67.	(a)	68.	(d)	69.	(d)	70.	(d)
71.	(a)	72.	(b)	73.	(d)	74.	(b)	75.	(c)	76.	(b)	77.	(d)
78.	(a)	79.	(d)	80.	(d)	81.	(b)	82.	(b)	83.	(d)	84.	(b)
85.	(a)	86.	(d)	87.	(c)	88.	(b)	89.	(c)	90.	(d)	91.	(d)
92.	(a)	93.	(d)	94.	(a)	95.	(a)	96.	(d)	97.	(c)	98.	(b)
99.	(a)	100.	(b)	101.	(c)	102.	(c)	103.	(a)	104.	(b)	105.	(d)
106.	(a)	107.	(b)	108.	(b)	109.	(c)	110.	(c)	111.	(a)	112.	(b)
113.	(b)	114.	(d)	115.	(d)	116.	(a)	117.	(d)	118.	(b)	119.	(c)
120.	(a)	121.	(a)	122.	(a)	123.	(d)						

# 4

# OVERHEADS

1. Overhead refers to .....
  - (a) Direct or prime cost
  - (b) All indirect costs
  - (c) Only factory indirect costs
  - (d) Only indirect expenses
2. Allotment of whole item of cost to a cost centre or cost unit is known as \_\_\_\_\_.
  - (a) Cost Apportionment
  - (b) Cost Allocation
  - (c) Cost Absorption
  - (d) Machine hour rate
3. Which of the following is not a method of cost absorption?
  - (a) Percentage of direct material cost
  - (b) Machine hour rate method
  - (c) Labour hour rate method
  - (d) Repeated distribution method
4. Service departments costs should be allocated to \_\_\_\_\_.
  - (a) Only service departments
  - (b) Only production departments
  - (c) Both production and service departments
  - (d) None of the production and service departments
5. Most suitable basis for apportioning insurance of machine would be .....
  - (a) Floor Area
  - (b) Value of Machines
  - (c) No. of Workers
  - (d) No. of Machines
6. 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 overhead rates are calculated for each production department, service department etc.
  - (d) Always a machine hour rate
7. In element-wise classification of overheads, which one of the following is not included?
  - (a) Fixed overheads
  - (b) Indirect labour
  - (c) Indirect materials
  - (d) Indirect expenditure
8. Overhead cost covers \_\_\_\_\_.
  - (a) Indirect Materials
  - (b) Indirect Labour
  - (c) Indirect Expenses
  - (d) All of the above
9. Which of the following statement is correct in relation to the term "Overheads"?
  - (a) Overheads are attributable or traceable to particular job, process, service, cost unit or cost centre and hence treated as traceable costs.
  - (b) Overheads cannot be allocated to any specific job, process because they are not capable of being identified with specific job or process.

- (c) Overheads forms part of prime cost.
- (d) All of the above
10. If an item of overhead expenditure is charged specifically to a single department this would be an example of
- (a) Apportionment (b) Allocation
- (c) Re-apportionment (d) Absorption
11. Which of the following is not a production cause of idle capacity?
- (a) Set-up and change-over time (b) Lack of supervision and instruction
- (c) Lack of materials and tools (d) Strike
12. \_\_\_\_\_ are attributable or traceable to particular job, process, service, cost unit or cost centre.
- (a) Overheads (b) Direct expenses
- (c) Fixed costs (d) All of the above
13. \_\_\_\_\_ is the process of identifying production overhead expenses with different cost centres. It is done by means of allocation and apportionment of overheads among various departments.
- (a) Absorption of overheads (b) Apportionment of overheads
- (c) Allocation of overheads (d) Departmentalization of overheads
14. In which of the following "Line of best fit" is drawn to find out "variable overheads and "fixed overheads" out of "Semi-variable Overheads?"
- (a) Graphical Presentation Method (b) Analytical Method
- (c) High & Low Point Method (d) Least Square Method
15. Which of the following is not a means whereby factory overheads can be charged out to production?
- (a) Direct labour rate (b) Overtime rate
- (c) Machine hour rate (d) Blanket rate
16. Idle Capacity =
- (a) Capacity Utilized (-) Practical Capacity
- (b) Practical Capacity (x) Capacity Utilized
- (c) Capacity Utilized (-:-) Practical Capacity
- (d) Practical Capacity (-) Capacity Utilized
17. Which of the following is correct treatment for "bad debts" in cost accounts?
- (a) A part of default amount is treated as bad debts is recovered as selling overhead and absorbed in product cost.
- (b) Bad debt forms part of the prime cost the product
- (c) If the bad debt is abnormal in nature, the abnormal portion in excess of the standard normal portion should be excluded from cost accounts and transferred to costing profit and loss Account.
- (d) (a) or (c)
18. An overhead absorption rate is used to:
- (a) Share out common costs over benefiting cost centres

- (b) Find the total overheads for a cost centre
- (c) Charge overheads to products
- (d) Control overheads
19. Cost of basic research (if it is a continuous activity)
- (a) Be charged to the revenues of the concern
- (b) Be spread over a number of years
- (c) Should be treated as a manufacturing overhead of the period during which it has been incurred
- (d) (b) or (c)
20. The methods 'of treating cost of small tools cost accounts include:
- (a) Charging to expense (b) Charging to stores
- (c) Capitalizing in a small tools account (d) All of the above
21. The process of 'allocation' and 'apportionment' of various costs to various department or cost centres is known as of overheads.
- (a) Secondary distribution (b) Preliminary distribution
- (c) Primary distribution (d) Equitable distribution
22. Under or over-absorption due to abnormal factors \_\_\_\_\_
- (a) Charged to Costing P & L A/c
- (b) Charged to production using supplementary overhead rate
- (c) Charged to product cost
- (d) Separately shown in the cost sheet
23. The arrangement of various items of overhead costs in logical groups having regard to the nature is known as
- (a) Absorption of overheads (b) Apportionment of overheads
- (c) Allocation of overheads (d) Classification of overheads
24. Maximum capacity of a plant refers to its: \_\_\_\_\_
- (a) Theoretical capacity (b) Normal capacity
- (c) Practical capacity (d) Capacity based on sales expectancy
25. \_\_\_\_\_ implies the allotment of whole items of cost to cost centres or cost units whether it may be production cost centres or service cost centres.
- (a) Apportionment (b) Allocation
- (c) Absorption (d) Classification
26. Which of the following is "Reciprocal Service Method" for redistributing the service department cost to production departments?
- (a) Direct Distribution Method (b) Step Method
- (c) Trial & Error Method (d) All of the above
27. The process of distribution of overheads allotted to a particular department or cost centre over the units produced is called \_\_\_\_\_
- (a) Allocation (b) Apportionment
- (c) Absorption (d) Departmentalization

28. Which of the following cannot be used as a base for the determination of overhead absorption rate?
- (a) Number of units produced (b) Prime cost  
(c) Conversion cost (d) Discount Allowed
29. Secondary packing expenses are:
- (a) Part of prime cost  
(b) Part of production overheads  
(c) Part of distribution overheads  
(d) Written-off to costing profit and loss account
30. If overheads are classified by "element wise" then which of the following classification is correct?
- (a) Production overhead, Administrative overheads, Selling overheads, Distribution overhead, Research & development overhead  
(b) Variable overhead, Fixed overhead, Semi-variable overhead  
(c) Indirect materials, Indirect labour, Indirect expenses  
(d) None of the above
31. In which of the following method cost of one service departments is redistributed to production departments only and no apportionment is made to other service departments?
- (a) Step Method (b) Reciprocal Service Method  
(c) Direct Distribution Method (d) None of the above
32. The basic research cost should be treated as
- (a) Product cost (b) Production cost  
(c) Production overhead (d) Period cost
33. Which of the following is NOT method of overhead absorption?
- (a) Comparison by period or level of activity method  
(b) Job rate method  
(c) Blanket overhead rate method  
(d) Multiple overhead rate method
34. The process of redistribution of service departments cost to production departments is called \_\_\_\_\_ of overheads.
- (a) Secondary distribution (b) Preliminary distribution  
(c) Absorption (d) Apportionment
35. The capacity which is based on the long-term average of sales expectancy is known as :
- (a) Theoretical capacity (b) Operating capacity  
(c) Normal capacity (d) Derated capacity
36. Regular maintenance expenses are
- (a) Capitalized  
(b) Part of manufacturing overheads  
(c) Written-off to costing profit and loss account  
(d) Part of prime cost

37. \_\_\_\_\_ refers to the distribution of over-heads cost among various cost centres on an equitable basis.
- (a) Apportionment (b) Allocation  
(c) Absorption (d) Classification
38. CIMA defines \_\_\_\_\_ as "the process of absorbing all overhead costs, allocated or apportioned over a particular cost centre or production department by the unit produced."
- (a) Allocation and apportionment of overheads  
(b) Distribution of overheads  
(c) Departmentalization of overheads  
(d) Absorption of overheads
39. Under or over-absorption due to normal factors \_\_\_\_\_
- (a) Charged to Costing P & L A/c  
(b) Charged to production using supplementary overhead rate  
(c) Charged to financial accounts  
(d) Separately shown in Costing P & L A/c
40. Which of the following base is generally NOT adopted for the absorption of administrative overhead rate?
- (a) Factory Cost (b) Conversion Cost  
(c) Gross Profit (d) Direct Material
41. Cost of unsuccessful research \_\_\_\_\_
- (a) Is treated as factory overhead, provided the expenditure is abnormal and is not provided in the budget.  
(b) If it is not budgeted, it is written off to the profit and loss account.  
(c) (a) or (b)  
(d) The treatment of is same as that applied research.
42. Which of the following method is NOT applied for segregation of semi-variable expense in to fixed and variable?
- (a) High & Low Point Method (b) Least Square Method  
(c) Maximum Absorption Method (d) Graphical Presentation Method
43. Which of the following method can be adopted for "small tools" in cost accounting?
- (a) Capitalization Method (b) Revaluation Method  
(c) Write-off Method (d) Any of the above
44. Cost of primary packing necessary for protecting the product or for convenient handling, should \_\_\_\_\_
- (a) Become a part of the prime cost  
(b) Become a part of the factory overheads  
(c) Charged to costing profit and loss account using supplementary overhead rate.  
(d) Treated as selling and distribution overheads
45. \_\_\_\_\_ consist of items of expense which will not vary with output but remains constant.
- (a) Fixed overhead (b) Variable overhead  
(c) Production overheads (d) All of the above



46. Interest on own capital is a \_\_\_\_\_
- (a) Cash cost (b) Notional cost  
(c) Sunk cost (d) Part of prime cost
47. Which of the following can be used for the treatment of under or over absorption of overheads?
- (a) Supplementary Rate (b) Writing-off to Costing P & L A/c  
(c) Carrying of Overheads to next period (d) Any of the above depending on the situation
48. Percentage of direct labour cost method of overhead absorption is suitable \_\_\_\_\_
- (a) Where labour are paid under Halsey and Rowan system of wage payment  
(b) Where labour works on machines and both labour cost and machine cost are major part of total cost.  
(c) Where cost of labour is not major part of total cost.  
(d) Where labour cost is an important part of total unit cost.
49. If a company uses predetermined overhead recovery rates and at the end of a period finds that there has been an under-recovery of overhead, which of the following best explains how the under-recovery has occurred?
- (a) Actual overhead cost has exceeded the amount used as a basis for the establishment of the predetermined rate.  
(b) Actual overhead cost has been less than the amount used as a basis for the establishment of the predetermined rate.  
(c) Actual activity levels were higher than planned due to an increase in demand.  
(d) An expected price increase in the overhead costs which was built into the overhead recovery rate did not take place.
50. A Blanket Rate is: .....
- (a) A single rate which used throughout the organization departments  
(b) A double rates which used throughout the organization departments  
(c) A single rates which used in different departments of the organization  
(d) None of the given options
51. Which of the following is NOT method of overhead absorption?
- (a) Rate per unit of production method (b) Machine hour rate method  
(c) Direct labour hour rate method (d) Analytical Method
52. Depreciation on plant and machinery is \_\_\_\_\_
- (a) Not a cash cost, so is ignored in the cost accounts  
(b) Part of manufacturing overheads  
(c) Part of prime cost  
(d) Always calculated using the straight-line method
53. Which of the following is correct treatment of "applied research" in cost accounts?
- (a) Should be treated as a manufacturing overhead of the period during which it has been incurred and absorbed.  
(b) Directly charged to the product

- (c) Amortized by charging to the Costing P & L A/c  
(d) (a) or (b)
54. If actual overheads are less than predetermined overheads then it is case of \_\_\_\_\_  
(a) Under Absorption (b) Over Absorption  
(c) Low Absorption (d) None of the above
55. Idle capacity of a plant is defined as the difference between:  
(a) Practical capacity and normal capacity  
(b) Practical capacity and capacity based on sale expectancy  
(c) Maximum capacity and actual capacity based  
(d) Maximum capacity and practical capacity
56. Which of the following base can be adopt for calculation of absorption of administrative overhead rate?  
(a) Gross Profit (b) Total Sales  
(c) Conversion Cost (d) Any of the above
57. \_\_\_\_\_ refers to the use of one single or general overhead rate for the whole factory  
(a) Labour hour overhead rate (b) Machine hour rate  
(c) Blanket overhead rate (d) Blank overhead rate
58. Which of the following product cost is included in prime cost and conversion cost?  
(a) Direct labour (b) Manufacturing overhead  
(c) Direct material (d) Work-in-process
59. Which of the following is extensively used as a base while calculating administrative overhead absorption rate?  
(a) Factory Cost (b) Factory Overheads  
(c) Conversion Cost (d) Prime Cost
60. Which of the following statements regarding graphs of fixed and variable costs is true?  
(a) Variable costs can be represented by a straight line where costs are the same for each data point.  
(b) Fixed costs can be represented by a straight line starting at the origin and containing through each data point.  
(c) Fixed costs are zero when production is equal to zero.  
(d) Variable costs are zero when production is equal to zero.
61. \_\_\_\_\_ is used in mechanized production environment where machine time is vital and limiting factor.  
(a) Labour Hour Rate (b) Machine Hour Rate  
(c) Conversion Cost Rate (d) All of the above
62. If actual overheads are more than predetermined overheads then it is case of \_\_\_\_\_  
(a) Over Absorption (b) Under Absorption  
(c) (a) or (b) (d) (a) & (b)
63. \_\_\_\_\_ are those which vary in direct proportion to the volume of output.  
(a) Fixed overheads (b) Semi-fixed overheads  
(c) Semi-variable overheads (d) Variable overheads

64. While making primary distribution "Insurance" will be apportioned to production departments in the ratio of
- (a) No. of Employees (b) Book Value of Machinery  
 (c) Area in Square Meters (d) No. of Light Points
65. While making primary distribution "Indirect material and indirect wages" is allocated to
- (a) Production departments  
 (b) Service departments  
 (c) Production as well as service departments  
 (d) Not allocated to production or service department but forms part of prime cost of the product being manufactured.

66. The following data relate to two activity levels of production:

No. of units	4,500	5,750
Overheads (₹)	2,69,750	2,89,125

Fixed overheads are ₹ 2,00,000 per period. The variable cost per unit =?

- (a) ₹ 15.50 (b) ₹ 44.44  
 (c) ₹ 59.94 (d) None of the above
67. If you know that with 8 units of output, average fixed cost is ₹ 12.50 and average variable cost is ₹ 81.25, then total cost at this output level is:
- (a) ₹ 93.75 (b) ₹ 97.78  
 (c) ₹ 750 (d) ₹ 880
68. The following data are made available by the company for the year ended 31.3.2015:

	₹
Manufacturing overheads	32,72,000
Manufacturing overheads applied	32,00,000
Work-in-progress	5,00,000
Finished goods	15,00,000
Cost of goods sold	2,20,00,000

Supplementary Rate =?

- (a) 0.03 (b) 0.003  
 (c) 0.33 (d) 0.033
69. Following data has been extracted from the records of manufacturing company:

Machine Hours	8,00,000	3,00,000
Manufacturing Overhead	52,00,000	32,00,000

Total manufacturing overhead for an activity level of 5,00,000 machine hours = ?

- (a) 32,00,000 (b) 52,00,000  
 (c) 40,00,000 (d) 45,00,000

70. A management consultancy recovers overheads on chargeable consulting hours Budgeted overheads were ₹ 6,15,000 and actual consulting hours were 32,150 Overheads, were under-recovered by ₹ 35,000. If actual overheads, were ₹ 6,94,075, what was the budgeted overhead absorption rate per hour?
- (a) ₹ 19.13 (b) ₹ 20.50  
(c) ₹ 21.59 (d) ₹ 22.68
71. In which of the following method overhead absorption rate calculated after secondary distribution will be same?
- (a) Direct distribution method, step method, trial & error method  
(b) Step method, repeated distribution method, direct distribution method  
(c) Simultaneous equation method, trial & error method, repeated distribution method  
(d) None of the above
72. The following data are made available by the company for the year ended 31.3.2015:
- Administrative overheads = ₹ 1,58,342  
Production overheads = ₹ 3,48,482  
Factory cost = ₹ 10,57,736  
Work-in-progress = ₹ 25,487  
Machine hour = 4,188 hours  
Absorption rate for absorption of production overhead =?
- (a) ₹ 121.02 per hour (b) ₹ 252.36 per hour  
(c) ₹ 373.58 per hour (d) ₹ 83.21 per hour
73. Primary distribution cost of XYZ Ltd. for the year is as follows:
- Production Departments:*  
Department P<sub>1</sub> - ₹ 13,873  
Department P<sub>2</sub> - ₹ 16,029  
Department P<sub>3</sub> - ₹ 14,659
- Service Departments:*  
Department S<sub>1</sub> - ₹ 42,994  
Department S<sub>2</sub> - ₹ 28,795
- Costs of the service departments apportioned to the production departments on following basis:  
Department S<sub>1</sub> 5:3:4  
Department S<sub>2</sub> 100:125:85
- Overheads after secondary distribution for departments P<sub>1</sub>, P<sub>2</sub> & P<sub>3</sub> as per direct distribution method =?
- (a) ₹ 39,728, ₹ 40,585, ₹ 36,038 (b) ₹ 41,076, ₹ 38,389, ₹ 36,885  
(c) ₹ 32,174, ₹ 42,682, ₹ 41,494 (d) ₹ 39,728, ₹ 40,585, ₹ 36,038

74. Primary distribution cost of XYZ Ltd. for the year is as follows:

X - ₹ 8,00,000, Y - ₹ 7,00,000, Z - ₹ 5,00,000.

The expenses for BH are ₹ 2,34,000 and PR are ₹ 3,00,000 which are apportioned to the production department on following basis:

	X	Y	Z	BH	PR
BH	20%	40%	30%	-	10%
PR	40%	20%	20%	20%	-

Overheads of departments X, Y & Z?

(a) ₹ 3,30,000, ₹ 3,00,000 & ₹ 6,56,000

(b) ₹ 3,30,000, ₹ 3,00,000 & ₹ 6,56,000

(c) ₹ 9,92,000, ₹ 8,86,000, ₹ 6,56,000

(d) ₹ 6,56,000, ₹ 8,86,000, ₹ 9,92,000

75. Determine the total costs of a product whose material costs and labour costs are ₹ 250 and 150 and which would consume 4 hours, 5 hours and 3 hours in department A, B & C. Overhead absorption rate is:

A - 7.50, B - 11.25 & C - 15

(a) ₹ 400.25

(b) ₹ 531.25

(c) ₹ 500.31

(d) ₹ 513.25

76. The monthly budget of a department is as under:

Direct material	:	₹ 45,000
Direct wages	:	₹ 60,000
Overheads	:	₹ 90,000
Direct labour hours	:	Hours 15,000
Machine hours	:	Hours 30,000

Find out the overhead recovery rate based percentage of prime cost.

(a) 85.71%

(b) 150%

(c) 200%

(d) 71.85%

77. Total cost are: A = ₹ 5,00,000, B = ₹ 60,000, C = 7,00,000.

Provisions of services output (in hours of services):

Users of services	Providers of service		
	A	B	C
A			
B	500		
C	500	500	
X	4,000	3,500	4,500
Y	5,000	4,000	1,500
	10,000	8,000	6,000

Cost of X & Y after secondary distribution (Direct method) = ?

- (a) X = 9,61,890 & Y = 6,98,110  
 (b) X = 9,78,673 & Y = 6,81,328  
 (c) X = 9,78,673 & Y = 6,98,110  
 (d) X = 9,61,890 & Y = 6,81,328

78. Total cost are: A = ₹ 5,00,000, B = ₹ 4,60,000, C = 7,00,000.

Provisions of services output (in hours of services):

Users of services	Providers of service		
	A	B	C
A			
B	500		
C	500	500	
X	4,000	3,500	4,500
Y	5,000	4,000	1,500
	10,000	8,000	6,000

Cost of A & B after secondary distribution (Step method) = ?

- (a) A = 9,61,890 & B = 6,98,110                      (b) A = 9,78,673 & B = 6,81,328  
 (c) A = 9,78,673 & B = 6,98,110                      (d) A = 9,61,890 & B = 6,81,328

79. Company has following FOR detail:

Particulars	Budgeted	Actual
Production fixed overheads (₹)	36,000	39,000
Production variable overheads (₹)	9,000	12,000
Direct labour hours	18,000	20,000



86. Which of the following method not used to account for the under-absorption and over-absorption of overheads -
- (a) Carrying forward of overheads
  - (b) Use of supplementary rates
  - (c) Writing off to costing profit and loss account
  - (d) Writing off to profit and loss account
87. The rate used in addition to the original rate of ascertaining the profit for adjusting the under or over absorption is known as-
- (a) Pre-determined rate
  - (b) Supplementary overheads rate
  - (c) Blanket rate
  - (d) Multiple overheads rate
88. Computation of overheads absorption rate should be based on -
- (a) Maximum capacity
  - (b) Normal capacity
  - (c) Practical capacity
  - (d) Idle capacity
89. The following data is available for Akhil Ltd. for the year ended 31<sup>st</sup> March 2015:
- Administrative overheads: ₹ 2,50,000  
Production overheads: ₹ 2,74,200  
Factory cost: ₹ 3,42,800  
Work-in- progress: ₹ 74,000  
Machine hour: 4,000 hours
- The absorption rate for production over-heads is-
- (a) ₹ 68.55
  - (b) ₹ 216.75
  - (c) ₹ 235.25
  - (d) ₹ 198.25
90. The budgeted fixed overheads amounted to ₹ 75,000. The budgeted and Actual production amounted to 15,000 units and 20,000 units respectively. This means that there will be an -
- (a) Under-absorption of ₹ 25,000
  - (b) Under-absorption of ₹ 18,750
  - (c) Over-absorption of ₹ 25,000
  - (d) Over-absorption of ₹ 18,750
91. Which of the following methods is used to account for the under-absorption and over-absorption of overheads -
- (a) Use of supplementary rates
  - (b) Carrying forward of overheads
  - (c) Writing-off to costing profit and loss account
  - (d) All of the above



92. The following data relates to two activity levels of production:

	Level I	Level II
No. of units	4,000	5,500
Overheads (₹)	2,80,000	3,50,000

Variable cost per unit would be -

- (a) ₹ 46.67 (b) ₹ 133.33  
(c) ₹ 70 (d) ₹ 64

93. A product "whose direct material costs and direct labour costs are ₹ 200 and ₹ 100 would consume 3 hours, 4 hours and 5 hours in department A, B & C respectively. Overheads absorption rate is - A: ₹ 4.5 per hour, B: ₹ 5 per hour and C: ₹ 10.5 per hour. The total cost of the product is -

- (a) ₹ 486 (b) ₹ 386  
(c) ₹ 214 (d) ₹ 500

94. Given below are the costing records of a factory:

Cost of machine	₹ 1,00,000
Scrap value	₹ 5,000
Freight & installation charges	₹ 5,000
Repairs & maintenance cost	₹ 1,000 per month
Wages of operator	₹ 5,000 per month
Estimated life	10 years

Factory operates 2,000 hours per year.

