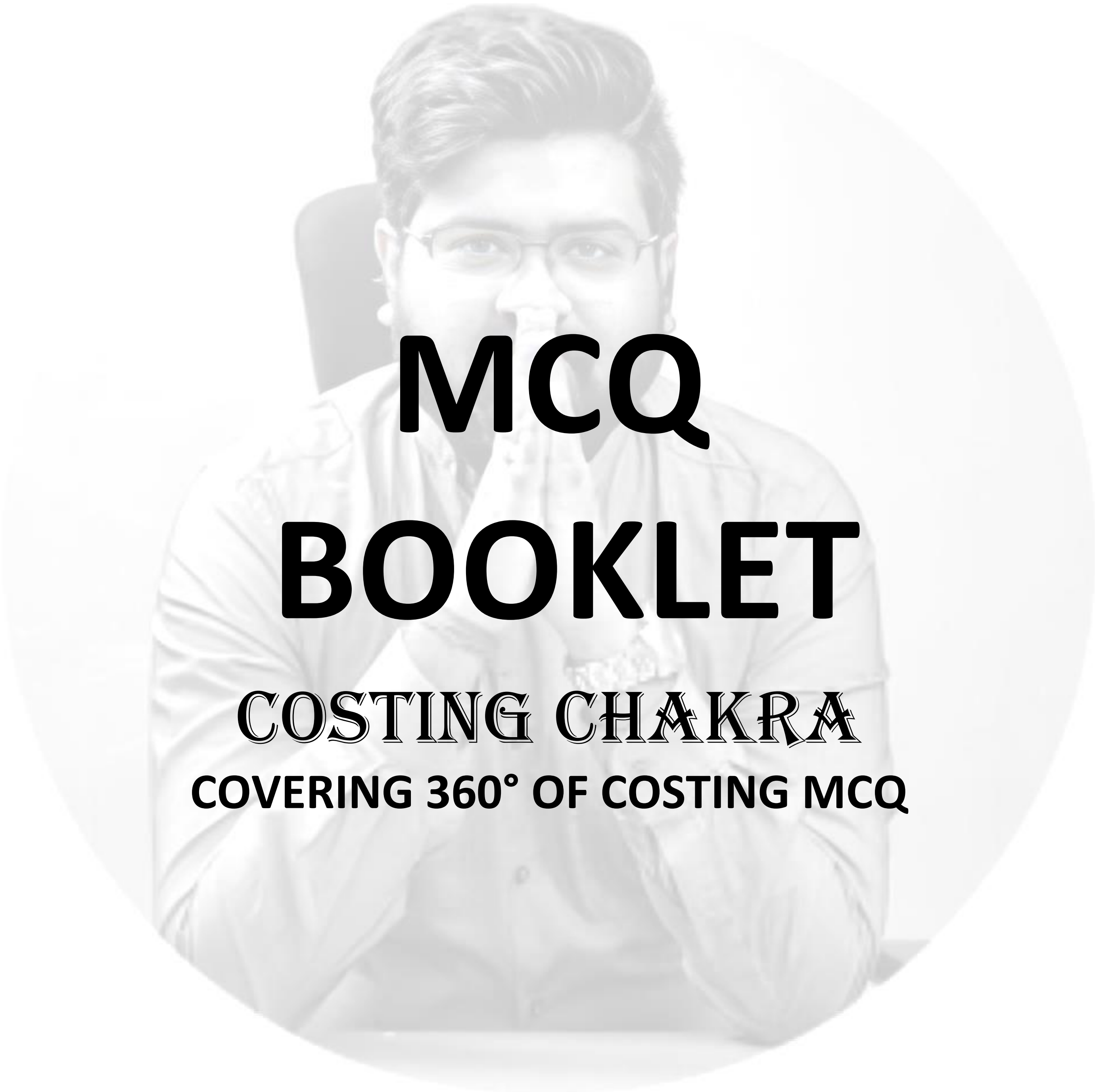

# MCQ BOOKLET

## COSTING CHAKRA

### COVERING 360° OF COSTING MCQ

# SUBJECT INDEX

# Chapter – 1
# Basic Concepts

1. The main purpose of Cost Accounting is: -
   a. To maximum profit
   b. To help in inventory valuation
   c. To enter into Price War with competitive Firms.
   d. To provide information to management for decision-making.
2. ______ is anything for which a separate measurement is required.
   a. Cost unit
   b. Cost Object
   c. Cost Driver
   d. Cost Centre
3. Which of the following is true about Cost Control?
   a. It is a corrective function
   b. It challenges the set standards
   c. It ends when targets achieved
   d. It is concerned with future
4. Distinction between Direct Cost and Indirect Cost is an example of ______ classification
   a. By Element
   b. By Function
   c. By Controllability
   d. By Variability
5. A Taxi Provider charges minimum Rs.80 thereafter Rs.12 per kilometre of distance travelled, the behaviour of Conveyance Cost is:
   a. Fixed Cost
   b. Semi-Variable Cost
   c. Variable Cost
   d. Administrative Cost
6. Which of the following is an example of functional classification of cost?
   a. Semi-Variable Cost
   b. Fixed Cost
   c. Administrative Overheads
   d. Indirect Overheads
7. Ticket Counter in a Railway Station is an example of
   a. Cost Centre
   b. Revenue centre
   c. Profit centre
   d. Investment Centre
8. Costs which are ascertained after they have been incurred are known as –
   a. Sunk Costs
   b. Imputed Costs
   c. Historical Costs
   d. Opportunity Costs