Power: 10 units per hour @ 50 paise per unit.

The machine hour rate will be -

- (a) ₹ 27 per hour (b) ₹ 10.5 per hour  
(c) ₹ 56 per hour (d) ₹ 46 per hour

95. Which of the following is not a method of segregating semi-variable costs into fixed and variable costs

- (a) Least squares method (b) High and low points method  
(c) Standard cost method (d) Comparison by level of activity method

96. The following particulars relate to production department of a factory:

Material used : ₹ 20,000

Direct labour : ₹ 10,000

Overheads : ₹ 7,500

On an order carried out in the department, material consumed was ₹ 4,000 and direct wages paid amounted to ₹ 2,000. The amount of overheads chargeable to this order on the basis of prime cost would be -

- (a) ₹ 1,500 (b) ₹ 1,510  
(c) ₹ 1,700 (d) ₹ 1,710

97. You are given the following information:

- (i) Total number of workers working in a department: 500  
(ii) Working days in a year: 300  
(iii) Number of hours worked in a day: 8  
(iv) Total departmental overheads: ₹ 68,400  
(v) Idle time @ 5% of days hours to be deducted from total number of days hours.

Direct labour hour rate will be -

- (a) 7 paise per labour hour (b) 6 paise per labour hour  
(c) 8 paise per labour hour (d) 9 paise per labour hour

98. Which method of absorption of factory overheads would you suggest in a concern which produces only one uniform item of product -

- (a) Percentage of direct wage basis (b) Direct labour hour rate  
(c) Machine-hour rate (d) Rate per unit output

99. Statement-I:

Departmentalization of items of costs is known as primary distribution.

Statement-II:

Redistribution of service department's costs is known as secondary distribution.

Choose the correct option -

- (a) Statement-I is true but Statement-II is false  
(b) Both statements are true  
(c) Statement-I is false but Statement-II is true  
(d) Both statements are false

100. When allocating service department costs to production departments, which one of the following is not a method of re-distribution -

- (a) Floor area based distribution (b) Direct distribution  
(c) Repeated distribution (d) Trial and error method of distribution



# 5

## ACTIVITY BASED COSTING (ABC)

1. Activity based costing: \_\_\_\_\_
  - (a) Uses a plant wide overhead rate to assign overhead
  - (b) Is not expensive to implement
  - (c) Typically applies overhead costs using direct labour hours
  - (d) Uses multiple activity rates
2. Consider the following statements regarding traditional costing systems:
  - A. Overhead costs are applied to products on the basis of volume related measures.
  - B. All manufacturing costs are easily traceable to the goods produced.
  - C. Traditional costing systems tend to distort unit manufacturing costs when numerous goods are made that have widely varying production requirements.
  - (a) A only
  - (b) B only
  - (c) A & C only
  - (d) A & B only
3. The following tasks are associated with an activity-based costing system:
  - (1) Calculation of cost application rates
  - (2) Identification of cost drivers
  - (3) Assignment of cost to products
  - (4) Identification of cost poolsWhich of the following choices correctly expresses the proper order of the preceding tasks?
  - (a) (1), (2), (3), (3)
  - (b) (4), (2), (1), (3)
  - (c) (4), (2), (3), (1)
  - (d) (2), (4), (1), (3)
4. \_\_\_\_\_ an item for which cost measurement is required e.g. product, job or a customer.
  - (a) Cost Pool
  - (b) Cost Driver
  - (c) Cost Absorption
  - (d) Cost Object
5. In an ABC system, the allocation bases that are used for applying costs to services or procedures are called
  - (a) Cost Pool
  - (b) Cost Driver
  - (c) Cost Absorption
  - (d) Cost Object
6. Costs that are caused by a group of things being made, handled or processed at a single time are referred to as
  - (a) Unit Level Cost
  - (b) Batch Level Cost
  - (c) Product Level Cost
  - (d) Facility Level Cost
7. Cost of maintaining a building is \_\_\_\_\_
  - (a) Unit Level Cost
  - (b) Batch Level Cost
  - (c) Product Level Cost
  - (d) Facility Level Cost

8. \_\_\_\_\_ should be subtracted from net product revenues instead of an arbitrary and illogical apportionment.
- (a) Facility Level Cost (b) Product Level Cost  
(c) Organizational Level Cost (d) High Level Cost
9. In traditional absorption costing system which of the following type activities are identified?
- A. Unit Level Activities  
B. Batch Level Activities  
C. Product Level Activities  
D. Facility Level Activities
- (a) A & B (b) B & C  
(c) B & D (d) A & D
10. Which of the following tasks is not normally associated with an activity-based costing system? (a) Calculation of cost application rates (b) Identification of cost pools  
(c) Preparation of allocation matrices (d) Identification of cost drivers
11. Which of the following is not a broad, cost classification category typically used in activity based costing?
- (a) Facility Level (b) Product Level  
(c) Organizational Level (d) Management Level
12. In an activity-based costing system, direct materials used would typically be classified as a \_\_\_\_\_
- (a) Unit Level Cost (b) Batch Level Costs  
(c) Product Level Cost (d) Facility Level Cost
13. Which of the following is least likely to be classified as a batch level activity in an activity based costing system?
- (a) Quality assurance (b) Receiving and inspection  
(c) Property taxes (d) Production setup
14. GODREJ, an appliance manufacturer, is developing a new line of ovens that uses controlled-laser technology. The research and testing costs associated with the new ovens is \_\_\_\_\_ said to arise from a: \_\_\_\_\_
- (a) Unit Level Activity (b) Competitive Level Activity  
(c) Facility Level Activity (d) Product Sustaining Activity
15. Consider the following statements regarding product sustaining activities:
- A. They must be done for each batch of product that is made.  
B. They must be done for each unit of product that is made.  
C. They are needed to support an entire product line.
- Which of the above statements is/are true?
- (a) A & B only (b) B only  
(c) C only (d) A & C only

16. Which of the following is the proper sequence of events in an activity based costing system?
- (a) Identification of cost drivers, identification of cost pools, calculation of cost application rates, assignment of cost to products.
  - (b) Identification of cost pools, identification of cost drivers, calculation of cost application rates, assignment of cost to products
  - (c) Assignment of cost to products, identification of cost pools, identification of cost drivers, calculation of cost application rates
  - (d) Calculation of cost application rates, identification of cost drivers, identification of cost pools, assignment of cost to products.
17. The salaries of a manufacturing plant's management are said to arise from: \_\_\_\_\_
- (a) Unit Level Activities
  - (b) Batch Level Activities
  - (c) Product Sustaining Activities
  - (d) Facility Level Activities
18. The division of activities into unit level, batch level, product sustaining level, and facility level categories is commonly known as a
- (a) Cost Object
  - (b) Cost Application Method
  - (c) Cost Hierarchy
  - (d) Cost Estimation Method
19. Basic types of cost pool allocations include:
- (a) Allocation of costs to segments, products, and services
  - (b) Determining inputs for CVP models
  - (c) Establishing cash flows for capital budgeting analyses
  - (d) Reallocation of costs among service departments
20. The main difference(s) between how traditional costing and activity based costing treat indirect manufacturing costs is/are that \_\_\_\_\_
- (a) Traditional costing uses only production volume based drivers while activity based costing uses only non-production volume based drivers.
  - (b) Traditional costing treats only unit level costs as variable, while ABC systems treat unit level, batch level and product level costs as variable.
  - (c) Traditional cost allocations are usually based on a plant wide overhead rate, while ABC systems use departmental overhead rates.
  - (d) (b) & (c)
21. Activity based cost systems would probably provide the greatest benefits for organizations that use \_\_\_\_\_
- (a) Job order costing
  - (b) Process costing
  - (c) Standard costing
  - (d) Historical costing
22. Under a traditional costing system, which of the following costs would likely be classified as indirect with respect to the various products manufactured?
- (a) Plant maintenance
  - (b) Factory supplies
  - (c) Machinery depreciation
  - (d) All of the above

23. PK Ltd. is changing from a traditional costing system to an activity based system. As a result of this action, which of the following costs would likely change from indirect to direct?
- (a) Direct materials, factory supplies
  - (b) Production setup, finished-goods inspection & direct materials
  - (c) Production setup, finished goods inspection and product shipping
  - (d) All of the above
24. Of the following organizations, activity based costing can be used by \_\_\_\_\_
- (a) Manufactures
  - (b) Financial services firms
  - (c) Book publishers
  - (d) All of the above
25. Which of the following statements about activity based costing is false?
- (a) Activity based costing cannot be used by service businesses.
  - (b) In comparison with traditional costing systems, activity based costing tends to use more cost pools and more cost drivers.
  - (c) In comparison with traditional costing systems, activity based costing results in less cost averaging of various diversified activities.
  - (d) In comparison with traditional costing systems, activity based costing results in more cost being classified as direct costs.
26. Review cost of commercial loan applications is \_\_\_\_\_ cost.
- (a) Unit level
  - (b) Facility level
  - (c) Batch level
  - (d) Product sustaining
27. All of the following are examples of product-level activities except: \_\_\_\_\_
- (a) Human resources management
  - (b) Advertising a product
  - (c) Testing a prototype of a new product
  - (d) Parts administration
28. All of the following are examples of batch level activities except: \_\_\_\_\_
- (a) Purchase order processing
  - (b) Setting up equipment
  - (c) The clerical activity association with processing purchase orders to produce an order for a standard product
  - (d) Worker recreational facilities
29. Which of the following statement is/ are true?
- (a) An activity based costing system is generally easier to implement and maintain than a traditional costing system.
  - (b) One of the goals of activity based management is the elimination of waste by allocating costs to products that waste by allocating costs to products that waste resources.
  - (c) Activity based costing uses a number of activity cost pools, each of which is allocated to products on the basis of direct labor-hours.
  - (d) Activity rates in activity based costing are computed by dividing cost from the first stage allocations by the activity measure for each activity cost pool.

30. Activity based costing systems \_\_\_\_\_
- (a) Use a single, volume-based cost driver.
  - (b) Assign overhead to products based on the products' relative usage of direct labour.
  - (c) Often reveal products that were under or over costing by traditional costing systems.
  - (d) Typically use fewer cost drivers than more traditional costing systems.
31. Which of the following activities is NOT a batch level activity?
- (a) Processing purchase orders
  - (b) Designing products
  - (c) Receive raw materials from suppliers
  - (d) Setting up equipment
32. Which of the following characteristics would be an indicator that a company would benefit from switching to activity based costing?
- (a) Only one homogenous product is produced on a continuous basis
  - (b) The existing cost system is reliable and have produced excellent results
  - (c) Overhead costs are high and increasing and no one seems to know why
  - (d) The costs of implementing ABC out-weights the benefits
33. Which of the following is a limitation of activity based costing?
- (a) Costs are accumulated by each major activity
  - (b) A variety of activity measures are used
  - (c) All costs in an activity cost pool pertain to a single activity
  - (d) Activity based costing relies on the assumption that the cost in each cost pool is strictly proportional to its cost measure
34. Which costing system will trace the most costs as direct costs?
- (a) Job Order Costing
  - (b) Process Costing
  - (c) Activity Based Costing
  - (d) Absorption Costing
35. Providing the power required to run production equipment is an example of a:
- (a) Facility level activity
  - (b) Batch level activity
  - (c) Unit level activity
  - (d) Product level activity
36. All of the following are part of activity based cost system hierarchy except for \_\_\_\_\_
- (a) Input costs
  - (b) Batch level costs
  - (c) Product sustaining costs
  - (d) Facility sustaining cost
37. Activity based costing has which benefit over traditional cost analysis for services firms \_\_\_\_\_
- (a) Identifies high cost/low value activities
  - (b) Pinpoints differences in the costs of serving different customers
  - (c) Provides an overall assessment of average overhead costs
  - (d) Focuses on margins for the delivery of services by volume



38. Which one of the following statements is true about activity based costing and traditional costing system.
- In the activity based costing, as in traditional costing systems, non-manufacturing costs are not assigned to products.
  - When there are batch level or product level costs, in comparison to a traditional cost system, an activity based costing system ordinarily will shift costs from high volume to low volume products.
  - ABC is typically used as a replacement for a company's traditional costing system.
  - The first-stage allocation in activity based costing is the process by which overhead costs are assigned to products before they are assigned to customers.
39. Which of the following is NOT a limitation of activity based costing?
- Maintaining an activity based costing system is more costly than maintaining a traditional direct labour based costing system.
  - Changing from a traditional direct labour based costing system changes product margins and other key performance indicators used by managers. Such changes are often resisted by managers.
  - In practice, most managers insist on fully allocating all costs to products, customers, and other costing objects in an activity based costing system. This results in overstated costs.
  - More accurate product costs may result in increasing the selling prices of some products.
40. What does manufacturing overhead cost consist of?
- All manufacturing costs
  - All manufacturing costs, EXCEPT direct materials and direct labour.
  - Indirect materials but NOT indirect labour
  - Indirect labour but NOT indirect materials
41. ZPA Ltd. customer service department follows up on customer complaints by telephone inquiry. During a recent period, the department initiated 7,000 calls and incurred costs of ₹ 2,03,000. If 2,940 of these calls were for the company's wholesale operation (the remainder were for the retail division), cost allocated to the retail division should amount to: \_\_\_\_\_
- ₹ 85,260
  - ₹ 1,17,740
  - ₹ 2,03,000
  - Nil

**Use the following information to answer next 4 questions**

ABC Ltd. uses activity based costing to determine product costs for external financial reports. ABC Ltd. has provided the following data:

Activity Cost Pools	Overhead Cost
Machine related (machine hours)	₹ 1,37,600
Batch se-up (set-ups)	₹ 5,32,800
General factory	₹ 1,05,300

Activity Cost Pools	Total	<i>Expected</i>	<i>Activity</i>
		<i>Product</i>	<i>Product</i>
Machine related	8,000	1,000	7,000
Batch set-up	8,000	3,000	5,000
General factory	9,000	7,000	2,000

42. The activity rate for the batch set-up activity cost pool is closet to: \_\_\_\_\_
- (a) 66.60 (b) 106.60  
(c) 97.00 (d) 177.60
43. The activity rate for the Machine related activity cost pool is closet to: \_\_\_\_\_
- (a) ₹ 66.60 (b) ₹ 106.60  
(c) ₹ 97.00 (d) ₹ 17.20
44. The total amount of overhead cost allocated to Product X would be: \_\_\_\_\_
- (a) ₹ 4,76,800 (b) Rs.2,98,900  
(c) ₹ 2,91,000 (d) Rs.3,87,850
45. The total amount of overhead cost allocated to Product Y would be:
- (a) ₹ 2,98,900 (b) ₹ 5,33,000  
(c) ₹ 4,76,800 (d) ₹ 2,91,000
46. A Company uses activity based costing to compute product costs for external reports. The company has three activity cost pools and applies overhead using pre-determined overhead rates for each activity cost pool. Estimated costs and activities are presented below for the three activity cost pools:

	<b>Overhead Cost</b>	<b>Expected Activity</b>
Activity 1	21,753	900
Activity 2	23,475	2,500
Activity 3	38,519	1,300

The amount of overhead for Activity 3 if current activity was 1,340: \_\_\_\_\_

- (a) ₹ 38,519.00 (b) ₹ 39,704.20  
(c) ₹ 38,564.00 (d) ₹ 23,876.80

**Use the following information to answer next 2 questions.**

Company Y estimated that it will incur a total overhead cost of ₹ 6,00,000. It considers implementing activity based costing. Three cost pools and respective activity measures have been identified:

	<b>Overhead Cost</b>
Machine related	₹ 2,00,000
Production orders	₹ 1,00,000
Product testing	₹ 3,00,000

Company Y produces two products.

	<b>Product 1</b>	<b>Product 2</b>
Machine hours	40,000	10,000
Orders	800	200
Tests	6,000	9,000
Direct labour hours	25,000	15,000

The company currently uses traditional costing and allocates overhead based on direct labour hours.

47. How much overhead is assigned to Product 1 using traditional costing?
- (a) ₹ 3,75,000 (b) ₹ 3,00,000  
(c) ₹ 3,25,000 (d) ₹ 2,25,000
48. How much overhead would be assigned to Product 1 if activity based costing is used?
- (a) ₹ 3,00,000 (b) ₹ 1,73,000  
(c) ₹ 4,20,000 (d) ₹ 3,60,000
49. Company X uses activity-based costing for its two products: Product B & D. One of the activity cost pools is parts administration. The total estimated overhead cost for that pool was ₹ 5,50,000 and the expected activity was 2,000 part types. If Product D requires 1,200 part types, the amount of overhead allocated to it would be:
- (a) ₹ 2,75,000 (b) ₹ 3,00,000  
(c) ₹ 3,30,000 (d) ₹ 3,45,000
50. One of company A's cost pools is parts administration. The expected overhead cost for that cost pool was ₹ 3,80,000 and the expected activity was 5,000 part types. The actual overhead cost for the cost pool was ₹ 4,20,000 at an actual activity of 6,000 part types. The activity rate used to assign costs for that cost pool was:
- (a) ₹ 63 per part type (b) ₹ 76 per part type  
(c) ₹ 70 per part type (d) ₹ 84 per part type

**Use the following information to answer next 9 questions.**

Hi- Tech Products manufactures 3 types of DVD players: Economy, Standard & Deluxe.

The company, which uses activity based costing, has identified 5 activities and related cost drivers.

Each activity, its budgeted cost and related cost driver is identified below.

Activity	Cost	Cost Driver
Material handling	2,25,000	Number of parts
Material insertion	24,75,000	Number of parts
Automated machinery	8,40,000	Machine hours
Finishing	1,70,000	Direct labour hours
Packaging	1,70,000	Orders shipped

The following information pertains to each product line of DVD players for next year:

	Economy	Standard	Deluxe
Units to be produced	10,000	5,000	2,000
Orders to be shipped	1,000	500	200
No. of parts per unit	10	15	25
Machine hours per unit	1	3	5
Labour hours per unit	2	2	2

51. What is Hi-Tech's cost application rate for the material-handling activity?
- (a) ₹ 1.00 per part (b) ₹ 2.25 per part  
(c) ₹ 1.25 per part (d) ₹ 13.23 per part
52. What is Hi-Tech's cost application rate for the automated machinery activity?
- (a) ₹ 24.00 per machine hour (b) ₹ 24.50 per labour hour  
(c) ₹ 49.42 per unit (d) ₹ 50.00 per machine hour
53. What is Hi-Tech's cost application rate for the finishing activity?
- (a) Rs. 5.00 per labour hour (b) Rs. 5.00 per machine hour  
(c) Rs. 5.00 per unit (d) Rs. 7.50 per unit
54. What is Hi-Tech's cost application rate for the packaging activity?
- (a) Rs. 4.86 per machine hour (b) Rs. 5.00 per labour hour  
(c) Rs. 10.00 per unit (d) Rs. 100.00 per order shipped
55. Under an activity based costing system, what is the per unit cost of Economy?
- (a) Rs. 141 (b) Rs.164  
(c) Rs.225 (d) Rs.228
56. Under an activity based costing system, what is the per unit cost of Standard?
- (a) Rs. 164 (b) Rs.228  
(c) Rs.272 (d) Rs.282
57. Under an activity based costing system, is the per-unit cost of Deluxe?
- (a) Rs.272 (b) Rs.282  
(c) Rs.320 (d) Rs.440
58. Assume that Hi-Tech is using a volume based costing system, and the preceding manufacturing costs are applied to products based on direct labour hours. How much of the preceding cost is assigned Deluxe?
- (a) Rs.4,56,471 (b) Rs.6,46,471  
(c) Rs.9,61,176 (d) Rs.11,41,176
59. Assume that Hi-Tech is using a volume based costing system and the preceding manufacturing costs are applied to all products based on direct labour hours. How much of the preceding cost is assigned to Standard?
- (a) ₹ 4,56,471 (b) ₹ 6,46,471  
(c) ₹ 9,61,176 (d) ₹ 11,41,176

**ANSWERS**

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

# 6

# COST SHEET

1. Generally, for the purpose of cost sheet preparation, costs are classified on the basis of: **[ICAI Module]**
  - (a) Functions
  - (b) Variability
  - (c) Relevance
  - (d) Nature
2. Which of the following does not form part of prime cost: **[ICAI Module]**
  - (a) Cost of packing
  - (b) Cost of transportation paid to bring materials to factory
  - (c) GST paid on raw materials (Input credit cannot be claimed)
  - (d) Overtime premium paid to workers.
3. A Ltd. received an order, for which it purchased a special frame for manufacturing, it is a part of: **[ICAI Module]**
  - (a) Direct Materials
  - (b) Direct Expenses
  - (c) Factory Overheads
  - (d) Administration Overheads.
4. Audit fees paid to auditors is part of: **[ICAI Module]**
  - (a) Administration Cost
  - (b) Production Cost
  - (c) Selling and distribution Cost
  - (d) Not shown in Cost Sheet.
5. Depreciation of director's laptop is treated as a part of: **[ICAI Module]**
  - (a) Administration Overheads
  - (b) Factory Overheads
  - (c) Direct Expenses
  - (d) Research and Development Cost.
6. Salary paid to plant supervisor is a part of: **[ICAI Module]**
  - (a) Direct Expenses
  - (b) Factory Overheads
  - (c) Quality Control Cost
  - (d) Administration Cost.
7. Which of the following items is not excluded while preparing a Cost Sheet?
  - (a) Goodwill written off
  - (b) Provision for taxation
  - (c) Property tax on Factory building
  - (d) Transfer to Reserve.
  - (e) Interest paid.
8. A manufacture has set-up a lab for testing of products for compliance with standards, salary of this lab staffs are part of: **[ICAI Module]**
  - (a) Works Overheads
  - (b) Quality Control Cost
  - (c) Direct Expenses
  - (d) Research and Development Cost.
9. The total cost incurred in the operation of a business undertaking other than the cost production is known as:
  - (a) Direct Cost
  - (b) Variable Cost
  - (c) Commercial Cost
  - (d) Conversion Cost.

10. Salary paid to factory store staff is part of: [ICAI Module]
- (a) Factory Overheads (b) Production Cost  
(c) Direct Employee Cost (d) Direct Material Cost.
11. Canteen Expenses for factory workers are part of: [ICAI Module]
- (a) Factory Overheads (b) Administration Cost  
(c) Marketing Cost (d) None of the above.
12. A Company pays Royalty to State Government on the basis of Production, it is treated as: [ICAI Module]
- (a) Direct Material Cost (b) Factory Overheads  
(c) Direct Expenses (d) Administration Cost.
13. Which of the following items is not included in preparation of Cost Sheet?
- (a) Carriage inward (b) Purchase returns  
(c) Sales commission (d) Amount transfer to Sinking Fund.
14. Which of the following are direct expenses?
- (a) The cost of special designs, drawings or layouts  
(b) The hire of tools or equipment for a particular job  
(c) Salesman's wages  
(d) Rent, rates and insurance of a factory
- (a) (a) and (b) (b) (a) and (c)  
(c) (a) and (d) (d) (c) and (d)
15. Which of the following is not an element of works overheads?
- (a) Sales manager's salary (b) Plant manager's salary  
(c) Factory repairman's wages (d) Product inspector's salary.
16. Direct material and direct labour cost of Job no. 10 are ₹ 7,600 and ₹ 5,500 respectively. Overheads are charged @ 60% of direct labour. If the profit is included @ 20% of the price charged to customer, then calculate the Selling price of job no. 10.
- (a) ₹ 20,500 (b) ₹ 24,500 (c) ₹ 18,500 (d) ₹ 19,500.
17. Director's remuneration and expenses form a part of:
- (a) Production Overhead (b) Administration Overhead  
(c) Selling Overhead (d) Distribution Overhead
18. The Works Cost plus Administration Expenses:
- (a) Total Cost (b) Cost of Production  
(c) Cost of Sales (d) Factory Cost.
19. Prime cost = ₹ 12,50,000; Works Cost = ₹ 20,00,000 and Office overheads are 30% of Works overheads. What is the Cost of Production?
- (a) ₹ 22,40,000 (b) ₹ 22,35,000  
(c) ₹ 22,25,000 (d) ₹ 22,65,000.

20. The following is included in financial accounts, but not in cost accounts:
- (a) Carriage and freight (b) Excise duty  
(c) Royalty (d) Dividend paid.
21. Calculate the Cost of goods sold from the following information.  
Cost of 9,000 units produced ₹ 9,00,000, Opening Stock of Finished goods 3,000 units @ ₹ 120 per unit. Closing Stock of Finished Goods 4,000 units, FIFO Method is used.
- (a) ₹ 8,10,000 (b) ₹ 8,60,000 (c) ₹ 8,00,000 (d) ₹ 8,40,000.
22. Works cost is ₹ 3,80,000 and cost of production is ₹ 4,10,000. Office and administration overheads are 20% of works overheads. What would be amount of Prime Cost? Assume no Stock adjustments.
- (a) ₹ 2,40,000 (b) ₹ 2,50,000 (c) ₹ 2,30,000 (d) ₹ 2,20,000.
23. Calculate the Cost of goods sold from the following information.  
Cost of 9,000 units produced ₹ 9,00,000, Opening Stock of Finished goods 3,000 units @ ₹ 120 per unit. Closing Stock of Finished Goods 4,000 units, LIFO Method is used.
- (a) ₹ 8,10,000 (b) ₹ 8,20,000 (c) ₹ 8,00,000 (d) ₹ 8,40,000.
24. Calculate the number of units produced from the following information:  
Sales ₹ 15,00,000, Opening Stock valued at ₹ 3,60,000 @ ₹ 120 per unit, Closing Stock 20% less than the Opening Stock, Selling Price ₹ 200 per unit.
- (a) 5,900 units (b) 6,900 units (c) 4,900 units (d) 7900 units.
25. Calculate the Prime Cost from the following information.  
Direct Material Cost ₹ 45,000, Direct Labour Cost 33-1/3% of Direct Material Cost, Direct Expenses 20% of Direct Material Cost and Direct Labour Cost.
- (a) ₹ 74,000 (b) ₹ 72,000 (c) ₹ 76,000 (d) ₹ 71,000.
26. Direct Labour Cost ₹ 60,000, Direct Materials Cost 75% of Direct Material Cost and Direct Labour Cost. Calculate the Cost of Raw-material consumed.
- (a) ₹ 1,70,000 (b) ₹ 1,60,000 (c) ₹ 1,80,000 (d) ₹ 1,50,000.
27. Advertisements are treated as:
- (a) Direct expenses (b) Cost of production  
(c) Selling Overheads (d) Distribution Overheads.
28. Indirect material cost is a part of:
- (a) Prime Cost (b) Factory Overheads  
(c) Chargeable expenses (d) None of the above.
29. Calculate Sales Value from the following information.  
Production 15,000 units, Closing Stock of Finished Goods 8,000 units, Opening Stock 3,000 units, Cost of Sales @ ₹ 15 per unit, Profit @ 25% on sales.
- (a) ₹ 4,00,000 (b) ₹ 2,00,000 (c) ₹ 2,20,000 (d) ₹ 3,40,000.
30. How to calculate the cost per unit to find the value of the closing stock of finished goods?
- (a) Cost per unit = Cost of production/unit produced  
(b) Cost per unit = Cost of production/unit sold  
(c) Cost per unit = Cost of goods sold/unit produced



- (d) Cost per unit = Cost of sales/unit produced.
31. Which of the following items is excluded from Cost Accounting?
- (a) Income tax (b) Interest on debentures  
(c) Cash discount (d) All of these.
32. Which of the following items is not included in preparation of Cost Sheet?
- (a) Carriage inwards (b) Purchase returns  
(c) Sales commission (d) None of the above.
33. Calculate the Cost of goods sold from the following information.  
Cost of 9,000 units produced ₹ 9,00,000, Opening Stock of Finished goods 3,000 units @ ₹ 120 per unit. Closing Stock of Finished Goods 4,000 units, Weighted Average Method is used.
- (a) ₹ 8,10,000 (b) ₹ 8,60,000 (c) ₹ 8,00,000 (d) ₹ 8,40,000.
34. .... does not form part of Cost of Production:
- (a) Abnormal waste (b) Normal waste  
(c) Both (a) and (b) (d) None of these.
35. .... forms part of Cost of Production:
- (a) Abnormal waste (b) Normal waste  
(c) Both (a) and (b) (d) None of these.
36. Warehousing Cost is an item of .....
- (a) Office Overheads (b) Distribution Overheads  
(c) Material Cost (d) Works Overheads.
37. Such expenses which are included (even though they are not incurred) for taking managerial decisions are called .....
- (a) Notional expenses (b) Actual Expenses  
(c) Imputed (d) None of the above.
38. Which of the following is not Selling and Distribution Expenses:
- (a) Cost of Samples (b) Carriage Outward  
(c) Bad Debts (d) Primary Packing Material.
39. Which of the following is not included in Cost?
- (a) Consumable Stores (b) Dividend  
(c) Indirect Labour (d) Distribution Overheads.
40. Indirect material scrap is adjusted along with:
- (a) Prime Cost (b) Factory Cost  
(c) Labour Cost (d) Cost of Goods Sold.
41. Indirect Labour costs do not include:
- (a) Inspector's Wages (b) Assigned Workman's Wages  
(c) Watchman's Wages (d) Cleaner's Wages.
42. If an item of overhead expenditure is charged specifically to a single department this would be an example of:
- (a) Apportionment (b) Allocation (c) Re-apportionment (d) Absorption.

43. Which of the following costs is not a Factory Overhead Expenses?  
 (a) Indirect Wages  
 (b) Depreciation of Plant and Machinery  
 (c) Audit fees  
 (d) Machine maintenance Labour cost.
44. Departmentalization of Overheads is:  
 (a) Secondary distribution (b) Primary distribution  
 (c) Absorption (d) Allocation.
45. A Statement prepared to provide detailed cost of a cost centre or cost unit is:  
 (a) Cost Account (b) Cost Sheet  
 (c) Reconciliation Statement (d) Profit and Loss Account.
46. Material costs which cannot be allocated but which are to be apportioned or absorbed by cost centres or cost units:  
 (a) Direct Material  
 (b) Indirect Material  
 (c) Materials in Progress  
 (d) None of the above.

**ANSWERS**

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

# 7

# COST ACCOUNTING SYSTEM

1. Separate books of account are maintained for costing and financial accounting purposes under \_\_\_\_\_
  - (a) Inter locking system of accounting
  - (b) Integrated system of accounting
  - (c) Both (a) & (b)
  - (d) None of the above
2. Under integrated system of accounting, purchase of raw material is debited to
  - (a) Purchase Account
  - (b) Work-in-progress Control Account
  - (c) Stores Ledger Control Account
  - (d) None of the above
3. Under integrated system of accounting, issue of raw material is debited to which account
  - (a) Raw Material Control Account
  - (b) Work-in-progress Control Account
  - (c) Purchase Account
  - (d) None of the above
4. Notional costs
  - (a) May be included in inter locking accounts
  - (b) May be included in integrated accounts
  - (c) Cannot be included in Inter locking accounts
  - (d) None of the above
5. In a non-integrated system of accounting, the emphasis is on \_\_\_\_\_
  - (a) Personal Accounts
  - (b) Real Accounts
  - (c) Nominal Accounts
  - (d) All of the above
6. Which of the following accounts makes the cost ledger self balancing?
  - (a) Overhead Adjustment Account
  - (b) Costing P & L Account
  - (c) Cost Ledger Control Account
  - (d) None of the above
7. \_\_\_\_\_ ledger, an account is maintained for each job.
  - (a) Adjustment Account
  - (b) Cost Ledger Control Account
  - (c) Work-in-progress Control Account
  - (d) Purchase Account
8. Which of the following is principle ledger in cost accounts?
  - (a) General Ledger Control Account
  - (b) Costing Profit & Loss Account
  - (c) Factory Overhead Control Account
  - (d) All of the above
9. Closing balance in Costing Profit & Loss Account represents
  - (a) Costing Profit
  - (b) Costing Loss
  - (c) Both (a) & (b)
  - (d) Either (a) or (b)
10. Balance in Work-in-progress Control Account is transferred to
  - (a) Cost of Sales Account
  - (b) Factory Overhead Control Account
  - (c) Finished Goods Control Account
  - (d) Any of the above

11. When production overhead is over absorbed, then in Production Overhead Control A/c
- (a) There will be difference on debit side to Production Overhead Control A/c
  - (b) There will be difference on credit side to Production Overhead Control A/c
  - (c) Production Overhead Control A/c will get tally
  - (d) None of the above
12. Nominal Ledger Control A/c invariably has
- (a) Debit balance
  - (b) Credit balance
  - (c) No balance
  - (d) None of the above
13. Costing Profit & Loss A/c does not record
- (a) Sales value of the goods
  - (b) Balance of Production Overhead Control A/c
  - (c) Balance of Cost of Sales A/c
  - (d) Balance of Raw Material Control A/c
14. When stores are issued for maintenance ..... is debited and is credited.
- (a) WIP Control A/c, Store Ledger Control A/c
  - (b) Factory Overhead Control A/c, Store Ledger Control A/c
  - (c) Store Ledger Control A/c, Factory Overhead Control A/c
  - (d) Factory Overhead Control A/c, WIP Control A/c
15. Entries in Store Ledger Control A/c are made from
- (a) Goods Received Note
  - (b) Material Requisitions
  - (c) Material Received note
  - (d) Any of the above
16. If the finished product is transferred to stores, a credit entry is made in \_\_\_\_\_ and a corresponding debit entry is made in
- (a) Finished Goods Control A/c, Cost of Sales A/c
  - (b) WIP Control A/c, Finished Goods Control A/c
  - (c) Finished Goods Control A/c, WIP Control A/c
  - (d) Cost of Sales A/c, Finished Goods Control A/c
17. Which of the following statement is correct in relation to Cost Ledger Control Account?
- (a) This account is made to complete double entry.
  - (b) All items of expenditure are credited to this account.
  - (c) Balance in this account represents the net total of all the balances of the impersonal accounts.
  - (d) All of the above
18. Abnormal losses in material are \_\_\_\_\_
- (a) Credited to Costing Profit & Loss A/c
  - (b) Debited to Production Overhead Control A/c
  - (c) Credited to Store Ledger Control A/c
  - (d) Debited to Store Ledger Control A/c

19. Difference in Finished Goods Control Account represent \_\_\_\_\_
- (a) Total goods manufactured (b) Value of goods lying at hand  
(c) Value of cost of goods sold (d) None of the above
20. In Wages Control A/c, direct wages are transferred to \_\_\_\_\_
- (a) Prime Cost Control A/c (b) Factory Overhead Control A/c  
(c) WIP Control A/c (d) Finished Goods Control AI c
21. All indirect costs are debited to \_\_\_\_\_
- (a) Manufacturing Overhead Control A/c (b) WIP Control A/c  
(c) Finished Goods Control A/c (d) Costing Profit & Loss A/c
22. Administrative Overhead recovered \_\_\_\_\_
- (a) Charged directly to Costing Profit Loss A/c  
(b) Is credited to Administrative Overhead Control A/c  
(c) Is debited to Administrative Overhead Control A/c  
(d) Are not considered in Non-integrated account system
23. The difference between overheads incurred d recovered overhead is transferred usually to \_\_\_\_\_
- (a) Cost of Sales A/c (b) Finished Goods Control A/c  
(c) Manufacturing Overhead Control A/c (d) Overhead Adjustment A/c
24. The net profit or loss in Costing Profit & Loss A/c is transferred to
- (a) Capital A/c (b) Cost Ledger Control AI c  
(c) Both (a) & (b) (d) (a) or (b)
25. Overhead Adjustment A/c is to be debited for \_\_\_\_\_
- (a) Under-recovery of overhead (b) Over-recovery of overhead  
(c) Both (a) & (b) (d) (a) or (b)
26. Materials transferred between batches will not affect the Control Accounts.
- (a) False (b) True  
(c) Partly correct (d) None of the above
27. \_\_\_\_\_ is the name given to a system of accounting, whereby cost and financial accounts are kept in the same set of books.
- (a) Non-Integrated Accounts (b) Integrated Accounts  
(c) Inter-connected Accounts (d) Inter-Transfer Accounts
28. The main advantage of Integrated Accounts
- (a) The question of reconciling costing profit and financial profit does not arise, as there is one figure of profit only.  
(b) It is based on the concept of "Centralisation of Accounting function".  
(c) It save the time  
(d) All of the above
29. Which of the following do not find place in Integrated Accounts?
- (a) Debtors A/c (b) Cost Ledger Control A/c  
(c) Store Ledger Control A/c (d) Administrative Overhead Control A/c

30. Under integrated system of accounting, purchase of raw material is debited to which account?

- (a) Stores Ledger Control A/c
- (b) WIP Control A/c
- (c) Purchase A/c
- (d) None of the above

31. In an integrated accounting system the accounting entries for factory overhead absorbed would be:

- | Debit                 | Credit               |
|-----------------------|----------------------|
| (a) Wages Control A/c | Overhead Control A/c |
| (b) WIP Control A/c   | Overhead Control A/c |
| (c) Overhead Control  | Wages Control        |
| (d) Wages Control A/c | WIP Control A/c      |

32. In a period ₹ 50,000 was incurred on indirect labour. In a Cost Ledger, the double entry will be:

- | Debit                    | Credit               |
|--------------------------|----------------------|
| (a) Wages Control A/c    | Overhead Control A/c |
| (b) WIP Control A/c      | Overhead Control A/c |
| (c) Overhead Control A/c | Wages Control A/c    |
| (d) Wages Control A/c    | WIP Control A/c      |

33. Which of the following is special feature of non-integrated system of accounts?

- (a) It helps to give true and fair view of all the transaction and events entered by organization.
- (b) It is based on double account system
- (c) It has ability to deal with notional expenses like rent or interest on capital tied up in the stock.
- (d) All of the above

34. If purchases of ₹ 500 are made for special job and directly received for job from the supplier, then which of the following entry will be correct if accounts are maintained under Non-integrated system?

(a)	WIP Control A/c	Dr.	500	
	To Cost Ledger Control A/c			500
(b)	Store Ledger Control A/c	Dr.	500	
	To Cost Ledger Control A/c			500
(c)	Cost Ledger Control A/c	Dr.	500	
	To Store Ledger Control A/c			500
(d)	Cost Ledger Control A/c	Dr.	500	
	To WIP Control A/c			500

35. Material returned to vendor - ₹ 500. Which of the following entry is correct if accounts are maintained under Non-integrated system?

(a)	WIP Control A/c	Dr.	50	
	To Cost Ledger Control A/c			500
(b)	Store Ledger Control A/c	Dr.	50	
	To Cost Ledger Control A/c			500
(c)	Cost Ledger Control A/c	Dr.	50	
	To Store Ledger Control A/c			500
(d)	Cost Ledger Control A/c			
	To WIP Control A/c			500

36. If materials are transferred from one job to another job then which of the following entry is passed if books are kept under Non-integrated Accounting System?

(a) WIP Control A/c To Store Ledger Control A/c	Dr.
(b) Store Ledger Control A/c To Cost Ledger Control A/c	Dr.
(c) Cost Ledger Control A/c To Cost of Sales A/c	Dr.
(d) No entry is required to be passed	

37. For charging depreciation on fixed assets which of the following entry is passed if books are kept under Non-integrated Accounting System?

(a) Depreciation A/c To Fixed Assets A/c	Dr.
(b) Depreciation A/c To General Ledger Control A/c	Dr.
(c) General Ledger Control A/c To Production Overhead Control A/c	Dr.
(d) Production Overhead Control A/c To General Ledger Control A/c	Dr.

38. For return of materials from production to store which of the following entry is passed if books are kept under Non-integrated Accounting System?

(a) Raw Material Control A/ c To WIP Control A/ c	Dr.
(b) WIP Control A/ c To Raw Material Control A/c	Dr.
(c) Raw Material Control A/ c To General Ledger Control A/ c	Dr.
(d) General Ledger Control A/ c To Raw Material Control A/ c	Dr.

39. For return of raw material to creditors which of the following entry is passed if books are kept under Non-integrated Accounting System?

(a) Raw Material Control A/ c To WIP Control A/ c	Dr.
(b) WIP Control A/ c To Raw Material Control A/ c	Dr.
(c) Raw Material Control A/ c To General Ledger Control A/ c	Dr.
(d) General Ledger Control A/ c To Raw Material Control A/ c	Dr.

40. Shortage in stock which is abnormal in nature which of the following entry is passed if books are kept under Non-integrated Accounting System?

(a) Costing P & L A/c To Raw Material Control A/ c	Dr.
(b) Raw Material Control A/ c To Costing P&L A/ c	Dr.
(c) Costing P & L A/c To Cost Ledger Control A/ c	Dr.
(d) Cost Ledger Control A/ c To Costing P&L A/ c	Dr.

41. For sales during the year which of the following entry is passed if books are kept under Non-integrated Accounting System?

(a) Cash/Sundry Debtor A/c To Sales A/c	Dr.
(b) Cash/Sundry Debtor A/c To Profit & Loss A/c	Dr.
(c) Costing P & L A/c To Nominal Ledger Control A/ c	Dr.
(d) General Ledger Control A/c To Costing P & L A/c	Dr.

42. Material purchased directly issued to production". Which of the following entry is passed if books are kept under Integrated Accounting System?

(a) Raw Material Control A/ c To WIP Control A/ c	Dr.
(b) WIP Control A/ c To Cash/Sundry Creditor A/c	Dr.
(c) Raw Material Control A/c To Cash/Sundry Creditor A/c	Dr.
(d) Purchase A/c To Cash/Sundry Creditor A/c	Dr.

43. For return of raw material to creditors which of the following entry is passed if books are under Integrated Accounting System?

(a) Raw Material Control A/c To WIP Control A/c	Dr.
(b) Sundry Creditor A/c To Raw Material Control A/c	Dr.
(c) Raw Material Control A/c To Sundry Creditor A/c	Dr.



(d) General Ledger Control A/c To Raw Material Control A/c	Dr.
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44. For return of materials from production to store which of the following entry is passed if book are kept under Integrated Accounting System?

(a) Raw Material Control A/ c To WIP Control A/ c	Dr.
(b) WIP Control A/ c To Raw Material Control A/ c	Dr.
(c) Raw Material Control A/ c To General Ledger Control A/ c	Dr.
(d) General Ledger Control A/ c To Raw Material Control A/ c	Dr.

- 45.

Balance as on 1 <sup>st</sup> April 2013	1,240
Materials purchases	4,801
Materials issued to:	
- Jobs	4,774
- Maintenance works	412
- Administration offices	34
- Selling department	72

What will be the closing balance of material control account?

- (a) 749 (b) 794  
(c) 855 (d) 889

46. When is the following entry passed in non-integrated system -

Store ledger A/c.....Dr.

To General ledger adjustment A/c

- (a) Material purchased for a special job  
(b) Materials purchased  
(c) Materials returned from production department  
(d) Job completed

47. When is the following entry passed in non-integrated system -

Costing Profit and Loss A/c .....Dr.

To Overheads Suspense A/c

- (a) Under absorption of overheads which is not yet adjusted  
(b) Over absorption of overheads  
(c) Overheads incurred and accrued  
(d) Allocation of indirect labour



## 8

**JOB & BATCH COSTING**

1. The principal factors to be considered in designing a cost system include \_\_\_\_\_
  - (a) Manufacturing process
  - (b) Desire of management
  - (c) Nature of business
  - (d) All of the above
2. 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) Standard Costing
3. 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) In cost plus contracts, the contractor runs a risk of incurring a loss.
  - (d) Batch costing is a variant of jobs costing.
4. Which of the following statement is true?
  - (a) Process costing
  - (b) Job costing
  - (c) Contract costing
  - (d) Marginal costing
5. Which of the following statements is true?
  - (a) In job costing method, a cost sheet is prepared for each job.
  - (b) A production order is an order received from a customer for particular jobs.
  - (c) In contract costing, the contract which is complete up to one fourth of the total contract, one-fourth of the profits should be transferred to Profit & Loss Account.
  - (d) In contract costing profit of each contract is computed when the contract is completed.
6. In job costing which of the following documents are used to record the issue of direct material to a job
  - (a) Goods received note
  - (b) Material requisition
  - (c) Purchase order
  - (d) Purchase requisition
7. Which of the following statements is true?
  - (a) Job cost sheet may be prepared for facilitating routing and scheduling of the job
  - (b) Job costing can be suitably used for concerns producing uniformly any specific product
  - (c) Job costing cannot be used in companies using standard costing
  - (d) Neither (a) nor (b) nor (c)
8. Which of the following statements is false?
  - (a) In job costing a cost sheet is prepared for each job
  - (b) The concept of economic batch quantity is similar to economic order quantity
  - (c) In job costing the cost of each job is arrived at by dividing the total cost incurred by the number of jobs

- (d) Neither (a) nor (b) nor (c)
9. Which of the following defines prime cost?
- (a) Direct labour plus indirect materials and other indirect costs
  - (b) Indirect labour plus direct materials and other direct costs
  - (c) Direct labour plus factory overhead and other costs
  - (d) Direct labour plus direct materials and other direct costs
10. Which of the following defines production overhead cost?
- (a) Indirect materials, direct labour and other direct costs of production
  - (b) Indirect materials, indirect labour and other indirect costs of production
  - (c) Direct and indirect materials, direct and indirect labour, and other costs of production
  - (d) Direct materials, direct labour and other direct costs of production
11. Which of the following defines total product cost?
- (a) Indirect cost plus production overhead
  - (b) Prime cost plus production overhead
  - (c) Prime cost plus direct cost
  - (d) Direct costs plus indirect costs of production, selling & administration
12. The source documents for assigning costs to job cost sheets are:
- (a) Invoices, time tickets, and the predetermined overhead rate.
  - (b) Materials requisition slips, time tickets, and the actual overhead costs.
  - (c) Materials requisition slips, payroll register, and the predetermined overhead rate.
  - (d) Materials requisition slips, time tickets, and the predetermined overhead rate
13. Which of the following statements is/ are true?
- (a) Companies that produce many different products or services would use job-order costing systems.
  - (b) Job-order costing systems cannot be used by service firms.
  - (c) Costs are traced to departments and then allocated to units of product when job-order costing is used.
  - (d) All of the above.
14. To which of the following job costing method will be suitable?
- (a) Cruise ship builder
  - (b) Cornflakes factory
  - (c) Law firm
  - (d) Beverage bottling company
15. Which one of the following is an example of a direct cost in the manufacturing of a jar of peanut butter?
- (a) Supervisor salary
  - (b) Peanut butter
  - (c) Electricity
  - (d) Plant depreciation

16. Which one of the following costs would be an indirect cost in the manufacturing of a computer monitor?
- (a) Picture tube (b) Assemblers wages  
(c) Computer screen (d) Electricity
17. The job cost sheet:
- (a) Is useful only in process costing  
(b) Contains only direct costs such as direct materials and direct labour  
(c) Summarizes all costs charged to a particular job  
(d) Is discarded after production is completed on a particular job
18. Which of the following manufacturers is most likely to use a job order accounting system?
- (a) A brewery (b) A ship builder of oil tankers  
(c) An oil refinery (d) A sugar refinery
19. In a job order cost accounting system, which account would be debited in recording a materials requisition for direct materials?
- (a) Raw Materials Inventory (b) Factory Overhead  
(c) Raw Materials Purchases (d) Goods in Process Inventory
20. In a job order cost accounting system, which account would be debited in recording a purchase invoice for raw materials?
- (a) Raw Materials Inventory (b) Goods in Process Inventory  
(c) Factory Overhead (d) Finished Goods Inventory
21. Of the following manufacturing operations, which is best suited to the utilization of a job order system?
- (a) Helicopter manufacturing (b) Soft drink bottling operation  
(c) Crude oil refining (d) Plastic molding operation
22. Which of the following statements concerning job cost sheets is incorrect?
- (a) A job cost sheet would show the direct materials used on that specific job.  
(b) The total costs recorded on a job cost sheet should also be reflected in the Work in Process account in the general ledger.  
(c) The amount of overhead on a job cost sheet is the applied factory overhead rather than the actual factory overhead.  
(d) None of the above
23. Under normal circumstances the Work-in-Process account used in a job costing system:
- (a) Will include charges for direct labour, direct materials, and applied overhead.  
(b) Will include only charges for direct materials and applied overhead. The labour is charged to expense as incurred.  
(c) Will include charges for direct labour, direct materials, and actual overhead.  
(d) Will include only charges for direct labour and direct materials.

24. The Factory Overhead Account in a job costing system is credited for the:
- (a) Excess of applied overhead over actual overhead
  - (b) Actual overhead
  - (c) Applied overhead
  - (d) Indirect materials & indirect labour
25. Which of the following statements concerning job costing systems is incorrect?
- (a) Cost drivers are those items which cause actual overhead to exceed applied overhead.
  - (b) Job costing systems are appropriate to both manufacturing and service businesses.
  - (c) Traditionally, direct labour has been a very popular overhead application base.
  - (d) In a service business, indirect costs of providing a service are treated as overhead and applied in a manner similar to that for factory overhead.
26. Job costing is suitable for:
- (a) Firms manufacturing goods according to customers specific requirement
  - (b) Firms manufacturing small articles in large numbers
  - (c) Firms manufacturing goods for common use
  - (d) Firms manufacturing goods on continuous basis
27. Job costing may be used with marginal costing.
- (a) True
  - (b) False
  - (c) Partly true
  - (d) None of the above
28. In relation to job costing which of the following statement is false?
- (a) In job costing cost sheet is prepared for each job
  - (b) Batch costing is variation of job costing.
  - (c) Job costing is used only in small concerns.
  - (d) Contract costing is a variation of job costing.
29. Job costing is used for:
- (a) Mass production items
  - (b) Production according to customer specification
  - (c) Production of homogenous products in batches
  - (d) All of the above
30. Batch production costing is suitable for:
- (a) Mass production items
  - (b) Production of homogenous products in batches
  - (c) Production of articles in mass scale
  - (d) All of the above
31. Conversion cost is equal to the total of \_\_\_\_\_
- (a) Material cost and indirect wages
  - (b) Direct wages and factory overhead
  - (c) Material cost and factory overhead
  - (d) None of the above

32. \_\_\_\_\_ refers to the costing procedure, under which costs are accumulated and analyzed under different elements of cost and then cost per unit is ascertained by dividing the total cost by number of units produced.
- (a) Multiple costing (b) Unit costing  
(c) Operation costing (d) Operating costing
33. \_\_\_\_\_ is a document which provides for the assembly of the detailed cost of a cost centre or cost unit.
- (a) Material Requisition Note (b) Material Transfer Note  
(c) Store Ledger (d) Cost Sheet
34. While calculating "Raw Material Consumed" opening stock of raw material is \_\_\_\_\_
- (a) Added (b) Deducted  
(c) Multiplied (d) Divided
35. Which of the following items not included while preparing a cost sheet?
- (a) Cash discount (b) Goodwill written off  
(c) Dividend paid (d) All of the above
36. Unit costing is suitable for \_\_\_\_\_
- (a) Breweries (b) Chemical industries  
(c) Law firms (d) All of the above
37. In Job Order industries, the production
- (a) Is on continuous basis (b) Is not on continuous basis  
(c) Is carried out through various processes (d) None of the above
38. In job costing indirect material is treated as
- (a) Prime cost (b) Overheads  
(c) Administrative cost (d) Selling cost
39. In job costing a is used to record the time spent on each job, having a specified work order or job order number.
- (a) Job card (b) Job ticket  
(c) (a) or (b) (d) Neither (a) nor (b)
40. Which of the following cost is NOT required to calculate Economic Batch Costing (EBQ)?
- (a) Carrying cost per unit per annum (b) Annual consumption  
(c) Set up cost (d) Ordering cost
41. Concern using single or output costing produces basically \_\_\_\_\_
- (a) One product (b) Two or more grades of one product  
(c) (a) or (b) (d) None of the above
42. Which of the following term have been excluded from prime cost as per CIMA terminology?
- (a) Direct material (b) Direct labour  
(c) Direct expenses (d) None of the above

43. If the details of production statement are shown in the form of a ledger account, it is known as \_\_\_\_\_
- (a) Cost Sheet (b) Store Ledger  
(c) Production Account (d) Manufacturing Statement
44. In job costing every production order is assigned a number called the \_\_\_\_\_
- (a) Job number (b) Job order number  
(c) Work order number (d) Any of the above
45. Which of the following is considered while preparing cost sheet?
- (a) Income-tax paid (b) Loss on sale of a part of plant  
(c) Discount on sales (d) None of the above
46. In costing an account giving details of cost of production, cost of sales and profit made during a particular period is called \_\_\_\_\_
- (a) Cost Sheet (b) Income Statement  
(c) Production Account (d) Goods Produced Account
47. While calculating "Raw Material Consumed" closing stock of raw material is \_\_\_\_\_
- (a) Added (b) Deducted  
(c) Multiplied (d) Divided
48. A company calculates the prices of jobs by adding overheads to the prime cost and adding 30% to total costs as a profit margin. Job number Y256 was sold for ₹ 1,690 and incurred overheads of ₹ 694. What was the prime cost of the job?
- (a) ₹ 489 (b) ₹ 606  
(c) ₹ 996 (d) ₹ 1,300
49. The cost per unit of a product manufactured in a factory amounts to ₹ 160 (75% variable) when the production is 10,000 units. When production increases by 25%, the cost of production will be per unit.
- (a) ₹ 145 (b) ₹ 150  
(c) ₹ 152 (d) ₹ 140
50. H Ltd. uses predetermined overhead rates to apply manufacturing overhead to jobs. The predetermined overhead rate is based on machine hours in the machining department and direct labour cost in the assembly department. At the beginning of the year, the company made the following estimates:

Particulars	Machining	Assembly
Direct labour hours	16,000	12,000
Direct labour cost (₹)	20,000	15,000
Machine hours	5,000	1,000
Manufacturing overheads (₹)	25,000	30,000

What predetermined overhead rates would be used in the Machining and Assembly Departments, respectively.

- (a) 110% and ₹ 15 (b) ₹ 5.00 and 50%  
(c) ₹ 8.00 and 50% (d) ₹ 5.00 and 200%



51. The predetermined overhead rate is ₹ 6.10 per direct labour hour. Job 213 required 210 direct labour hours of which 150 hours were incurred during the current accounting period. How much overhead should be applied to Job 213 during the current accounting period?
- (a) ₹ 366 (b) ₹ 915  
(c) ₹ 1,218 (d) ₹ 1,281
52. Direct materials used: ₹ 20,000  
Factory overhead: ₹ 40,000  
Beginning goods in process: Re. 0  
Ending goods in process: ₹ 12,000  
Cost of goods manufactured: ₹ 65,000  
What was the amount of direct labour?
- (a) 17,000 (b) 77,000  
(c) 5,000 (d) 48,000
53. Job 21 was unfinished at the end of the accounting period. The total cost assigned to the job is ₹ 12,000 of which ₹ 3,000 is a tory overhead is allocated at 15096 of direct labour the amount of direct labour a Job 21?
- (a) ₹ 9,000 (b) ₹ 3,600  
(c) ₹ 4,000 (d) ₹ 3,000
54. The production cost to produce one unit of finished goods was ₹ 45. Direct materials were 1/3 of the total cost, and direct labour was 4096 of the combined total of direct labour and direct materials. The cost for direct materials, direct labour, and factory overhead was:
- (a) ₹ 15, ₹ 18, & ₹ 12 respectively (b) ₹ 15, ₹ 12, & ₹ 18 respectively  
(c) ₹ 15, ₹ 16, & ₹ 14 respectively (d) ₹ 15, ₹ 10, & ₹ 20 respectively
55. Calculate cost of sales from the following:  
Net works cost: ₹ 2,00,000  
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
56. If selling price of a product is ₹ 85,800 and the profit margin on cost is 10%, the amount of profit will be –
- (a) ₹ 7,800 (b) ₹ 8,580  
(c) ₹ 7,200 (d) ₹ 9,533

57. The step-up cost of a machine is ₹ 120. For execution of a certain order, 9,000 components are required to be made in the machine. Cost of production of the component is ₹ 40 each and it requires 15% of the cost for storing it for a year. The economic batch quantity is –
- (a) 300 units (b) 250 units  
(c) 400 units (d) 600 units
58. Companies characterized by the production of heterogeneous products will most likely use which of the following methods for the purpose of averaging costs and providing management with unit cost data-
- (a) Process costing (b) Job-order costing  
(c) Direct costing (d) Absorption costing
59. Which of the following is to be included while preparing a cost sheet -
- (a) Interest paid (b) Goodwill written-off  
(c) Income-tax paid (d) Salesman commission
60. Batch costing is generally not applied in-
- (a) Manufacturing readymade garments (b) Toys industry  
(c) Tyre and tube industry (d) Ship building
61. Cost of production plus opening stock of finished goods minus closing stock of finished goods is equal to-
- (a) Cost of goods sold (b) Cost of sales  
(c) Sales (d) Prime cost
62. Which of the following is not a type of job costing -
- (a) Terminal costing (b) Contract costing  
(c) Batch costing (d) Operation costing
63. Net works cost: ₹ 3,00,000  
Administrative overheads: ₹ 1,00,000  
Opening stock of finished goods: Nil  
Closing stock of finished goods: ₹ 20,000  
Selling overheads: ₹ 10,000  
From the above information, the cost of sales will be-
- (a) 4,30,000 (b) 3,90,000  
(c) 3,70,000 (d) 4,10,000
64. Amaze Ltd. manufacture ring binders which are embossed with customer's logo. A customer has ordered a batch of 500 binders. The following information gives the cost for a typical batch of 100 binders
- Direct material ₹ 50  
Direct labour ₹ 20  
Machine set-up ₹ 5  
Design and art work ₹ 15  
Prime cost ₹ 90  
Direct employees are paid on piece work basis. Amaze Ltd. absorbs production overheads @ 10% of

direct wages. 5% is added to the total production cost of each batch to allow for selling and distribution expenses. Profit margin is 20% of sales value. Selling price of 500 binders will be -

- (a) ₹ 605 (b) ₹ 120.75  
(c) ₹ 603.75 (d) ₹ 386

65. A company manufactures several components in batches. The following relates to one component:

Annual demand: 32,000 units

Set-up cost per batch: ₹ 120

Annual rate of interest: 12%

Cost of production per unit: ₹ 16

The economic batch quantity is -

- (a) 4,000 units (b) 3,000 units  
(c) 2,000 units (d) 2,500 units

66. Following information is available regarding an organization:

Direct material purchased: ₹ 1,50,000

Direct material consumed: ₹ 80,000

Direct labour: ₹ 50,000

Direct expenses: ₹ 30,000

Manufacturing overheads: ₹ 20,000

The prime cost for the organization is -

- (a) ₹ 1,60,000 (b) ₹ 2,90,000  
(c) ₹ 2,30,000 (d) ₹ 1,80,000

67. If the sales of a product is ₹ 94,080 and the profit margin on cost 12%, the amount of profit will be -

- (a) ₹ 7,800 (b) ₹ 11,290  
(c) ₹ 8,580 (d) ₹ 10,080

68. Item(s) excluded from cost sheet are-

- (a) Direct material (b) Administrative overheads  
(c) Provision for taxation (d) All of the above

69. Job card is a method of recording details of time with reference to -

- (a) Work orders undertaken (b) Performance  
(c) Skill (d) Rating

70. The following information is extracted from the job ledger in respect of Job No. 404:

Material: ₹ 3,400

Wages: 80 hours @ ₹ 2.50 per hour

Variable overheads incurred for all jobs: ₹ 5,000 for 4,000 labour hours

If the job is billed for ₹ 4,200 the profit will be-

- (a) ₹ 600 (b) ₹ 500  
(c) ₹ 700 (d) ₹ 650



# 9

## UNIT & JOB COSTING

1. Different businesses in order to determine Cost of their Products or Services offering to follow:
  - (a) Different methods of Costing
  - (b) Uniform Costing
  - (c) Different techniques of Costing
  - (d) None of the above.
2. Unit Costing is applicable where:
  - (a) Products 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.
3. Job Costing is:
  - (a) Applicable to all industries regardless of the products or services provided
  - (b) Technique of Costing
  - (c) Suitable where similar products are produced on mass scale
  - (d) Method of Costing used for non-standard and non-repetitive products.
4. Batch Costing is a type of:
  - (a) Process Costing
  - (b) Job Costing
  - (c) Differential Costing
  - (d) Direct Costing.
5. 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.
6. Most of the expenses are direct in:
  - (a) Job Costing
  - (b) Batch Costing
  - (c) Contract Costing
  - (d) None of the above.
7. In Job Costing, which of the following documents are used to record Issue of direct material to a job:
  - (a) Goods received note
  - (b) Material requisition
  - (c) Purchase order

- (d) Purchase requisition.
8. 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.
9. 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.
10. The main points of distinction between job and contract costing include:
- (a) Length of time to complete
  - (b) Big jobs
  - (c) Activities to be done outside the factory area
  - (d) All of the above.
11. 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).
12. Cost price is not fixed in case of:
- (a) Cost plus contracts
  - (b) Escalation clause
  - (c) De-escalation clause
  - (d) All of the above.
13. Which of the following statement is true:
- (a) Job cost sheet may be used for estimating profit of jobs
  - (b) Job costing cannot be used in conjunction with marginal costing
  - (c) A production order is an order received from a customer for particular jobs
  - (d) None of these.
14. When Job/work order is very large and to be completed in long period of time then, the ..... costing method is applicable:
- (a) Process
  - (b) Contract
  - (c) Job
  - (d) All of the above.

15. Which of the following statement 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 having the following feature:
- (a) Method of costing used for non-standard and non-repetitive products produced.
  - (b) Cost is determined for each job separately.
  - (c) Jobs are normally different from each other and independent of each other.
  - (d) All of the above.
17. 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.
18. 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.
19. In a Job Costing System, costs are accumulated:
- (a) On monthly basis
  - (b) By specific job
  - (c) By department or process
  - (d) By kind of material used.
20. Unit Costing is:
- (a) The method of costing required to be done for unique products manufacturing done against specific orders.
  - (b) The method of costing where the output produced by an entity is identical and each unit of output required identical cost.
  - (c) A specific order costing where articles are manufactured in predetermined lots.
  - (d) All of the above.
21. Batch Costing is a type of .....
- (a) Specific Order costing where articles are manufactured in predetermined lots.
  - (b) The method of costing required to be done for unique products manufacturing done against specific orders.
  - (c) The method of costing where the output produced by an entity is identical and each unit of output required identical cost.

- (d) All of the above.
22. Each job has a ..... prepare for it that bears the job number and which is used to collect all cost data relating to the job:
- (a) Job Account
  - (b) Job Ticket
  - (c) Job Cost Card
  - (d) None of the above.
23. Job Costing Method is not suitable in the following:
- (a) Inflationary condition
  - (b) Deflationary condition
  - (c) Both (a) and (b)
  - (d) None of the above.
24. Batch Costing is applied for which type of product?
- (a) By-product
  - (b) Heterogeneous Product
  - (c) Homogeneous Product
  - (d) All of the above.
25. Job Costing is used in:
- (a) Furniture making
  - (b) Repair shops
  - (c) Printing press
  - (d) All of the above.
26. Determine Economic Batch Quantity from the following information:
- |                                |           |
|--------------------------------|-----------|
| Monthly demand for a product   | 500 units |
| Setting-up cost per batch      | □ 60      |
| Cost of manufacturing per unit | □ 20      |
| Rate of interest               | 10% p.a.  |
- (a) 60 units
  - (b) 600 units
  - (c) 6,000 units
  - (d) None of the above.
27. The most suitable Cost system where the products differ in type of material & work performed is:
- (a) Operating Costing
  - (b) Job Costing
  - (c) Process Costing
  - (d) All of the above.
28. \_\_\_\_\_ 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.
29. The requirement of a particular Job are known as ..... :
- (a) Job Specifications  
(b) Job description  
(c) Job Evaluation  
(d) Both (a) and (b).
30. Qualities demanded from the Job holder is technically known as .....:
- (a) Job Specifications  
(b) Job description  
(c) Job Evaluation  
(d) Both (a) and (b).
31. \_\_\_\_\_ is concerned with discovery of facts concerning a job and \_\_\_\_\_ is concerned with ascertaining the money value of a job:
- (a) Job Specifications, Job Evaluation  
(b) Job description, Job Evaluation  
(c) Job Analysis, Job Evaluation  
(d) None of the above.
32. .... is the necessary 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, Merit Rating  
(c) Job Analysis, Job Evaluation  
(d) None of the above.
33. Economic Batch Quantity depends on ..... and ..... costs.
- (a) Material, Labour  
(b) Set-up costs, Carrying  
(c) Transportation, Carrying  
(d) Warehousing, Labour.
34. Where the work is undertaken to customers' special requirements and each order is of comparatively short-duration, it is called ..... costing:
- (a) Output  
(b) Operation  
(c) Batch  
(d) Job.
35. Economic Batch Quantity is an important point to be determined in industries where ..... costing is employed:
- (a) Output  
(b) Operation

- (c) Batch
  - (d) Job.
36. In ..... each job is a cost unit to which all costs are assigned:
- (a) Operation Costing
  - (b) Process Costing
  - (c) Batch Costing
  - (d) Job Costing.

**ANSWERS**

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

1. When FIFO method is used in process costing, the opening stock costs are \_\_\_\_\_
  - (a) Kept separate from the costs of the new period
  - (b) Added to new costs
  - (c) Subtracted from the new costs
  - (d) Averaged with other costs to arrive at total costs
  
2. Z Ltd. using WAC method gives the following particulars for Process A:  
 Work-in-progress opening balance on: 500 units (100% & 60% complete in respect of material & conversion costs)  
 Units introduced: 19,500 units  
 Normal loss = 596 of total input  
 Units scrapped = 1,400 units,  
 Work-in-process closing balance = 400 units.  
 (100% & 50% complete in respect of material & conversion costs)  
 Equivalent units in respect of conversion cost =?
  - (a) 20,000 units
  - (b) 19,000 units
  - (c) 18,200 units
  - (d) 18,800 units
  
3. When compared with normal spoilage, abnormal spoilage \_\_\_\_\_
  - (a) Arises more frequently from factors that are inherent in the manufacturing process.
  - (b) Is generally thought to be more controllable by production management than normal spoilage
  - (c) Is given the same accounting treatment as normal spoilage
  - (d) Is not typically influenced by the “tightness” of production standards.
  
4. Which one out of the following is not an equivalent production valuation method?
  - (a) FIFO
  - (b) WAC
  - (c) EOQ
  - (d) All of the above
  
5. In process costing, if an abnormal loss arises, the process account is generally \_\_\_\_\_
  - (a) Debited with the scrap value of the abnormal loss units
  - (b) Debited with the full production cost of the abnormal loss units
  - (c) Credited with scrap value of the abnormal loss units
  - (d) Credited with the full production cost of the abnormal loss units
  
6. Process costing is an appropriate method costing when producing: .....
  - (a) For homogeneous products like textiles, oil, or financial institutions.
  - (b) For heterogeneous products like food processing and metals.
  - (c) Unique products such as sail boats or custom furniture.
  - (d) None of the above.

7. Differences between FIFO and weighted-average methods of process costing occur when: .....
- (a) There is opening WIP
  - (b) Costs change from the prior period
  - (c) Answers (a) and (b) above
  - (d) none of the above
8. Using the weighted-average method, the physical units in opening work-in-progress stock, started, and completed and transferred out will:
- (a) There is no way to know without knowing the costs of each purchase.
  - (b) Be more than the units computed under the FIFO method and less than the units computed using the standard costing method.
  - (c) Differ from the units computed under the FIFO and standard costing methods.
  - (d) Be the same as the FIFO method and standard costing methods.
9. When average method is used in Process Costing, the opening inventory costs are:
- (a) Kept separate from the costs of the new period
  - (b) Added to new costs
  - (c) Subtracted from the new costs
  - (d) Averaged with other costs to arrive at total costs
10. Which of the following statements is true?
- (a) Process costing is ordinarily applied where all the operations are performed in one department.
  - (b) Equivalent unit or equivalent production comprises the units completed during the period together with equivalent completed units, represented in the beginning and ending WIP inventories.
  - (c) Job Costing and process costing cannot be simultaneously used in the industry.
  - (d) The cost of abnormal process loss is included in the cost of the process.
11. Which of the following statements is true?
- (a) In process costing, ordinarily no distinction is made between direct and indirect materials.
  - (b) There is no difference between the terms 'co-products' and 'joint products'.
  - (c) Operating costing is the same operation costing
  - (d) Neither (a) nor (b) nor (c)
12. If there is no opening or closing stock of work-in-progress, and the production process started and completed 150 units, the equivalent units would be: \_\_\_\_\_
- (a) This cannot be determined without knowing the percentage of conversion costs needed to complete the products.
  - (b) 150 units
  - (c) More than 150 units
  - (d) Less than 150 units.
13. If there is no opening stock of work-in-progress, 100 units in closing stock are 40% complete, and 300 are units started and completed for ₹ 3,00,000: \_\_\_\_\_
- (a) Then the weighted-average method would assign more costs than the FIFO method.
  - (b) Then the weighted-average method would assign less cost than the FIFO method.

- (c) Then the weighted-average method would assign all costs and the FIFO method would assign none.
- (d) Then the weighted-average method would assign the same costs as the FIFO method.
14. The main difference between the weighted- average and FIFO cost-flow assumptions under a process costing system is:
- (a) The weighted-average method mixes the opening WIP with current units started, while the FIFO method keeps these units and costs in distinct and separate layers.
- (b) The FIFO method mixes the opening WIP with current units started, while the weighted-average method keeps these costs in distinct and separate layers.
- (c) The FIFO method mixes the opening WIP with current units started, while the weighted average method mixes the closing WIP with current units started.
- (d) The weighted-average method mixes the opening WIP with current units started, while the FIFO method mixes the closing WIP with current units started.
15. The objective of process costing is to calculate the costs of units completed. To do this we need to determine the cost per unit, but this can be complicated when: .....
- (a) There is no opening or closing stock and all goods are started and completed.
- (b) Opening or closing stock has incomplete units and equivalent units must then be computed.
- (c) Costs change from period to period and the firm has not decided which cost flow assumption to use (weighted-average, FIFO or standard costing).
- (d) Answers (b) and (c) above only
16. The weighted-average process-costing method calculates the equivalent units by \_\_\_\_\_
- (a) Considering only the work done during the current period.
- (b) The units started during the current period minus the units in ending inventory
- (c) The units started during the current period plus the units in ending inventory.
- (d) The equivalent units completed during the current period plus the equivalent units in ending inventory.
17. Which of the following is not a feature of a process production system?
- (a) Repetitive production (b) High production volume
- (c) Low product flexibility (d) Heterogeneous products
18. Which of the following is most likely to use a process cost accounting system?
- (a) Construction company (b) Print shop
- (c) Ship builder (d) Sugar refiner
19. Which of the following is not true regarding job order cost accounting and process cost accounting systems?
- (a) Both assign costs by process
- (b) Both classify materials as direct and/or indirect
- (c) Both classify labour as direct and/or indirect
- (d) Direct materials under one system might be indirect in the other

20. Under which of the following conditions will the first-in, first-out method of process costing yield the same equivalent unit costs as the weighted-average method?
- (a) If there is no beginning inventory.
  - (b) If units produced are homogeneous in nature.
  - (c) If there is no ending inventory
  - (d) If beginning and ending inventories are each 50% complete.
21. One characteristic of products that are mass-produced in a continuous production process is that \_\_\_\_\_
- (a) The products are identical or very similar in nature.
  - (b) They are grouped in batches
  - (c) They are produced at the time an order is received
  - (d) Their costs are accumulated on job cost sheets
22. A process costing accounting system is most appropriate when \_\_\_\_\_
- (a) Variety of different products are produced, each one requiring different types of materials, labour, and overhead
  - (b) The focus of attention is on a particular job or order.
  - (c) Similar products are mass-produced
  - (d) Individual products are custom made to the specification of customers
23. Which of the following cost elements occurs in a process costing system?
- (a) Direct materials
  - (b) Direct labour
  - (c) Manufacturing overhead
  - (d) All of the above
24. In a process costing system \_\_\_\_\_
- (a) A work-in-process account is maintained for each product.
  - (b) A materials requisition identifies the job on which the materials will be used.
  - (c) A work-in-process account is maintained for each process.
  - (d) One work-in-process account is maintained for all manufacturing processes
25. Which of the following statements about process cost accounting systems is false?
- (a) Beginning units of work in process plus the units put into production should equal ending work in process units plus units completed.
  - (b) The cost flows in journal entries for process cost accounting systems and job order cost accounting systems are similar.
  - (c) Process cost accounting is well suited for those production processes where similar units are produced in a continuous flow.
  - (d) The equivalent units of production for materials and conversion costs are the same.
26. An equivalent unit of material is equal to:
- (a) The amount of material necessary to complete one unit of production.
  - (b) The amount of material necessary to start a unit of production into work in process.
  - (c) Half of the material necessary to complete one unit of finished goods.
  - (d) An equivalent unit of conversion cost.

27. A process cost system is employed in those situations where:
- (a) Many different products, jobs, or batches of production are being produced each period.
  - (b) Where manufacturing involves a single, homogeneous product that flows evenly through the production process on a continuous basis.
  - (c) A service is performed such as in a law firm or an accounting firm.
  - (d) Full or absorption cost approach is not employed.
28. Which of the following organizations would most likely use a process costing system?
- (a) Gasoline refinery
  - (b) Automobile retailer
  - (c) Airplane manufacturer
  - (d) Public accounting firm
29. Of the following process costing steps, which must be done last?
- (a) Compute the equivalent units of production.
  - (b) Compute the costs per equivalent unit of production.
  - (c) Measure the physical flow of resources.
  - (d) Identify the product costs to account for
30. Which of the following statements is (are) true regarding product costing?
- (a) Twenty cans of paint that are 2596 full are equivalent to four cans of paint that are completely full.
  - (b) The equivalent unit concept refers to the actual amount of work during the period stated in terms of whole units.
  - (a) Only (A) is true.
  - (b) Only (B) is true.
  - (c) Both (A) and (B) are true
  - (d) Neither (A) nor (B) is true.
31. If the units in the beginning Work-in-Process Inventory are greater than the units in the ending Work-in-Process Inventory, then the units transferred out are
- (a) More than the units started during the period.
  - (b) Equal to the equivalent units of production.
  - (c) Less than the units started during the period.
  - (d) Equal to the actual work done during the period.
32. In the computation of the manufacturing cost per equivalent unit, the weighted average method of process costing considers
- (a) Current costs only
  - (b) Current costs plus cost of beginning Work-in-Process Inventory
  - (c) Current costs plus cost of ending Work-in-Process Inventory.
  - (d) Current costs less cost of beginning Work-in-Process Inventory.
33. Materials are added at the beginning of a process in a process costing system. The beginning work-in-process inventory was 30% complete as to conversion costs. Using FIFO method, the total equivalent units for material are
- (a) Beginning inventory this period for this process.
  - (b) Units started this period in this process.
  - (c) Units started this period in this process plus the beginning inventory.

- (d) Units started this period in this process plus 70% of the beginning inventory this period.
34. Under which of the following conditions will the FIFO method produce the same cost of goods manufactured as the weighted -average method?
- (a) There is no ending inventory.  
(b) There is no beginning inventory.  
(c) The beginning & ending inventories are equal.  
(d) The beginning & ending inventories are both 50% complete.
35. Which of the following statements is are false?
- I. For cost control, the FIFO method of process costing is better than the weighted-average method.  
II. The weighted-average method of process costing assigns more cost to units completed (transferred out) than the FIFO method.
- (a) I only (b) II only  
(c) Both I and II (d) Neither I nor II
36. Which of the following statements is are true?
- A. Operations costing accounts for material costs like job costing and conversion costs like process costing.  
B. An automobile manufacturer is more likely to use an operations costing system than a process costing system.
- (a) A only (b) B only  
(c) Both A and B (d) Neither A nor B
37. Predetermined manufacturing overhead rates can be used in all of the following costing systems except \_\_\_\_\_
- (a) Actual costing (b) Job costing  
(c) Process costing (d) Operations costing
38. When should process costing techniques be used in assigning costs to products?
- (a) In situations where standard costing techniques should not be used  
(b) If the product is composed of mass-produced homogeneous units  
(c) When production is only partially completed during the accounting period  
(d) If the product is manufactured on the basis of each order received
39. Which of the following is NOT a cost that is accumulated in work-in-process?
- (a) Direct materials (b) Administrative expenses  
(c) Direct labour (d) Factory overheads
40. Which of the following industries uses process costing method?
- (a) Food processing (b) Chemicals and drugs  
(c) Textiles (d) All of the above



41. Which of the following unavoidable loss?
- (a) Standard Loss (b) Abnormal Loss  
(c) Actual Loss (d) Normal Loss
42. Where the scrap possesses some value as a waste product or as raw material for an earlier process, the value there of is \_\_\_\_\_
- (a) Credited to the process account (b) Debited to the process account  
(c) Credited to Costing P & L A/c (d) Credited to Cash & Bank A/c
43. Any loss caused by unexpected carelessness, accident is regarded as \_\_\_\_\_
- (a) Estimated Loss (b) Abnormal Loss  
(c) Actual Loss (d) Normal Loss
44. Which of the following statement is true about treatment of Normal & Abnormal Loss?
- (a) Abnormal gain value is calculated at the standard rate at which the effective output would have been valued if abnormal wastage had taken place according to expectation.  
(b) Cost of normal loss is shared by good units of production in the process, but the same cannot be given to abnormal loss.  
(c) The value of any scrap generated in a process should be credited to the process account.  
(d) All of the above
45. Which of the following loss can be estimated in advance on the basis of past experience or chemical data?
- (a) Standard Loss (b) Abnormal Loss  
(c) Actual Loss (d) Normal Loss
46. Total equivalent production will be equal to the sum of \_\_\_\_\_
- (a) Equivalent completed units of work-in-progress in the beginning minus units started and finished during the year plus equivalent completed units of work-in-progress at the end.  
(b) Equivalent completed units of work-in-progress in the beginning plus units started and finished during the year minus equivalent completed units of work-in-progress at the end.  
(c) Equivalent completed units of work-in-progress in the beginning plus units started and finished during the year plus equivalent completed units of work-in-progress at the end.  
(d) None of the above
47. In FIFO Method closing inventory is valued at \_\_\_\_\_
- (a) Previous period cost (b) Standard cost  
(c) Current cost (d) Average cost
48. Process A/c is credited by \_\_\_\_\_
- (a) Cost of normal loss (b) Sale price of normal loss  
(c) Cost of abnormal loss (d) (b) & (c)
49. Which of the following is correct base for apportionment of production overheads between different processes?
- (a) Administrative Overheads (b) Direct wages  
(c) Indirect wages (d) Any of the above

50. Which of the following is NOT debited to Process A/c?
- (a) Selling & distribution expenses                      (b) Royalty payable  
(c) Mixing labour cost    (d) All of the above
51. In process, 100 units of raw materials were introduced at a cost of ₹ 1,000. The other expenditure incurred by the process was ₹ 600. Of the units introduced, 10% are normally lost in the course of manufacturing and they possess a scrap value of ₹ 3 each. The output of process was only 75 units. Value of abnormal loss =?
- (a) ₹ 262    (b) ₹ 1,308  
(c) ₹ 30    (d) ₹ 267
52. During a month the input of Process I was raw material 5,000 units at ₹ 2 per unit.  
Normal loss = 5% of input  
Scrap value per unit = Re. 1  
Direct wages = Rs. 3,000  
Direct expenses = Rs. 9,750  
Overheads are Rs. 32,000 in total and chargeable as 200% of direct wages.  
Abnormal loss units = 50 units  
Value of output transferred to Process II A/c =?
- (a) ₹ 28,200    (b) ₹ 28,500  
(c) ₹ 28,750    (d) ₹ 28,300
53. Following data pertains to Process II.  
Output of Process I = ₹ 28,200 (4,700 units)  
Normal loss = 10% of input  
Scrap value per unit = ₹ 5  
Direct wages = ₹ 5,000  
Direct expenses = ₹ 9,910  
Overheads are ₹ 32,000 in total and chargeable as 200% of direct wages.  
Output of process II = 4,300 units  
Value of Abnormal Gain of Process II =?
- (a) ₹ 770    (b) ₹ 480  
(c) ₹ 840    (d) ₹ 560
54. Following data pertains to Process II.  
Output of Process I = ₹ 28,200 (4,700 units)  
Normal loss = 10% of input  
Scrap value per unit = ₹ 5  
Direct wages = ₹ 5,000  
Direct expenses = ₹ 9,910  
Abnormal units = 35 units

Overheads are ₹ 32,000 in total and chargeable as 20096 of direct wages.

Value of output transferred to Process III A/c = ?

- (a) ₹ 51,600 (b) ₹ 53,950  
 (c) ₹ 52,440 (d) ₹ 50,840

55. A product is completed in three consecutive processes. Details of normal and abnormal loss are as follows:

Process	I	II	III
Normal loss units	250	470	215
Abnormal loss units	50	-	35
Abnormal loss value	300	-	770
Abnormal gain units	-	70	-
Abnormal gain value	-	840	-

Scrap value per unit of Process I, II & III are Re. 1, ₹ 5 & ₹ 6 respectively.

Balance of Abnormal Gain A/c to be transferred to Costing P & L A/c = ?

- (a) ₹ 490 (b) ₹ 810  
 (c) ₹ 3,890 (d) ₹ 840

56. A product is completed in three consecutive processes. Details of normal and abnormal loss are as follows:

Process	I	II	III
Normal loss units	250	470	215
Abnormal loss units	50	-	35
Abnormal loss value	300	-	770
Abnormal gain units	-	70	-
Abnormal gain value	-	840	-

Scrap value per unit of Process I, II & III are Re. 1, ₹ 5 & ₹ 6 respectively.

Normal Loss AI c will tally at = ?

- (a) ₹ 935 (b) ₹ 3,540  
 (c) ₹ 3,890 (d) ₹ 1,070

57. A product is completed in three consecutive processes. Details of normal and abnormal loss are as follows:

Process	I	II	III
Normal loss units	250	470	215
Abnormal loss units	50	-	35
Abnormal loss value	300	-	770
Abnormal gain units	-	70	-
Abnormal gain value	-	840	-

Scrap value per unit of Process I, II & III are Re. 1, ₹ 5 & ₹ 6 respectively. Balance of Abnormal Loss A/c to be transferred to Costing P & L A/c = ?

- (a) ₹ 840 (b) ₹ 810  
 (c) ₹ 770 (d) ₹ 870

58. Following data pertains to Process C, output of which transferred to finished goods stock.

	₹
Sundry materials	1,500
Direct labour	6,500
Direct expenses	1,503

Output of Process B (9, 120 units) = ₹ 48,185.

The overhead charges were 160% of direct labour.

The final products were sold at ₹ 10 per unit fetching a profit of 20% on sales. Sale price per unit of normal loss in Process C =?

- (a) ₹ 5 per unit (b) ₹ 3 per unit  
 (c) ₹ 2 per unit (d) ₹ 1 per unit

59. Following data pertains to Process C, output of which transferred to finished goods stock.

	₹
Sundry materials	1,500
Direct labour	6,500
Direct expenses	1,503

Output of Process B (9,120 units) = ₹ 48,185.

The overhead charges were 160% of direct labour.

The final products were sold at ₹ 10 per unit fetching a profit of 20% on sales.

Finished stock value of Process C =?

- (a) ₹ 68,088 (b) ₹ 67,392  
 (c) ₹ 72,960 (d) ₹ 67,988

60. A product passes from Process I and Process II. Materials issued to Process I amounted to ₹ 40,000, Labour ₹ 30,000 and overheads were ₹ 27,000. Normal loss was 3% of input. But 500 more units of output of Process I were lost due to the carelessness of workers. Only ₹ 4,350 units of output were transferred to Process II. There were no opening stocks. Input raw material issued to Process I were 5,000 units. Cost per unit of output of Process I =?

- (a) ₹ 19.40 per unit (b) ₹ 20.40 per unit  
 (c) ₹ 21.67 per unit (d) ₹ 20.00 per unit

61. A product is manufactured by passing through processes A, B & C. In Process C a by-product is also produced which is then transferred to Process D, where it is completed.

Budgeted production overhead (based on direct wages) for the week is ₹ 30,500.

Budgeted direct wages for the week is ₹ 12,200.

Input received from Process B = 5,100 units at ₹ 12 per unit



64. The input to a purifying was 16,000 kg. of basic material purchased @ ₹ 1.20 per kg. Process wages amounted to ₹ 720 and overhead was applied @ 24096 of the labour cost. Indirect materials cost was ₹ 336. The actual output from the process weighted 15,000 kg. Normal yield of the process is 9296. Any difference in weight between the input of basic material and output is sold @ ₹ 0.50 per kg. The process is operated under a license which provides for the payment of royalty @ 0.15 per kg. of the purified material produced.

Total net royalty payable = ?

- (a) ₹ 2,208 (b) ₹ 2,250  
 (c) ₹ 2,400 (d) ₹ 2,292

65. Following data relates to Process II A/c

Direct materials	₹ 40,000
Direct labour	₹ 30,000
Production overheads	₹ 40,250
Normal loss	596
Output	17,400
Loss realization ₹ /unit	3.00
Abnormal gain in units	300
Entire output of Process II sold at	₹ 5,54,625

taking 2596 profit on cost.

Input cost of Process II = ₹ ?

- (a) ₹ 3,28,500 (b) ₹ 4,46,400  
 (c) ₹ 4,43,700 (d) ₹ 3,32,750

66. A product is completed in two processes. Details of normal loss, abnormal loss/ gain are as follows:

Process	I	II
Normal loss units	1,600	900
Abnormal loss units	400	-
Abnormal loss value	7,300	-
Abnormal gain units	-	300
Abnormal gain value	-	7,650

Scrap value per unit of Process I, & II are ₹ 2 & ₹ 3 respectively.

Balance of Abnormal Gain Ale to be transferred to Costing P & L A/c = ?

- (a) ₹ 6,750 (b) ₹ 7,650  
 (c) ₹ 5,900 (d) ₹ 6,500

67. A product is completed in two processes. Details of normal loss, abnormal loss/gain are as follows:

Process	I	II
Normal loss units	1,600	900
Abnormal loss units	400	-

Abnormal loss value	7,300	-
Abnormal gain units	-	300
Abnormal gain value	-	7,650

Scrap value per unit of Process I & II are ₹ 2 & ₹ 3 respectively. Normal Loss A/c will tally at = ?

- (a) ₹ 6,750 (b) ₹ 7,650  
(c) ₹ 5,900 (d) ₹ 6,500

68. A product is completed in two processes. Details of normal loss, abnormal loss/ gain are as follows:

Process	I	II
Normal loss units	1,600	900
Abnormal loss units	400	-
Abnormal loss value	7,300	-
Abnormal gain units	-	300
Abnormal gain value	-	7,650

Scrap value per unit of Process I & II are ₹ 2 & ₹ 3 respectively. Balance of Abnormal Loss A/c to be transferred to Costing P & L A/c = ?

- (a) ₹ 6,750 (b) ₹ 7,650  
(c) ₹ 5,900 (d) ₹ 6,500

69. Opening work-in-progress: 2,000 units (100% & 60% complete in respect of material & conversion costs)

Units introduced: 8,000 units

There are 2,000 units in process. (100% & 50% complete in respect of material & conversion costs)

Output transferred to next process in units = ?

- (a) 10,000 units (b) 12,000 units  
(c) 8,000 units (d) 6,000 units

70. A Company uses the WAC method in its process costing system. On April 1 there were 10,000 units in work-in-process, 10% complete with respect to conversion costs. Another 80,000 units were started during April. On April 30 there were 8,000 units in work-in-process, 25% complete with respect to conversion costs. What were the equivalent units for April for conversion costs as per WAC Method?

- (a) 84,000 units (b) 90,000 units  
(c) 81,000 units (d) None of the above

71. Opening work-in-progress: 2,000 units (100% & 60% complete in respect of material & conversion costs) & 60% complete in respect of material & conversion costs)

Units introduced: 8,000 units 8,000 units are transferred to next process.

There are 2,000 units in process. (100% & 50% complete in respect of material & conversion costs)

Equivalent units for conversion costs as per WAC Method = ?

- (a) 10,000 units (b) 8,000 units

- (c) 9,000 units (d) 8,500 units
72. Equivalent cost per unit for material = ₹ 10.75 per unit.  
Equivalent units = 10,000  
Current cost of material = ₹ 1,00,000  
Cost of material in opening WIP = ₹ ?  
(a) ₹ 8,000 (b) ₹ 7,500  
(c) ₹ 9,000 (d) ₹ 10,750
73. Z Ltd. using WAC method gives the following particulars for Process A:  
Work-in-progress opening balance on: - 500 units  
Units introduced: 19,500 units  
Normal loss = 596 of total input  
Units scrapped = 1,400 units,  
Work-in-process closing balance = 400 units  
Units transferred to Process B =?  
(a) 20,000 units (b) 19,000 units  
(c) 18,200 units (d) 17,800 units
74. Z Ltd. using WAC method gives the following particulars for Process A:  
Work-in-progress opening balance on: 500 units (100% & 60% complete in respect of material & conversion costs)  
Units introduced: 19,500 units  
Normal loss = 596 of total input  
Units scrapped = 1,400 units,  
Work-in-process closing balance = 400 units.  
(100% & 50% complete in respect of material & conversion costs)  
Equivalent units in respect of material cost =?  
(a) 20,000 units (b) 19,000 units  
(c) 18,200 units (d) 17,800 units



**ANSWERS**

1.	(a)	2.	(d)	3.	(b)	4.	(c)	5.	(d)	6.	(a)	7.	(a)
8.	(d)	9.	(a)	10.	(b)	11.	(a)	12.	(b)	13.	(d)	14.	(a)
15.	(d)	16.	(d)	17.	(d)	18.	(d)	19.	(a)	20.	(a)	21.	(a)
22.	(c)	23.	(d)	24.	(c)	25.	(d)	26.	(a)	27.	(b)	28.	(a)
29.	(b)	30.	(b)	31.	(a)	32.	(b)	33.	(b)	34.	(b)	35.	(b)
36.	(c)	37.	(a)	38.	(b)	39.	(b)	40.	(d)	41.	(b)	42.	(c)
43.	(b)	44.	(b)	45.	(d)	46.	(c)	47.	(c)	48.	(d)	49.	(c)
50.	(a)	51.	(a)	52.	(a)	53.	(c)	54.	(a)	55.	(a)	56.	(c)
57.	(b)	58.	(d)	59.	(b)	60.	(d)	61.	(d)	62.	(b)	63.	(a)
64.	(b)	65.	(c)	66.	(a)	67.	(c)	68.	(d)	69.	(c)	70.	(a)
71.	(c)	72.	(b)	73.	(c)	74.	(b)						

# JOINT PRODUCT & BY PRODUCTS

1. In sugar manufacturing industries molasses is also produced along with sugar. Molasses may be of smaller value as compared with the value of sugar and is known as:
  - (a) Common product
  - (b) By product
  - (c) Joint product
  - (d) None of them.
2. Method of apportioning joint costs on the basis of output of each joint product at the point of split off is:
  - (a) Sales value method
  - (b) Physical unit method
  - (c) Average cost method
  - (d) Marginal cost and contribution method.
3. In the Net Realizable value method, for apportioning joint costs over the joint products, the basis of apportionment would be:
  - (a) Selling price per unit of each of the joint products
  - (b) Selling price multiplied by units sold of each of the joint products
  - (c) Sales value of each joint product less further processing costs of individual products
  - (d) Both (b) and (c).
4. The main purpose of accounting of joint products and by-products is to:
  - (a) Determine the opportunity cost
  - (b) Determine the replacement cost
  - (c) Determine profit or loss on each product line
  - (d) None of the above.
5. Under net realizable value method of apportioning joint costs to joint products, the selling and distribution cost is:
  - (a) Added to joint cost
  - (b) Deducted from further processing cost
  - (c) Deducted from sales value
  - (d) Ignored.
6. Which of the following 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 Realizable value method

- (c) Physical Units method
- (d) Market value at split-off method.
7. 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.
8. Which of the following Statement is true with regard to Co-Products:
- (a) Two or more products which are contemporary but emerge necessarily from the same material in the same process
- (b) Two or more products which are contemporary but do not emerge necessarily from the same material in the same process
- (c) Products recovered from material discarded in a main process or from the production of some major products.
- (d) All of the above.
9. 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 joints 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.
10. 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
11. Which of the following statement is not correct is 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.
12. When a by-product does not have any realisable value, the cost of by product is:
- (a) Transferred to Costing Profit and Loss A/c
  - (b) By-product cost is borne by the good units
  - (c) By-product cost is ignored
  - (d) By-product cost is determined taking value of similar goods.
13. 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.
14. 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.

**ANSWERS**

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

1. Composite cost unit for a hospital is:
  - (a) Per patient
  - (b) Per patient-day
  - (c) Per day
  - (d) Per bed.
2. Cost of diesel and lubricant is an example of:
  - (a) Operating cost
  - (b) Fixed charges
  - (c) Semi-variable cost
  - (d) None of the above.
3. Cost units used in power sector is:
  - (a) Kilo meter (K.M)
  - (b) Kilowatt-hour (KWh)
  - (c) Number of electric points
  - (d) Number of hours.
4. 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.
5. Depreciation is treated as fixed cost if it is related to:
  - (a) Activity level
  - (b) Related with machine hours
  - (c) Efflux of time
  - (d) None of the above.
6. 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).

7. Calculate total passenger kilometres from the following information:  
Number of buses 6, number of days operating in a month 25, trips made by each bus per day 8, distance covered 20 kilometres one side, capacity of bus 40 passengers, normally 80% of capacity utilization.
- (a) 15,36,000 passengers kms
  - (b) 19,20,000 passengers kms
  - (c) 18,36,000 passengers kms
  - (d) 16,36,000 passengers kms.
8. Jobs undertaken by IT & ITES organisations are considered as:
- (a) Project
  - (b) Batch work
  - (c) Contract
  - (d) All of the above.
9. Pre-product development activities in insurance companies include:
- (a) Processing of Claim
  - (b) Selling of Policy
  - (c) Provision of conditions
  - (d) Policy application processing.
10. Cost of a particular service under operating costing is ascertained by preparing:
- (a) Cost sheet
  - (b) Process account
  - (c) Job cost sheet
  - (d) Production account.
11. Operating costing is applicable to:
- (a) Hospitals
  - (b) Cinemas
  - (c) Transport undertaking
  - (d) All of the above.
12. BOT approach means:
- (a) Build, Operate and Transfer
  - (b) Buy, Operate and Transfer
  - (c) Build, Operate and Trash
  - (d) Build, Own and Trash.
13. Absolute Tonne-Km is an example of:
- (a) Composite units in power sector
  - (b) Composite unit of transport sector
  - (c) Composite unit for bus operation
  - (d) Composite unit for oil and natural gas.

14. A truck starts with a load of 10 tonnes of goods from station P. It unloads 4 tonnes at station Q and rest of the goods at station R. It reaches back directly to station P after getting reloaded with 8 tonnes of goods at station R. The distances between P to Q, Q to R and then from R to P are 40 kms, 60 kms and 80 kms respectively.
- Compute Absolute tonnes kms:
- (a) 1,440 tonnes kms
  - (b) 5,600 tonnes kms
  - (c) 1,240 tonnes kms
  - (d) 1,760 tonnes kms.
15. A lorry starts with a load of 20 tonnes of goods from station A. It unloads 8 tonnes at station B and rest of goods at station C. It reaches back directly to station A after reloaded with 16 tonnes of goods at station C. The distance between A to B, B to C and then from C to A are 80 kms, 120 kms and 160 kms respectively.
- Compute Commercial tonnes-kms:
- (a) 6,760 tonnes kms
  - (b) 5,600 tonnes kms
  - (c) 5,760 tonnes kms
16. Cost unit used in Insurance Company is:
- (a) Per Policy
  - (b) Per Claim
  - (c) Per TPA
  - (d) All of the above.
17. A bus started from Delhi for Rishikesh with 50 passengers on board, 20 passengers got off at Haridwar and the bus proceeded with remaining passengers. In the evening the same bus left Rishikesh with 50 passengers, 10 passengers got off at Haridwar and the bus resumed its journey with remaining passengers for Delhi. The distance between Delhi is 280 kms, and between Haridwar to Rishikesh it is 20 kms.
- Compute the Cost per passenger km, if the total cost of running the bus comes out to be ₹ 5,000.
- (a) ₹ 0.19
  - (b) ₹ 0.29
  - (c) ₹ 0.09
  - (d) ₹ 0.39.
18. In Transport Costing \_\_\_\_\_ charges vary more or less in direct proportion to kilometres run:
- (a) Running
  - (b) Petrol
  - (c) Drivers Salary
  - (d) Tax.

19. Boiler House Costing is an example of \_\_\_\_\_ Costing:  
 (a) Operation  
 (b) Process  
 (c) Service  
 (d) None of the above.
20. Service Costing is called as \_\_\_\_\_  
 (a) Operation Costing  
 (b) Operating Costing  
 (c) Multiple Costing  
 (d) All of the above.
21. Service Costing is not used in one of the following:  
 (a) Electricity  
 (b) Hospitals  
 (c) Transport  
 (d) Electronics.
22. A Bus carries 25 passengers daily for 25 days and its mileage per month is 1,000 kms. Its passenger miles are \_\_\_\_\_  
 (a) 30,000  
 (b) 12,500  
 (c) 20,000  
 (d) 25,000.

**ANSWERS**

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



1. A standard which assumes efficient level of operations, but which includes factors such as waste and machine downtime is known as an allowance for
  - (a) Ideal standard
  - (b) Normal standard
  - (c) Attainable standard
  - (d) Neither a nor b nor c
2. The direct material usage variance for last period was ₹ 3,400 adverse. What reasons could have contributed such a variance
  - (a) Output was higher than budgeted
  - (b) The purchase department bought poor quality material
  - (c) An old inefficient machine was causing excess wastage
  - (d) All of the above
3. Which of the following is not a reason for an idle time variance?
  - (a) Wage rate increase
  - (b) Machine breakdown
  - (c) Illness or injury to worker
  - (d) Non-availability of material
4. Which of the following would explain an adverse variable production overhead efficiency variance?
  1. Employees were of 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) and (3)
  - (b) (1) and (2)
  - (c) (2) and (3)
  - (d) (1) and (3)
5. What term can be defined as a means of assessing the difference between a predetermined amount and the actual amount?
  - (a) Master budgeting
  - (b) Activity based costing
  - (c) Variance analysis
  - (d) Investment appraisal
6. If the standard cost is higher than the actual cost then the difference would be known as
  - (a) Positive
  - (b) Favourable
  - (c) Adverse
  - (d) Negative
7. The correct formula for the labour efficiency variance is \_\_\_\_\_
  - (a) Standard wage rate less actual wage rate multiplied by actual hours
  - (b) Standard hours less actual hours multiplies by standard wage
  - (c) Standard wage rate less actual wage rate multiplied by standard hours
  - (d) None of the above
8. Which of the following would not explain a favourable wage rate variance?
  - (a) Higher unemployment in industrial sector
  - (b) Reduction in power of trade unions

- (c) New technology
- (d) Introduction of minimum wage legislation
9. The formula for the materials price variance is:
- (a) Standard materials quantity less actual quantity multiplied by standard price
- (b) Standard price less actual price multiplied by standard quantity
- (c) Standard hours less actual hours multiplied by actual quantity
- (d) Standard price less actual price multiplied by actual quantity
10. A favourable labour variance combined with an adverse wage rate variance could be caused by:
- (a) Introduction of performance related pay
- (b) Cheaper raw materials imported due to exchange rate depreciation
- (c) Higher unemployment in local economy
- (d) Costing cutting exercises implement by management
11. A benefit of having a standard costing system would not include:
- (a) Eventual reduction of administrative work
- (b) Better system for checking efficiencies decisions
- (c) Allows creative input into budgeting decisions
- (d) Faster reporting
12. Concentrating on things that are deviating from planned results only is known as:
- (a) Management by objectives                      (b) Crisis management
- (c) Management by exception                      (d) Standard costing
13. When analyzing sale variances, which of the following would not be an important factor?
- (a) Mix variances                                      (b) Selling price variances
- (c) Recover rate variances                      (d) Volume variances
14. An estimate of what costs should be is known as:
- (a) Actual cost                                      (b) Standard cost
- (c) Ideal cost                                      (d) Forecast cost
15. If there is a favourable materials price variance then this could be due to:
- (a) Exchange rate depreciation if materials are imported
- (b) Inferior quality materials being used
- (c) More wastage of materials incurred
- (d) Higher wage costs
16. Workers being paid a rate in excess of their wage rate for working additional hours are paid:
- (a) Overtime                                      (b) Price rate
- (c) Commission                                      (d) Fees
17. A favourable total sales variance could have been the result of:
- (a) Lower output leading to favourable total cost variances
- (b) A price cut leading to a proportionality lower increase in sales volume
- (c) A price cut leading to a proportionality higher increase in sales volume
- (d) A fall in sales volume and a price reduction

18. What standard is based upon the assumption that everything operates at the maximum level of efficiency?
- (a) Ideal standard (b) Attainable standard  
(c) Realistic standard (d) Efficient standard
19. An adverse labour efficiency variance may have been caused by:
- (a) Improved working practices (b) Higher wage rates  
(c) Machinery downtime (d) Improved training
20. Which of the following would not account for an adverse materials variance?
- (a) General inflation (b) Rising exchange rates for imported materials  
(c) Scarcity in supply of materials (d) Poorly trained production staff
21. A favourable labour efficiency variance is likely to have been caused by:
- (a) Trade union conflicts  
(b) Higher wages producing motivational benefits  
(c) Lower skilled labour being used  
(d) Inferior materials being used
22. Which of the following could have caused an adverse total labour variance?
- (a) Higher wage rates leading to an insignificant change in productivity  
(b) Lower wage rates leading to a significant change in productivity  
(c) Lower wage rates leading to an insignificant change in productivity  
(d) Higher wage rates leading to a significant change in productivity
23. Which of the following is normally associated with an adverse sales variance?
- (a) Higher sales volume  
(b) Higher selling prices.  
(c) A slight upwards change in demand following a major price reduction  
(d) A slight downward change in demand following a major price increase
24. The standard cost of a product is:
- (a) The average unit cost of products produced in the previous period  
(b) The planned unit cost of products produced during a particular period  
(c) The unit cost of products incurred at the start of a particular period  
(d) The average unit cost of products produced during a particular period
25. A standard that represents the most likely scenario can be referred to as the:
- (a) Average Standard (b) Basic Standard  
(c) Ideal Standard (d) Attainable Standard
26. When calculating cost variances under a standard costing system we must:
- (a) Compare actual costs with those that were budgeted  
(b) Compare standard costs with actual costs at the standard level of activity  
(c) Compare actual costs with standard costs at the actual level of output  
(d) Compare actual outputs against budgeted outputs

27. When carrying out variance analysis, ideally we should:
- (a) Look at controllable adverse and favourable variances that are over a predetermined amount
  - (b) Look at adverse variances that are over a predetermined amount
  - (c) Look at all variances
  - (d) Look at all adverse and favourable variances that are over a predetermined amount
28. Labour rate variance can be calculated by the following equation:
- (a)  $(\text{Standard wage rate} - \text{actual wage rate}) \times \text{actual hours worked}$
  - (b)  $(\text{Standard hours} - \text{actual hours}) \times \text{actual wage rate}$
  - (c)  $(\text{Standard wage rate} - \text{actual wage rate}) \times X \text{ standard hours worked}$
  - (d) Budgeted labour costs - actual labour costs
29. A primary purpose of using a standard cost system is
- (a) To make things easier for managers in the production facility
  - (b) To provide a distinct measure of cost control
  - (c) To minimize the cost per unit of production
  - (d) (b) and (c) are correct
30. A favourable variance occurs when
- (a) Actual costs are less than static costs
  - (b) Standard costs are less than actual costs
  - (c) Standard costs are less than static costs
  - (d) Actual costs are less than standard costs
31. The standard cost card contains quantities and costs for
- (a) Direct material only
  - (b) Direct labour only
  - (c) Direct material and direct labour only
  - (d) Direct material, direct labour and overhead
32. An adverse material usage variance together with a favourable materials price variance could suggest that:
- (a) We are paying less for our materials than expected but we are using more materials
  - (b) We are using less materials than expected but in total we are paying more than we should
  - (c) We are paying the same for our materials but we are using more than expected
  - (d) We are paying higher prices for our materials than expected
33. Which of the following statements regarding standard cost systems is true?
- (a) Favourable variances are not necessarily good variances.
  - (b) Managers will investigate all variance from standard.
  - (c) The production supervisor is generally responsible for material price variances.
  - (d) Standard costs cannot be used for planning purposes since costs normally change in the future
34. The difference between the actual price and the standard price, multiplied by the actual quantity of materials purchased is the
- (a) Direct materials spending variance

- (b) Direct materials volume variance
- (c) Direct materials price variance
- (d) Direct materials quantity variance
35. A standard cost system may be used in
- (a) Job order costing, but not process costing
- (b) Process costing, but not job order costing
- (c) Either job order costing or process costing
- (d) Neither job order costing nor process costing
36. Standard cost may be used by
- (a) Universities (b) Government agencies
- (c) Charitable organization (d) All of the above
37. Standard costs may be used for .
- (a) Product costing (b) Planning
- (c) Controlling (d) All of the above
38. Which of the following statements about standard costs is false?
- (a) A properly set standard should promote efficiency
- (b) Standard cost facilitate management planning
- (c) Standard should not be used in 'management by exception'
- (d) Standard cost can simplify the costing of inventories
39. A purpose of standard costing is to
- (a) Replace budgets and budgeting
- (b) Simplify costing procedures
- (c) Eliminate the need for actual costing for external reporting purposes
- (d) Eliminate the need to account for year-end under-applied or over-applied manufacturing overhead
40. Idle standard
- (a) Are rigorous but attainable
- (b) Are the standard generally used in master budget
- (c) Reflect optimal performance under perfect operating conditions
- (d) Will always motivate the employees to achieve maximum output.
41. A standard cost is
- (a) A cost which is paid for group of similar items
- (b) The average cost in the industry
- (c) A pre-determined cost
- (d) Historical cost of producing a product last year
42. Difference between budget & standard is that
- (a) A budget express what cost were, while a standard express what cost should be.
- (b) A budget express management plan, while standard reflects what actually happened.
- (c) A budget express total amount standard express a unit amount.

- (d) Standards are excluded from cost accounting system whereas budget are included in cost accounting system.
43. An adverse labour efficiency variance together with a favourable labour rate variance may mean that:
- (a) Less skilled staff are being used in production
  - (b) More products are being made per hour
  - (c) The business is paying a higher hourly rate than the standard
  - (d) Less labour hours are needed to make the same amount of output
44. A total variance is best defined as the difference between total
- (a) Actual cost and total cost applied for the standard output of the period.
  - (b) Standard cost and total cost applied to production
  - (c) Actual cost and total standard cost of the actual input of the period
  - (d) Actual cost and total cost applied for the actual output of the period
45. A total materials variance is analyzed in terms of
- (a) A price and quantity variance
  - (b) Buy and sell variance
  - (c) Quantity and quality variance
  - (d) Tight and loose variance
46. If more direct materials were used for production than were allowed for the output, then the
- (a) Direct labour efficiency variance will be unfavourable
  - (b) Direct labour rate variance will be favourable
  - (c) Direct materials price variance will be favourable
  - (d) Direct materials usage variance will be unfavourable
47. Which of the following variances would be least likely if the materials used were of much poorer quality than the standard?
- (a) Unfavourable direct materials price variance
  - (b) Unfavourable direct materials efficiency variance
  - (c) Unfavourable direct labour efficiency variance
  - (d) All of the above would be equally likely to occur
48. Which of the following would accompany an unfavourable direct labour efficiency variance ?
- (a) Favourable direct materials usage variance
  - (b) Unfavourable direct materials price variance
  - (c) Unfavourable variable overhead efficiency variance
  - (d) Unfavourable fixed overhead spending variance
49. Idle time variance is
- (a) Idle time  $\times$  actual labour
  - (b) Idle time  $\times$  standard labour
  - (c) Idle time  $\times$  budgeted labour rate
  - (d) Idle time  $\times$  historical cost
50. Volume variance is divided into
- (a) Capacity, Calendar & Expenditure variance
  - (b) Capacity, Calendar & Efficiency variance

- (c) Capacity, Expenditure & Efficiency variance  
(d) Calendar, Expenditure & Efficiency variance
51. Standards set provide yardsticks against which \_\_\_\_\_ are compared  
(a) Product costing (b) Planning  
(c) Controlling (d) All of the above
52. Material Usage Variance = Material Mix Variance +  
(a) Material Yield Variance (b) Material Cost Variance  
(c) Material Price Variance (d) Material Quantity Variance
53. An unfavourable material usage arises because of:  
(a) Price increase in raw materials  
(b) Price decrease in raw materials  
(c) Less than anticipated normal wastage in the manufacturing process  
(d) More than anticipated normal wastage in the manufacturing process
54. Volume variance arises because of  
(a) Increase in overhead rate per hour  
(b) Decrease in overhead rate per hour  
(c) Increase or decrease in actual output as compared to the budgeted output  
(d) Difference in budgeted overheads & actual overheads
55. Which of the following are methods for setting standards?  
(a) Analysis of historical data  
(b) Task analysis  
(c) Task analysis and the analysis of historical data  
(d) Matrix application forms
56. Consider the following statements:  
(1) The standard cost per unit of materials is used to calculate a materials price variance  
(2) The standard cost per unit of materials is used to calculate a materials quantity variance.  
(3) The standard cost per unit of materials cannot be determined until the end of the period.  
(a) (1) only (b) (2) only  
(c) (1) & (2) only (d) (1), (2) & (3)
57. OK Ltd. reported a favourable materials price variance and an unfavourable materials quantity variance. Based on these variances, the company's cost accountant would most likely conclude that  
(a) The actual cost per unit of materials was less than the standard cost per unit.  
(b) The actual usage of materials was less than the standard allowed  
(c) More materials were purchased than were used  
(d) More materials were used than were purchased
58. Standards that do not allow for machine breakdowns or other work interruptions and that require peak efficiency at all times are known as:  
(a) Budgeted standards (b) Ideal standards  
(c) Normal standards (d) Practical standards

59. If the actual number of direct labour hours worked is less than the standard labour hours allowed for equivalent units produced, this indicates:
- (a) An unfavourable labour rate variance
  - (b) A favourable total labour variance
  - (c) An unfavourable labour efficiency variance
  - (d) A favourable labour efficiency variance
60. Costing in which inventory is valued at full cost (i.e. fixed and variable) is known as
- (a) Standard Costing
  - (b) Marginal Costing
  - (c) Direct Costing
  - (d) Absorption Costing
61. Variance analysis involves
- (a) Calculation of variance
  - (b) Interpretation of variance
  - (c) (a) or (d)
  - (d) (a) & (b)
62. Labour Efficiency Variance
- (a) Labour Cost Variance - Labour Rate Variance
  - (b) Idle Time Variance + Labour Mix Variance + Labour Yield Variance
  - (c) Both (a) & (b)
  - (d) Labour Mix Variance + Labour Yield Variance
63. Gang variance is sub-variance of
- (a) Labour Efficiency Variance
  - (b) Labour Mix Variance
  - (c) Labour Yield Variance
  - (d) Labour Rate Variance
64. Select the incorrect statement regarding standards:
- (a) A standard is a benchmark or norm used for planning and control.
  - (b) The difference between standard cost and actual cost is referred to as a variance.
  - (c) In manufacturing, standards are developed for materials, labour and overhead.
  - (d) Because of their extensive knowledge of operations, the accountants should be the sole group that sets standards for most organizations.
65. Which of the following is true about standard costs?
- (a) They are the actual costs for delivering a product or service under normal conditions.
  - (b) They are predetermined costs for delivering a product or service under normal conditions.
  - (c) They are the actual costs for producing a product under normal conditions.
  - (d) They are predetermined costs for delivering a product or service under normal and abnormal conditions.
66. Which of the following can be used to calculate the materials price variance?
- (a)  $(AQ - SQ) \times SP$
  - (b)  $(AP - SP) \times AQ$
  - (c)  $(AP - SP) \times SQ$
  - (d)  $(AQ - SQ) \times AP$
67. Which of the following departments is most likely responsible for a price variance in direct materials?
- (a) Warehousing
  - (b) Receiving
  - (c) Purchasing
  - (d) Production



68. When are the overhead variances recorded in a standard costing system?
- (a) When the cost of goods sold is recorded
  - (b) When the factory overhead is applied to work-in-process
  - (c) When the goods are transferred out of work-in-process
  - (d) When direct labour is recorded
69. Which of the following is true when recording variances in a standard costing system?
- (a) All unfavourable variances are debited
  - (b) Only unfavourable material variances are credited.
  - (c) Only unfavourable material variances are debited.
  - (d) Only unfavourable variances are credited.
70. The method of applying the same basic costing methods, principles and techniques to several undertakings that are in the same industry, trade association or group is known as .....
- (a) Standard costing
  - (b) Process costing
  - (c) Uniform costing
  - (d) Absorption costing
71. Standard costing can be used for
- (a) External reporting
  - (b) Internal reporting
  - (c) Internal and external reporting
  - (d) Stakeholders reporting
72. Standard costing is
- (a) Costing method
  - (b) Costing technique
  - (c) Costing classification
  - (d) Costing absorption
73. Basic standard is also known as ..... standard.
- (a) Current
  - (b) Bogey
  - (c) Attainable
  - (d) Ideal
74. Standard may be expressed both in
- (a) Quantitative measures
  - (b) Monetary measures
  - (c) Quantitative & monetary measures
  - (d) Quantitative or monetary measures
75. Standard is determined for
- (a) A specified period
  - (b) Specified level of activity only
  - (c) Each element of cost
  - (d) Monetary terms only
76. If material price variance is zero then will of the following two variance will be same
- (a) Material Cost Variance & Material Usage Variance
  - (b) (a) & (d)
  - (c) Material Usage Variance & Material Mix Variance
  - (d) Material Sub-usage Variance & Material Yield Variance
77. Material Yield Variance =
- (a) Material Mix Variance – Material Usage Variance
  - (b) Material Usage Variance – Material Mix Variance
  - (c) Material Usage Variance – Material Price Variance
  - (d) Material Mix Variance – Material Price Variance

78. Examine the following data:

Standard price per kg ₹ 5.00

Standard usage per unit 7 kg

Actual price per kg ₹ 4.50

Actual usage per kg 8 kg

Material price variance =?

(a) 4 F (b) 3.5 F

(c) 4 A (d) 3.5 A

79. Examine the following of Job X3:

Standard hours 64.50

Standard wages per hour ₹ 4.15

Actual wages per hour ₹ 4.25

Actual hours 61.25

Total labour variance = ?

(a) 13.49 F (b) 6.13 A

(c) 6.13 F (d) 7.36 F

80. Examine the following data:

Standard price per kg ₹ 14.50

Standard usage per unit 0.5 kg

Actual price per kg ₹ 15.60

Actual usage kg 0.4 kg

Which of the following variances is not correct?

(a) Price variance is 0.44 (Favourable) (b) Total variance is 1.01 (Favourable)

(c) Price variance is 0.44 (Adverse) (d) Usage variance is 1.45 (Favourable)

81. From the following data calculate material cost variance.

Standard input for 100 kg:

Chemical A - 30 kg @ ₹ 4.00 per kg

Actual output 500 kg.

Chemical A - 140 kg at a cost of ₹ 588

(a) 12 A (b) 12 F

(c) 28 A (d) 40 F

82. The standard raw material cost for producing one unit of a finished product is ₹ 27. Standard raw material usage for every unit of finished product is 3 kg. If 200 units were produced and ₹ 5,518 was paid for 620 kg of raw material then the direct material price variance is

(a) 62 F (b) 72 A

(c) 100 F (d) 100 A

83. The direct material usage variance computed from details of the above question is

(a) 200 F (b) 200 A

(c) 180 F (d) 180 A

84. Standard price of material per kg is ₹ 20, standard usage per unit of production is 5 kg. Actual usage of producing 100 units is 520 kg all of which was purchased @ ₹ 22 per kg. Material price variance is
- (a) 1,040 A (b) 2,000 A  
(c) 400 A (d) Neither (a) nor (b) nor (c)

85. The actual and standard direct material costs for producing a specified quantity of product are as follows:

Actual	51,000 kg at ₹ 5.05	= 2,57,550
Standard	50,000 kg at ₹ 5.00	= 2,50,000

Material Price Variance = ?

- (a) 50 A (b) 2,500 A  
(c) 2,550 A (d) 7,550 A
86. From the following data calculate material price variance:

Standard input for 100 kg:

Chemical A - 30 kg @ ₹ 4.00 per kg

Actual output 500 kg.

Chemical A - 140 kg at a cost of ₹ 588

- (a) 12 A (b) 12 F  
(c) 28 A (d) 40 F
87. From the following data calculate material usage variance.

Standard input for 100 kg:

Chemical A - 30 kg @ ₹ 4.00 per kg

Actual output 500 kg.

Chemical A - 140 kg at a cost of ₹ 588

- (a) 12 A (b) 12 F  
(c) 28 A (d) 40 F
88. Find out the missing figure from the following data.

Input	SQ	AQ	SP	AP
Material A	140	130	25	27
Material B	160	285	36	?

Total material price variance was 310 F.

- (a) 43 (b) 34  
(c) 40 (d) 38
89. Find out the missing figure from the following data.

Input	SQ	AQ	SP	AP
Material A	50	?	12	15
Material B	50	70	15	20

Material usage variance for both input together was 180 A.

- (a) 40 (b) 50  
(c) 45 (d) 48

90. Hi-Fi Ltd. manufactures a Product P by mixing three raw materials. For every 100 kg of output, 125 kg of raw material input are used. In April 2014, there was an output of 5,600 kg of P. The actual quantity of material used was 7,000 kg.

Raw Material	Standard		Actual	
	Mix	Price (per kg)	Mix	Price (per kg)
I	50%	₹ 40	60%	₹ 42
II	30%	₹ 20	20%	₹ 16
III	20%	₹ 10	20%	₹ 12

Material Cost Variance = ?

- (a) 36,400 A (b) 19,600 F  
(c) 14,000 A (d) 19,600 A

91. The actual output was 380 kg and actual material cost was ₹ 13,200. Total actual input was 415 kg. A standard loss of 5% is expected in production. Standard cost of mixture is:

35% Material A @ ₹ 25 per kg.

36% Material B @ ₹ 36 per kg.

Material Yield Variance =?

- (a) 482 A (b) 650 A  
(c) 310 F (d) 340 A

92. The standard cost of a certain chemical mixture:

40% of Material A at ₹ 200 per ton

60% of Material B at ₹ 300 per ton

A standard loss of 10% is expected in production. During a period there is used:

90 ton of Material A at ₹ 180 per ton

110 ton of Material B at ₹ 340 per ton

The weight produced was 182 tons of goods production. Material Mix Variance =?

- (a) 2,600 A (b) 1,578 F  
(c) 1,000 F (d) 2,578 F

93. Opening stock 100 kg. @ 2.25 per kg

Purchases 500 kg. @ ₹ 2.15 per kg

Closing stock - 490 kg

Standard price @ ₹ 2.25 per kg.

Calculate Material price variance when variance is calculated at point of issue FIFO basis.

- (a) 1 F (b) 11 F  
(c) 22.5 A (d) 12.5 F

94. Opening stock 100 kg. @ ₹ 2.00 per kg  
 Purchases 100 kg. @ ₹ 2.15 per kg  
 Closing stock - 80 kg  
 Standard price @ ₹ 2.25 per kg.  
 Calculate Material price variance when variance is calculated at point of issue a LIFO basis.

- (a) 55 F (b) 45 F  
 (c) 55 A (d) 45 A

95. The following information has been extracted from the records of a chemical company:  
 Standard mix: A - 75%, B - 25%  
 Standard yield: 90%

Output: 2,850 kg. Standard input consumption of A=?

- (a) 2,200 kg (b) 2,791.67 kg  
 (c) 2,375 kg (d) 2,850 kg

96. Standard cost per unit was ₹ 288.89 for 182 kg of standard output. A standard loss of 10% is expected in production. Total input during the period was 200 kg. Material Yield Variance =?

- (a) 578 F (b) 758 F  
 (c) 857 F (d) 758 A

97. Find out the missing figure from the following data.

Input	Standard		Actual	
	Units	Price	Units	Price
Material A	50	12	?	15
Material B	50	15	70	20

Material mix variance for both products together was ₹ 45 adverse.

- (a) 50 (b) 35  
 (c) 40 (d) 45

98. Standard cost per unit of X:

Materials 50 kg @ ₹ 40/kg

Actual production 100 units

Actual material cost ₹ 42/kg

Material price variance 9,800 A

Material usage variance 4,000 F

Actual quantity of material used =?

- (a) 5,000 kg (b) 4,900 kg  
 (c) 4,750 kg (d) 4,887 kg

99. Following are details of the Product X:

Standard quantity per unit = 5 kg

Actual output = 1,000 units

Actual cost of materials = ₹ 7,14,000

Material price variance = 51,000 F

Actual price per kg of material is found to be less than standard price per kg of material by Rs. 10.

Standard price = ?

- (a) ₹ 140 (b) ₹ 150  
(c) ₹ 160 (d) ₹ 130

100. In a manufacturing process, the following standard apply:

Standard price of raw material:

A – Re. 1 per kg and B – 5 per kg

Standard mix: A – 75% and B – 25%

Standard yield: 90%

In a period the actual usage, costs and output were as follows:

4,400 kg of A costing ₹ 4,650

1,600 kg of B costing ₹ 7,850

Output 5,670 kg.

The material cost variance is –

- (a) 100 (F) (b) 100 (A)  
(c) 250 (F) (d) 250 (A)

101. The following information is provided:

Fixed overheads cost (₹)	1,00,000	1,20,000
Hours	10,000	11,500

The fixed overheads cost variance is -

- (a) ₹ 20,000 (F) (b) ₹ 20,000 (A)  
(c) ₹ 5,000 (A) (d) ₹ 5,000 (F)

102. If material price variance is 400(A), materials cost variance is ₹ 600(F), then material usage variance is-

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

103. The control technique which compares standard costs and revenues with actual results to obtain variances is known as -

- (a) Marginal costing (b) Standard costing  
(c) Process costing (d) Budgetary control

104. If material mix variance is ₹ 500(F), material yield variance is ₹ 800(A), then material usage variance is –

- (a) ₹ 1,300 (A) (b) ₹ 1,300 (F)  
(c) ₹ 300 (A) (d) ₹ 300 (F)

105. Find the labour efficiency variance from the following information:

Actual hours worked: 5,600

Actual wages paid: ₹ 7,840

Standard rate @ ₹ 2 per hour

Standard hours produced: 4,000

- (a) ₹ 3,200 (A) (b) ₹ 3,200 (F)  
 (c) ₹ 3,360 (F) (d) ₹ 3,360 (F)

106. From the following data, calculate variable overheads expenditure variance

Budgeted production: 300 units

Budgeted variable overheads ₹ 7,800

Standard time for one unit: 20 hours

Actual production: 250 units

Actual hours worked: 4,500 hours Actual variable overheads: ₹ 7,000

- (a) ₹ 1,150 (F) (b) ₹ 1,150 (A)  
 (c) ₹ 500 (A) (d) ₹ 500 (F)

107. Volume variance is sub-divided into

- (a) Efficiency variance and capacity variance  
 (b) Efficiency variance, capacity variance and calendar variance  
 (c) Expenditure variance and efficiency variance  
 (d) Expenditure variance, capacity variance and calendar variance

108. The standard hourly rate is ₹ 5 per hour and actual rate is ₹ 4.50 per hour. If the labour rate variance is ₹ 1,500 (F), the actual labour hours worked is-

- (a) ₹ 1,500 hours (b) ₹ 7,500 hours  
 (c) ₹ 3,000 hours (d) ₹ 6,750 hours

109. 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 ₹ 24,000. The volume variance

- (a) ₹ 2,000 (F) (b) ₹ 4,000  
 (c) ₹ 2,000 (A) (d) ₹ 4,000 (F)

110. Material usage variance can be calculated using the formula-

- (a) (Standard quantity for actual output - Actual quantity) × Actual price  
 (b) (Standard quantity for actual output - Actual quantity) × Standard price  
 (c) (Standard price - Actual price) × Actual quantity  
 (d) (Standard price - Actual price) × Standard quantity

111. A chemical is manufactured by combining two standard items Input - X (Standard price ₹ 60/kg) and Input-Y (₹ 45/kg) in the ratio 60%: 40%. Ten percent of input is lost during processing. If during a month 1,200 kg of chemical is produced incurring a total cost of ₹ 69,600, the total material cost variance will be –

- (A) ₹ 2,000 (F) (B) ₹ 2,400 (A)  
 (C) ₹ 2,400 (F) (D) ₹ 3,000 (A)

112. Standard hourly rate is ₹ 5 per hour and actual rate ₹ 4.50 per hour. The labour rate variance is ₹ 1,500 (F). The actual labour hours worked is-

- (a) 1,500 Hours (b) 7,500 Hours  
 (c) 3,000 Hours (d) 6,750 Hours

113. Shine Furniture House uses sunmica tops for table making, the following information is available. Standard quantity of sunmica per table: 4 sq. ft. Standard price per sq. ft. of sunmica: ₹ 5 Actual number of tables manufactured: 1,000 Sunmica actually used: 4,300 sq. ft. Actual price of sunmica per sq. ft: ₹ 7 Material cost variance is –

- (A) ₹ 10,100 (A) (B) ₹ 10,500 (A)  
 (C) ₹ 11,000 (A) (D) ₹ 11,500 (A)

114. The original standard rate of pay in a factory was ₹ 5 per hour. Due to settlement with trade unions, this rate of pay per hour was increased by 20%. During a particular period, 5,000 actual hours were worked whereas work done was equivalent to 4,500 hours. The actual labour cost was ₹ 35,000. Labour rate variance is –

- (A) ₹ 10,000 (A) (B) ₹ 5,000 (A)  
 (C) ₹ 5,000 (F) (D) ₹ 10,000 (F) 19.

115. Which of the following are the possible causes of material price variance:

- (1) Change in market price (2) Use of poor quality material  
 (3) Inefficient buying (4) Untimely buying  
 (5) Paying overtime for urgent work  
 (6) Use of substitute material of different prices

Select the correct answer from the options given below

- (a) (1), (3), (4) and (6) (b) (2), (3), (5) and (6)  
 (c) (3), (4), (5) and (6) (d) (1), (3), (5) and (6)

116. Match the following:

**List-I**

**List-II**

- P. Material cost variance 1. SP (RSQ-AQ)  
 Q. Material price variance 2. SP (SQ-AQ)  
 R. Material usage variance 3. AQ (SP-AP)  
 S. Material mix variance 4. SC-AC

Select the correct answer from the options given below

- |     | <b>P</b> | <b>Q</b> | <b>R</b> | <b>S</b> |
|-----|----------|----------|----------|----------|
| (a) | 4        | 3        | 2        | 1        |
| (b) | 2        | 1        | 4        | 3        |
| (c) | 4        | 1        | 2        | 3        |
| (d) | 3        | 4        | 2        | 1        |

117. Calculate fixed overheads volume variance from the following data:

	<b>Standard</b>	<b>Actual</b>
Output (in units)	8,000	10,000
Working hours	5,000	4,800
Fixed overheads (₹)	40,000	60,000

Correct answer option is –







# 14

# MARGINAL COSTING

1. Absorption costing is also called \_\_\_\_\_
  - (a) Variable costing
  - (b) Total costing
  - (c) Marginal costing
  - (d) Activity based costing
2. Contribution can be defined as \_\_\_\_\_
  - (a) Fixed costs less variable costs
  - (b) Sales revenue less fixed cost
  - (c) Selling price less fixed cost
  - (d) Selling price less variable costs
3. When deciding to accept a special order at below the normal selling price a firm would consider which cost?
  - (a) Absorption cost
  - (b) Marginal cost
  - (c) Full cost
  - (d) Overhead cost
4. Which of the following is a correct description of absorption costing?
  - (a) All production costs are absorbed into products and the unsold stock is measured a total cost of production.
  - (b) Variable costs of products are allocated to products are allocated to products and the unsold stock is measured at total variable cost of production.
  - (c) All direct cost of production are absorbed into products and the unsold stock is measured at direct cost of production.
  - (d) All production costs are absorbed into products and the unsold stock measured at direct cost of production.
5. Absorption Costing is concerned with \_\_\_\_\_
  - (a) Variable costs
  - (b) Direct labour
  - (c) Fixed costs
  - (d) Variable and fixed costs
6. Marginal costing is \_\_\_\_\_
  - (a) A system of costing
  - (b) A method of costing
  - (c) A distinct technique of costing
  - (d) None of these
7. The main difference between absorption costing and marginal costing is the treatment of \_\_\_\_\_
  - (a) Prime cost
  - (b) Variable overheads
  - (c) Fixed overheads
  - (d) Direct material and fixed overheads
8. Marginal cost represents \_\_\_\_\_
  - (a) Cost at the margin
  - (b) Variable overheads
  - (c) Variable cost
  - (d) Contribution
9. Contribution means \_\_\_\_\_
  - (a) Profit + Fixed cost
  - (b) Loss – Fixed cost
  - (c) Fixed cost ÷ P/v Ratio
  - (d) All of the above

10. Key factor is also known as \_\_\_\_\_
- (a) Marginal factor (b) Principal budget factor  
(c) Limiting factor (d) All of the above
11. In marginal costing fixed overheads are treated as \_\_\_\_\_
- (a) Product cost (b) Period cost  
(c) Standard cost (d) Abnormal cost
12. Cost-volume-profit analysis is always based on \_\_\_\_\_
- (a) Contribution per unit (b) Profit per unit  
(c) Both (a) & (b) (d) None of these
13. Variable costing is also known as: \_\_\_\_\_
- (a) Direct costing (b) Indirect costing  
(c) Marginal costing (d) Both (a) & (c)
14. Using absorption costing a unit of product includes what costs?
- (a) Direct materials and direct labour  
(b) Direct materials, direct labour and fixed overhead  
(c) Direct materials, direct labour and variable overhead  
(d) Direct materials, direct labour, variable overhead and fixed overhead
15. Product cost under absorption costing is characteristically: .....
- (a) Higher than under variable costing  
(b) Lower than under variable costing  
(c) Equal to variable costing  
(d) Higher sometimes and lower sometimes than variable costing
16. Variable costing is attractive to managers as an alternative to absorption costing because:
- (a) Absorption costing makes distinctions between fixed and variable product costs.  
(b) Absorption costing is well suited to CVP analysis techniques  
(c) Absorption costing provides useful tools to managers for planning and control  
(d) To generate data for CVP analysis, considerable time would have to be invested to rework income statements constructed under absorption costing
17. When production is equal to sales, which of the following is true?
- (a) No change occurs to inventories for either absorption costing or variable costing methods  
(b) The use of absorption costing produces a higher net income than the use of variable costing.  
(c) The use of absorption costing produces a lower net income than the use of variable costing  
(d) The use of absorption costing causes inventory value to increase more than they would through the use of variable
18. When is the breakeven point achieved?
- (a) When the level of contribution is equal to total costs  
(b) When the total variable costs are equal to total contributions  
(c) When the total variable costs are equal to total fixed costs  
(d) When the total contribution is equal to total fixed costs

19. Which of the following describes the margin of safety?
- (a) The total sales units up to break-even sales volume
  - (b) The difference in units between expected sales volume and the break-even sales volume
  - (c) The difference between sales value and variable costs
  - (d) The difference between total costs and the fixed costs at break-even sales volume
20. A firm has discovered that the cost of a raw material will increase. If nothing else changes what is the effect of this on margin of safety and breakeven point?
- (a) The margin of safety will decrease and the break-even point will increase
  - (b) The margin of safety will increase and the break-even point will increase
  - (c) The margin of safety will decrease and the break-even point will decrease
  - (d) The margin of safety will decrease and the break-even point will decrease
21. Production cost under marginal costing includes \_\_\_\_\_
- (a) Prime cost only
  - (b) Prime cost and fixed overhead
  - (c) Prime cost and variable overhead
  - (d) Prime cost, variable overhead, and fixed overhead
22. Contribution margin is also known as \_\_\_\_\_
- (a) Marginal income
  - (b) Gross profit
  - (c) Net profit
  - (d) Net loss
23. Contribution margin is equal to \_\_\_\_\_
- (a) Fixed cost + loss
  - (b) Profit + variable cost
  - (c) Sales – fixed cost - profit
  - (d) Sales – profit
24. P/V ratio is an indicator of \_\_\_\_\_
- (a) The rate at which goods are sold
  - (b) The volume of sales
  - (c) The volume of profit
  - (d) The rate of profit
25. An increase in variable costs \_\_\_\_\_
- (a) Increases p/v ratio
  - (b) Increases the profits
  - (c) Reduces contribution
  - (d) Increase margin of safely
26. An increase in selling price \_\_\_\_\_
- (a) Increases the break-even point
  - (b) Decreases the break-even point
  - (c) Does not the break-even point
  - (d) Optimize the break-even point
27. A large margin of safety indicates \_\_\_\_\_
- (a) Over production
  - (b) Over capitalization
  - (c) The soundness of the business
  - (d) Under capitalization
28. If fixed costs decrease while variable cost per unit remains constant, the new BEP in relation to the old BEP will be \_\_\_\_\_
- (a) Lower
  - (b) Higher
  - (c) Unchanged
  - (d) Indeterminate

29. Absorption costing is also known as \_\_\_\_\_
- (a) Historical costing (b) Real costing  
(c) Marginal costing (d) Standard costing
30. In marginal costing stock are valued at \_\_\_\_\_
- (a) Fixed cost (b) Semi variable cost  
(c) Variable cost (d) Market price
31. Marginal costing lays emphasis on \_\_\_\_\_
- (a) Production (b) Sales  
(c) Variable cost (d) Advertising
32. Selling Price – Marginal Cost = \_\_\_\_\_
- (a) Fixed cost (b) Semi - variable cost  
(c) Contribution (d) Break-even point
33. Total Sales - Total Variable Cost = \_\_\_\_\_
- (a) Fixed cost (b) Semi variable cost  
(c) Contribution (d) Break-even point
34. Fixed Cost + Profit = \_\_\_\_\_
- (a) Semi-variable cost (b) Margin of safety  
(c) Contribution (d) Standard profits
35. Which of the following costs are not relevant for special decisions?
- (a) Avoidable cost (b) Incremental costs  
(c) Sunk Cost (d) Marginal cost
36. Angle of incidence defines \_\_\_\_\_
- (a) Systematic risk in CAPM model  
(b) Post BEP relationship between total cost and total revenue  
(c) Incidental factors in investments  
(d) Marginal cost of production
37. In a shutdown decision, one has to consider: \_\_\_\_\_
- (a) Contribution  
(b) Identifiable fixed cost, if any  
(c) Impact of shutdown on other products, if any  
(d) All of the above
38. Which of the following factors are not qualitative factors in a make or buy decision?
- (a) Doubt as to the ability of the subcontractor to meet delivery dates  
(b) Doubt as to ability of the subcontractor to maintain quality  
(c) The case with which improvements can be made to the product  
(d) The effect of redundancy on labour relations

39. Which of the following is not a relevant cost information in a make or buy decision?
- (a) Variable cost of making (b) General fixed cost  
(c) Purchase price (d) Loss of contribution to make the product
40. Selling a product at a price equivalent to or below marginal cost is recommended for a short period in certain special circumstances, short such as: \_\_\_\_\_
- (a) Introducing a new product (b) Exploring foreign market  
(c) Driving out a weaker competitor (d) All of the above
41. Break-even analysis assumes that over the relevant range: \_\_\_\_\_
- (a) Total costs are unchanged (b) Unit variable costs are unchanged  
(c) Variable costs are non-linear (d) Unit fixed costs are unchanged
42. With regard to break even charts and break- even analysis, which of the following is true?
- (a) It is assumed that variable cost fluctuates in direct proportion to output  
(b) The break the break-even point is at the intersection of the sales line and the variable cost line  
(c) A break-even chart shown the maximum profit possible  
(d) A break-even chart is capable of dealing with any change of product mix
43. Which of the following definitions describe marginal cost?
- (a) The variable cost of one unit of product or service  
(b) A principle whereby variable costs are charged to cost units and the fixed costs attributable to the relevant period are written-off in full against the contribution for that period  
(c) Costs appropriate to aiding the making of specific management decisions  
(d) The price at which material identical to that which is used up could be replaced on the date of usage
44. Under marginal costing: \_\_\_\_\_
- (a) All cost are classified into two groups variable and fixed  
(b) Variable costs form part of the product cost and inventory valuation  
(c) Fixed costs are treated as period costs  
(d) All of the above
45. Which of the following represents a CVP equation?
- (a) Sales = Contribution margin (₹) + Fixed expenses + Profits  
(b) Sales = Contribution margin ratio + Fixed expenses + Profits  
(c) Sales = Variable expenses + Fixed expenses + profits  
(d) Sales = Variable expenses – Fixed expenses + profits
46. The difference between total revenues and total variable costs is known as:
- (a) Contribution margin (b) Gross margin  
(c) Operating income (d) Fixed costs
47. The break-even point in units is calculated using
- (a) Fixed expenses and the contribution margin ratio  
(b) Variable expenses and the contribution margin ratio  
(c) Fixed expenses and the unit contribution margin

- (d) Variable expenses and the unit contribution margin
48. The contribution margin ratio is calculated by using which one of the given formula?
- (a)  $(\text{Sales} - \text{Fixed Expenses})/\text{Sales}$  (b)  $(\text{Sales} - \text{Variable Expenses})/\text{Sales}$   
(c)  $(\text{Sales} - \text{Total Expenses})/\text{Sales}$  (d) None of the given options
49. The margin of safety can be defined as:
- (a) The excess of budgeted or actual sales over budgeted or actual variance expenses  
(b) The excess of budgeted or actual sales over budgeted or actual fixed expenses  
(c) The excess of budgeted sales over the break-even volume of sales  
(d) The excess of budgeted net income over actual net income
50. In increasing production volume situation, the behaviour of Fixed cost & Variable cost will be:
- (a) Increases, constant (b) Constant, increases  
(c) Increases, decreases (d) Decreases, decreases
51. When a business is faced with a limiting factor (one which limits faced with a limiting factor there is a choice to be of an entity and made between options to follow, which of the following statements describes the optimal course of action?
- (a) Choose the option which gives the highest unit profit.  
(b) Choose the option which gives the highest unit contribution.  
(c) Aim to achieve a balance of activities covering all of the options.  
(d) Choose the option which gives highest contribution per unit of limiting factor.
52. The break-even point is that at which
- (a) The level of activity at which the business operates most economically.  
(b) The level of activity at which the business makes neither a profit nor a loss.  
(c) The fixed costs are lowest.  
(d) The variable cost per unit is minimized.
53. Which of the following is not a technique of costing?
- (a) Absorption costing (b) Standard costing  
(c) Multiple costing (d) Marginal costing
54. Which of the following is not a method of costing?
- (a) Marginal costing (b) Job costing  
(c) Process costing (d) Operating costing
55. Cost Volume Profit (CVP) analysis is a behaviour of how many variables?
- (a) 2 (b) 3  
(c) 4 (d) 5
56. Under Absorption Costing all \_\_\_\_\_ are recovered from production.
- (a) Fixed (b) Variable  
(c) Fixed and variable (d) Fixed, semi-variable & variable costs
57. Under marginal costing \_\_\_\_\_ are charged to production
- (a) Only variable costs (b) Only fixed costs  
(c) Only semi variable costs (d) Only standard costs



58. Marginal costing is also known as \_\_\_\_\_
- (a) Differential Costing (b) Relevant Costing  
(c) Incremental Analysis (d) None of the above
59. Marginal costing is useful for long term planning
- (a) True (b) False  
(c) Partly true (d) None of the above
60. Contribution earned after reaching BEP is \_\_\_\_\_ of the firm.
- (a) Profit (b) Margin of safety  
(c) Both (a) & (b) (d) Either (a) or (b)
61. In make or buy decisions, it is profitable to buy from outside only when the suppliers price is below the firm's own.....
- (a) Variable cost (b) Fixed cost  
(c) Variable plus fixed cost (d) Identifiable cost
62. Margin of safety is \_\_\_\_\_ or
- (a) Sales minus break-even sales, Profit/ PV ratio  
(b) Sales plus break-even sales, Profit/PV ratio  
(c) Sales minus break-even sales, PV ratio Profit  
(d) Sales-break-even sales, PV ratio Profit
63. Differential costing and marginal costing mean the same thing.
- (a) True (b) False  
(c) Partly true (d) None of the above
64. Which of the following statement is/are true?
- (a) When a factory operates at full capacity, fixed cost also become relevant for Make or Buy decisions.  
(b) Net profit will be the same under Marginal costing and Absorption costing if no inventory exists.  
(c) Labour cost may be viewed as a committed cost rather than discretionary cost.  
(d) All of the above
65. Which of the following can improve break-even point?
- (a) Increase in variable cost (b) Increase in Fixed cost  
(c) Increase in sale price (d) Increase in sales volume
66. In two consecutive periods, sales and profit were ₹ 1,60,000 and ₹ 8,000 respectively in the first period and ₹ 1,80,000 and ₹ 14,000 respectively during the second period. If there is no change in fixed costs between the two periods then P/V ratio must be.....
- (a) 20% (b) 25%  
(c) 30% (d) 40%

67. A company has annual turnover of ₹ 200 lakhs and an average c/s ratio of 40%. It makes 10% profit on sales before charging depreciation with interest which amount to ₹ 10 lakhs and ₹ 15 lakhs respectively. The annual fixed cost of the company is
- (a) ₹ 85 lakhs (b) ₹ 75 lakhs  
(c) ₹ 60 lakhs (d) ₹ 55 lakhs
68. Selling price per unit ₹ 10; variable cost ₹ 8 per unit; fixed cost ₹ 20,000; Break even production in units?
- (a) 10,000 (b) 16,300  
(c) 2,000 (d) 2,500
69. Sales ₹ 25,000; Variable cost ₹ 8,000; Fixed cost ₹ 5,000; Break Even sales in value?
- (a) ₹ 7,936 (b) ₹ 7,353  
(c) ₹ 8,333 (d) ₹ 9,090
70. Fixed cost ₹ 80,000; variable cost ₹ 2 per unit; selling price ₹ 10 per unit: Turnover required for a profit target of ₹ 60,000?
- (a) ₹ 1,75,000 (b) ₹ 1,17,400 (c) ₹ 1,57,000 (d) ₹ 1,86,667
71. Sales ₹ 25,000; variable cost ₹ 15,000 Fixed cost ₹ 4,000; P/V ratio is
- (a) 40% (b) 80% (c) 15% (d) 30%
72. Sales ₹ 50,000; variable cost ₹ 30,000; Net profit ₹ 6,000; Fixed cost is
- (a) ₹ 10,000 (b) ₹ 14,000 (c) ₹ 12,000 (d) ₹ 8,000
73. Actual sales ₹ 4,00,000; Break Even Sales ₹ 2,50,000, Margin of safety in percentage is
- (a) 66.67% (b) 33.33% (c) 37.5% (d) 76.33%
74. P/V ratio 50%; variable cost of the produce ₹ 25; selling price is
- (a) ₹ 50 (b) ₹ 40 (c) ₹ 30 (d) ₹ 55
75. A retail company sells computer parts, each of which is sold for ₹ 250 and bought from the manufacturer for ₹ 100. The retailer's fixed costs are ₹ 1,50,000. Maximum possible sales are 3,000. How many computers must be sold to break-even?
- (a) 2,000 (b) 1,000 (c) 750 (d) 3,000
76. Using the information in above question, how much profit or loss would be made if 2,700 computers were sold?
- (a) ₹ 2,55,000 profit (b) ₹ 1,50,000 loss  
(c) ₹ 4,50,000 profit (d) ₹ 1,62,000 profit
76. Using the information above question, how many computers would have to be sold for the company to earn a profit of ₹ 1,80,000?
- (a) 1,000 (b) 720 (c) 2,200 (d) 2,000
77. Using the following data, determine the unit product cost under absorption costing.
- |                 |       |
|-----------------|-------|
| Unit produced   | 1,000 |
| Direct material | ₹ 6   |
| Direct labour   | ₹ 10  |



1. 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.
2. The classification of fixed and variable cost is useful for the preparation:
  - (a) Master budget
  - (b) Flexible budget
  - (c) Cash budget
  - (d) Capital budget.
3. Budget manual is a document:
  - (a) Which contains different type of budgets to be formulated only
  - (b) Which contains the details about standard cost of the products to be made
  - (c) Setting out the budget organization and procedures for preparing a budget including fixation of responsibilities, formats and records required for the purpose of preparing a budget and for exercising budgetary control system
  - (d) None of the above.
4. Under which of the following method of budgeting, all activities are re-evaluated each time a budget is set:
  - (a) Material Budget
  - (b) Zero Base Budgeting
  - (c) Sales Budget
  - (d) Overheads Budget.
5. Purchases budget and materials budget are same:
  - (a) Purchases budget is a budget which includes only the details of all materials purchased
  - (b) Purchases budget is a wider concept and thus includes not only purchases of materials but also other item's as well
  - (c) Purchases budget is different from materials budget, it includes purchases of other items only
  - (d) None of the above.
6. 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.
7. 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.\
8. Budgets are shown in \_\_\_\_\_ terms:
- (a) Qualitative
  - (b) Quantitative
  - (c) Materialistic
  - (d) Both (b) and (c).
9. The budget control organization is usually headed by a top executive who is known as:
- (a) General manager
  - (b) Budget director/budget controller
  - (c) Accountant of the organization
  - (d) None of the above.
10. A factor which will limit the activities of an undertaking and which is taken into account in preparing budgets, is termed as:
- (a) Limiting factor
  - (b) Governing factor
  - (c) Key factor
  - (d) All of the above.
11. 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.
12. The basic difference between a fixed budget and flexible budget is that a fixed budget ..... :
- (a) Is concerned with a single level of activity, while flexible budget is prepared for different levels of activity
  - (b) Is concerned with fixed costs, while flexible budget is concerned with variable costs
  - (c) Is fixed while flexible budget changes
  - (d) None of the above.
13. A budget report is prepared on the principle of exception and thus:
- (a) Only unfavourable variances should be shown
  - (b) Only favourable variance should be shown
  - (c) Both favourable and unfavourable variances should be shown
  - (d) None of the above.

14. A flexible budget requires a careful study of:
- (a) Fixed, semi-fixed and variable expenses
  - (b) Past and current expenses
  - (c) Overheads, selling and administrative expenses
  - (d) None of the above.
15. PQR factory produces two units of a commodity in one standard hours. Actual production during a particular year is 34,000 units and budgeted production for the year is 40,000 units. Actual hours are 16,000. Activity Ratio is \_\_\_\_\_
- (a) 40%
  - (b) 80%
  - (c) 85%
  - (d) 106.25%.
16. Zero base budgeting overcomes the weaknesses of \_\_\_\_\_
- (a) Conventional Budgeting
  - (b) Fixed Budgeting
  - (c) Performance Budgeting
  - (d) Functional Budgeting.
17. Budget which remains unchanged regardless of the actual level of activity is known as:
- (a) Fixed Budget
  - (b) Flexible Budget
  - (c) Cash Budget
  - (d) Functional Budget.
18. At 60% level of production the amount of factory overhead is ₹40,000 (40% fixed). At 100% level of production it amounts to:
- (a) ₹ 16,000
  - (b) ₹ 24,000
  - (c) ₹ 40,000
  - (d) ₹ 56,000
19. Sales Budget is a \_\_\_\_\_
- (a) Expenditure Budget
  - (b) Functional Budget
  - (c) Master Budget
  - (d) None of the above.
20. The entire Budget Organisation is controlled and headed by a senior executive known as:
- (a) General Manager
  - (b) Accountant
  - (c) Budget Controller
  - (d) None of the above.

21. The budget which usually takes the form of profit and loss account and balance sheet is known as:
- Material Budget
  - Flexible Budget
  - Cash Budget
  - Master Budget.
22. Budgeted sales of Product X for March, 2024 are ₹ 25,500 units. At the end of production process, 10% of net production units are scrapped as defective. Opening stock of Product X for March is budgeted to be 15,000 units and closing stock will be 12,000 units. All stock of finished goods must have successfully passed the quality control check.
- The production budget of Product X for March, 2024 is:
- 25,000 units
  - 25,500 units
  - 25,950 units
  - 20,250 units.
23. Reliable Ltd. has given the following data:
- |                         |   |              |
|-------------------------|---|--------------|
| Budget Production       | : | 800 units    |
| Standard hours per unit | : | 25           |
| Actual Production       | : | 576 units    |
| Actual Working          | : | 12,000 hours |
- What is the Efficiency Ratio?
- 110%
  - 120%
  - 100%
  - 125%.
24. Following information estimated for the year 2023-24:
- Normal loss in production will be 5% of input.
  - Sales units as per Sales Budget 38,350 units.
  - Closing stock will be 6,600 units which has been estimated 10% more than previous year's quantity.
- The input for required production will be -
- 39,737 units
  - 41,000 units
  - 40,898 units
  - 39,638 units
25. Two articles A and B are produced in a factory. Their specifications show that 4 units of A or 2 units of B can be produced in one hour. The budgeted production for January, 2024 is 800 units of A and 200 units of B. The actual production for the month was 900 units of A and 180 units of B. Actual labour hours spent were 350. The Efficiency Ratio for January, 2024 is:
- 80%

- (b) 85%
- (c) 90%
- (d) 95%.
26. In Rise Ltd. cash sales is 25% and credit sales 75%. Sales for November, 2023 is ₹ 15,00,000, December, 2023 ₹ 14,00,000, January, 2024 ₹ 16,00,000, February, 2024 ₹ 10,00,000 and March, 2024 ₹ 9,00,000. 60% of the credit sales are collected in the next month after sales, 30% in the second month and 10% in the third month. No bad debts are anticipated. The cash collected in the month of March, 2024 from debtors is:
- (a) ₹ 14,60,000
- (b) ₹ 14,20,000
- (c) ₹ 12,20,000
- (d) ₹ 9,15,000.
27. 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.
28. Which of the following is a long-term budget?
- (a) Master Budget
- (b) Flexible Budget
- (c) Cash Budget
- (d) Capital Budget.
29. The budgeting system designed to change in relation to level of activity actually attained is known as:
- (a) Fixed Budgeting
- (b) Flexible Budgeting
- (c) Performance Budgeting
- (d) Functional Budgeting.
30. The budget that is prepared first of all is .....
- (a) Master Budget
- (b) Sales Budget assuming that it is the key factor
- (c) Cash Budget
- (d) Capital Expenditure Budget.
31. While preparing a flexible budget indirect wages was considered as a semi-variable expense. At 50% level of production it was estimated as ₹ 1,50,000. If it has a tendency to increase by 10% between 60% and 75% capacity and further will increase by another 5% when production crosses 75%, the amount of indirect wages at 90% level of production is:
- (a) ₹ 1,65,000
- (b) ₹ 1,72,500
- (c) ₹ 1,73,250
- (d) None of the above.



32. When a Company wants to prepare a Factory Overhead Budget in which the estimated costs are directly derived from the estimates of activity levels, which of the following Budget should be prepared by the Company?
- (a) Flexible Budget
  - (b) Fixed Budget
  - (c) Master Budget
  - (d) R & D Budget.
33. Which of the following is not a potential benefit of using a Budget?
- (a) Enhanced coordination of firm activities
  - (b) More motivated managers
  - (c) Improved inter-departmental communication
  - (d) More accurate external financial statements.
34. If the Capacity Ratio and Efficiency Ratio of a factory are 95% and 125% respectively, then Activity Ratio will be:
- (a) 131.58%
  - (b) 76%
  - (c) 118.75%
  - (d) 152%.
35. A document which sets-out the responsibility of the persons engaged in the routine of and the procedures, forms and records required for budgetary control is called:
- (a) Budget Centre
  - (b) Budget Report
  - (c) Budget Controller
  - (d) Budget Manual.
36. The primary objective of cash budget is to ascertain whether there is likely to be ..... of cash at any time.
- (a) Balance
  - (b) Shortage only
  - (c) Excess only
  - (d) Excess or shortage.
37. A Flexible Budget requires a careful study of:
- (a) Fixed, semi-variable and variable expenses
  - (b) Past and current expenses
  - (c) Overheads, selling and administrative expenses
  - (d) None of the above.
38. Budgets prepared at the single level of activity are referred to as ..... :
- (a) Fixed Budgets
  - (b) Master Budget
  - (c) Zero based Budgets

- (d) None of the above.
39. Budgets are an important tool of \_\_\_\_\_
- (a) Profit Planning
  - (b) Capital expenditure
  - (c) Operating expenses
  - (d) None of the above.
40. Sales and production budgets are ..... budgets:
- (a) Operating
  - (b) Financing
  - (c) Investing
  - (d) None of the above.
41. Cash budget is a tool of ..... financial planning:
- (a) Long-term
  - (b) Short-term
  - (c) Medium-term
  - (d) All of the above.
42. A Budget that gives a summary of all the functional budgets and budgeted statement of profit and loss is called:
- (a) Flexible Budget
  - (b) Master Budget
  - (c) Performance Budget
  - (d) Zero Base Budget.
43. Which one of the following is not an advantage of Budgetary Control:
- (a) Maximisation of profit through effective planning
  - (b) Planned approach for expenditure
  - (c) Create necessary conditions for setting-up of standard costs
  - (d) Based on quantitative data and represent only an impersonal appraisal to the conduct of business activity.
44. A Budget in which a responsibility centre manager must justify each planned activity and its budgeted total cost is called:
- (a) Traditional budget
  - (b) Zero based budget
  - (c) Master budget
  - (d) Functional budget.
45. In ..... budgeting there was a shift from financial classification to objective classification in respect of functions, activities etc.:
- (a) Programme
  - (b) Performance
  - (c) Zero base

- (d) None of the above.
46. .... is prepared for the estimation of plant capacity to meet the budgeted production during the budgeted period:
- (a) Plant utilization budget
  - (b) Production budget
  - (c) Manufacturing overhead budget
  - (d) Labour budget.
47. For most of the business concerns, ..... is key budget:
- (a) Sales Budget
  - (b) Production Budget
  - (c) Flexible Budget
  - (d) All of the above.
48. Which of the following would be found in a Cash Budget?
- (a) Capital Expenditure
  - (b) Provision for doubtful debts
  - (c) Depreciation
  - (d) Accrued Expenditure.
49. Which is not the method of preparation of cash budget?
- (a) Receipts and Payments Method
  - (b) Adjusted Profit and Loss Account Method
  - (c) Balance Sheet Method
  - (d) Cash Flow Method.
50. 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.
51. While preparing cash budget, which of the following items would not be included:
- (a) Interest paid to debenture-holders
  - (b) Salaries and wages
  - (c) Bonus shares issued
  - (d) Income-tax paid.
52. Which one of the following would not form part of master budget:
- (a) Cash Budget
  - (b) Statement of Profit or Loss
  - (c) Statement of Financial Position
  - (d) None of the above.

53. The basic difference between in Fixed Budget and Flexible Budget is that a Fixed Budget:
- (a) Is concerned with a single level of activity, while flexible budget is prepared for different levels of activity
  - (b) Is concerned with fixed costs, while flexible budget is concerned with variable costs
  - (c) Is fixed while flexible budget changes
  - (d) None of the above.
54. Which of the following is/are true with regard to the period of budget?
- (i) The budget period depends on the nature of industry
  - (ii) Master budget is prepared annually while functional budget may be for different periods
  - (iii) Basic budget is the long term budget
- (a) Only (i) above
  - (b) Only (ii) above
  - (c) Both (i) and (ii) above
  - (d) All (i), (ii) and (iii) above.
55. The classification of fixed and variable cost has a specific significance in the preparation of:
- (a) Zero-based Budget
  - (b) Flexible Budget
  - (c) Capital Budget
  - (d) Cash Budget.
56. Which of the following is/are purpose of a Budget?
- (i) Establishing Strategic options
  - (ii) Motivating management
  - (iii) Establishing long term objectives
  - (iv) Planning operations
- (a) (i) and (ii) only
  - (b) (ii), (iii) and (iv) only
  - (c) (i) and (iv) only
  - (d) (ii) and (iv) only.
57. Which of the information below should be contained in a budget manual?
- (a) A list of account codes
  - (b) An organisation chart
  - (c) Timetable for budget preparation
  - (d) All of the above.
58. A Budget that gives a summary of all the Functional Budget is known as:
- (a) Fixed Budget
  - (b) Capital Budget
  - (c) Master Budget
  - (d) Flexible Budget.

59. Master Budget comprises the following:
- (a) The Budgeted Profit and Loss Account
  - (b) Budgeted Cash Flow
  - (c) Budgeted Cash Flow, Budgeted Profit and Loss, Budgeted Balance Sheet
  - (d) Entire sets of budgets prepared.
60. Which of the following is normally the most appropriate sequence of events in the preparation of the indicated budgets?
- (a) Sales Budget, Cash Budget, Production Budget, Budgeted Balance sheet
  - (b) Sales Budget, Cash Budget, Budgeted Balance sheet, Production Budget
  - (c) Sales Budget, Production Budget, Budgeted Balance sheet, Cash Budget
  - (d) Sales Budget, Production Budget, Cash Budget, Budgeted Balance sheet
61. When preparing a Production Budget, the quantity to be produced equals:
- (a) Sales quantity plus Opening Stock minus Closing Stock
  - (b) Sales quantity minus Opening Stock plus Closing Stock
  - (c) Sales quantity plus Opening Stock plus Closing Stock
  - (d) Sales quantity minus Opening Stock minus Closing Stock
62. Which one of the following items would not be included in a Cash Budget?
- (a) Dividend Payments
  - (b) Capital Repayments of Loans
  - (c) Depreciation Charges
  - (d) Process of Sale of fixed assets.
63. The Budgeted Cost of electricity is ₹ 62,500 for 5,000 units of production per month and ₹ 71,500 for 6,200 units of production per month. If the company manufactures 6,900 units in the month of December 2023, the Budgeted Amount of Electricity for the month is:
- (a) ₹ 77,770
  - (b) ₹ 76,750
  - (c) ₹ 74,360
  - (d) ₹ 79,572.
64. Which of the following items should be included in a Cash Budget?
- (i) Loan Re-payments
  - (ii) Depreciation Charges
  - (iii) Tax Provision
  - (iv) Wages paid.
- (a) (i) and (ii)
  - (b) (iii) and (iv)
  - (c) (ii) and (iii)
  - (d) (i) and (iv).

65. “Zero-based budgeting: A method of budgeting which requires each cost element ..... , as through the activities to which the budget relates .....”. Which combination of two phrases correctly complete the definition?
- (a) To be specifically justifies, & were being undertaken for the first time
  - (b) To be set zero, & could be out-sourced to an external supplier
  - (c) To be specifically justifies, & could be out-sourced to an external supplier
  - (d) To be set zero, & were being undertaken for the first time.
66. A Company is preparing a Production Budget for the next year. The following information is relevant:
- Budgeted Sales: 10,000 units
  - Opening Stock: 600 units
  - Closing Stock: 5% of budgeted sales
- The production process is such that 10% of the units produced are rejected
- What is the number of units required to be produced to meet demand?
- (a) 8,900 units
  - (b) 9,900 units
  - (c) 11,000 units
  - (d) 10,900 units.
67. ABC Ltd. is preparing the Production and Material purchase budgets for one of their products, AB Product for the forthcoming year.
- The following information is available:
- Sales Demand: 30,000 units
  - Material consumption per unit: 7 kgs
  - Estimated Opening Inventory: 3,500 units
- Required:
- Closing Inventory 35% higher than opening inventory
- How many units of the AB Product will need to be produced?
- (a) 31,225 units
  - (b) 30,000 units
  - (c) 28,775 units
  - (d) 38,225 units.
68. A Company has the following Budget for the six month:
- Sales: 7,000 units
  - Usage of material per unit: 3 kgs
  - Production units: 7,200 units
  - Opening Stock: 400 kgs and Closing Stock: 500 kgs
- What is the Material Purchase Budget for the month?
- (a) 21,700 kgs

- (b) 20,900 kgs
- (c) 21,100 kgs
- (d) 21,500 kgs.

69. ABC Ltd. has prepared the Cash Budget for the year 2023-24 and provided the following information pertaining to Sales value:

Month	(₹)
April, 2023	2,50,000
May, 2023	2,80,000
June, 2023	3,20,000
July, 2023	3,50,000

20% of the monthly sales are expected to be on Cash Basis. 60% of the credit sales are expected to be realised in the month following the month of sales and remaining 40% are expected to be realised in the second month following the month of sales.

The Estimated Cash Receipts in the month of June 2023 are:

- (a) ₹ 2,78,400
- (b) ₹ 3,00,000
- (c) ₹ 3,20,000
- (d) ₹ 3,32,000.

70. The following details have been extracted from the Debtors collection records of A Ltd.:

Invoices paid in the month after sales 60%

Invoices paid in the second month after sales 20%

Invoices paid in the third month after sales 15%

Bad debts 5%

Credit Sales for June to August 2023 or Budgeted as follows:

June	₹ 1,00,000
July	₹ 1,50,000
August	₹ 1,30,000

Customers paid in the month after sales are entitled to deduct a 2% cash discount. Invoices are issued on the last day of the month.

The month budgeted to be received in September 2023 from credit sales is:

- (a) ₹ 1,16,750
- (b) ₹ 1,15,190
- (c) ₹ 1,23,000
- (d) ₹ 1,21,440.

71. Calendar Ratio:

- (a) Number of Actual Working days in a period/Number of Working days in the budget period x 100
- (b) Actual hours worked/Budgeted hours x 100
- (c) Standard hours for actual production/Actual hours worked x 100
- (d) Standard hours for actual production/Budgeted Standard hours x 100

72. Capacity Ratio:

- (a) Number of Actual Working days in a period/Number of Working days in the budget period x 100
- (b) Actual hours worked/Budgeted hours x 100
- (c) Standard hours for actual production/Actual hours worked x 100
- (d) Standard hours for actual production/Budgeted Standard hours x 100

73. Efficiency Ratio:

- (a) Number of Actual Working days in a period/Number of Working days in the budget period x 100
- (b) Actual hours worked/Budgeted hours x 100
- (c) Standard hours for actual production/Actual hours worked x 100
- (d) Standard hours for actual production/Budgeted Standard hours x 100

74. Activity Ratio:

- (a) Number of Actual Working days in a period/Number of Working days in the budget period x 100
- (b) Actual hours worked/Budgeted hours x 100
- (c) Standard hours for actual production/Actual hours worked x 100
- (d) Standard hours for actual production/Budgeted hours x 100

75. \_\_\_\_\_ determines the priorities of functional budget:

- (a) Principal Budget Factor
- (b) Limiting Factor
- (c) Both (a) and (b)
- (d) None of the above.

76. A budget is all of the following, except:

- (a) A plan which will ensure the generation of future profits
- (b) A system which helps to co-ordinate internal activities
- (c) A system to integrate the operations for future activity
- (d) A financial plan for the future

77. For a budget to be useful and relevant for performance measurement it should satisfy all of the following, except:

- (a) It will be flexible for a range of possible activity volumes
- (b) It should have involved subordinate staff in the preparation
- (c) Will have been agreed by those being evaluated
- (d) It will have been imposed from the highest level of management

78. Which of the following is not a function of budgeting?

- (a) Decision making
- (b) Controlling
- (c) Planning
- (d) Motivating



79. The term "budgetary period relates to:
- (a) The period in which the budget is finalized
  - (b) The period for which the budget is prepared
  - (c) The subdivisions of the main budget
  - (d) A specific year for which the budget has been prepared
80. A budget is accepted by a manager when they:
- (a) Relate it to their own personal objectives
  - (b) Are consulted by top management
  - (c) Agree to it verbally
  - (d) Receive the budget in writing

**ANSWERS**

1	2	3	4	5	6	7	8	9	10
c	b	c	b	b	c	b	d	b	d
11	12	13	14	15	16	17	18	19	20
c	a	c	q	c	a	a	d	b	c
21	22	23	24	25	26	27	28	29	30
d	a	b	b	c	d	b	d	b	b
31	32	33	34	35	36	37	38	39	40
	a	d	c	d	d	a	a	a	a
41	42	43	44	45	46	47	48	49	50
b	b	d	b	b	a	a	a	d	b
51	52	53	54	55	56	57	58	59	60
c	d	a	d	b	d	d	c	c	d
61	62	63	64	65	66	67	68	69	70
b	c	b	d	a	c	a	a	a	d
71	72	73	74	75					
a	b	c	d	c					
76	77	78	79	80					
d	d	a	b	a					