9. Generally, for the purpose of Cost Sheet preparation, costs are classified on the basis of –
   a. Functions
   b. Variability
   c. Relevance
   d. Nature
10. Which of the following items is not excluded while preparing a Cost Sheet?
   a. Goodwill written off
   b. Provision for Taxation
   c. Property tax on factory Building
   d. Transfer to Reserves
11. What is Prime Cost?
   a. Total Direct Costs only
   b. Total Indirect Costs only
   c. Total Non-Production Costs
   d. Total Production Costs
12. Which of the following does not form part of Prime Cost?
   a. Cost of packing
   b. Cost of Transportation paid to bring materials to Factory
   c. GST paid on Raw Materials (where Input Credit cannot be claimed)
   d. Overtime premium paid to Workers
13. A Ltd. Received an order, for which it purchased a special frame for manufacturing. This is a part of:
   a. Direct Materials
   b. Direct Expenses
   c. Factory Overheads
   d. Administration Overheads
14. Which of the following are Direct Expenses? – (1) Cost of Special Designs, Drawings or layouts, (2) Hire of Tools or equipment for a particular job, (3) Salesman's Wages, (4) Rent, Rates and Insurance of a Factory.
   a. (1) and (2)
   b. (1) and (3)
   c. (2) and (3)
   d. (3) and (4)
15. Salary paid to Plant Supervisor is a part of –
   a. Direct Expenses
   b. Factory Overheads
   c. Quality Control Cost
   d. Administration Cost
16. Depreciation of Director's laptop is treated as a part of –
   a. Administration Overheads
   b. Factory Overheads
   c. IT Infrastructure Cost
   d. Research & Development Cost
17. A Manufacturing Company has set-up a lab for testing of products for compliance with standards. Salary of this lab Staff are part of:
   a. Works Overheads
   b. Quality Control
   c. Direct Expenses
   d. Research & Development Cost

18. Audit Fees paid to external Statutory Auditors is part of –
    a. Administration Cost
    b. Production Cost
    c. Selling & Distribution Cost
    d. Quality Control Cost
19. Canteen Expenses for Factory Workers are part of-
    a. Factory Overheads
    b. Administration Cost
    c. Marketing Cost
    d. Direct Expenses
20. A Company pays Royalty to State Government on the basis of production, it is treated as:
    a. Direct material Cost
    b. Quality Control Cost
    c. Direct Expenses
    d. Administration Overhead
21. Which of the following is not an element of Works Overhead?
    a. Store Keeper's salary
    b. Plant Manager's Salary
    c. Sales Manager's Salary
    d. Product inspector's salary

## Solutions

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

# Chapter – 2
## Materials

1. Direct Material can be classified as –
   a. Fixed Cost
   b. Variable Cost
   c. Abnormal Cost
   d. Regular Cost
2. Direct material is a –
   a. Administration Cost
   b. Selling and Distribution Cost
   c. R&D Cost
   d. None of these
3. In most of the manufacturing industries, the most important element of Cost is –
   a. Material
   b. Labour
   c. Overheads
   d. None of the above
4. Which of the following is considered to be Normal Loss of Materials?
   a. Loss due to accidents
   b. Pilferage
   c. Loss due to breaking the bulk
   d. Loss due to careless handling of materials
5. Which of the following is NOT considered as Normal Loss of material?
   a. Loss due to evaporation due to prevalent weather conditions
   b. Loss due to Pilferage
   c. Loss due to breaking the bulk
   d. Loss due to transferring of liquid materials from container to another
6. At the Economic Ordering Quantity level, the following is true on an annual basis.
   a. Ordering cost in minimum
   b. Carrying cost in minimum
   c. Ordering cost is equal to the Carrying Cost
   d. Purchase Price is minimum
7. Continuous Stock Taking is a part of –
   a. Annual Stock taking
   b. Perpetual Inventory
   c. ABC Analysis
   d. Bin Cards
8. In which of the following methods, issues of materials are priced at pre-determined rate?
   a. Inflated Price Method
   b. Standard Price Method
   c. Replacement Price Method
   d. Market Price Method

9. When Material prices fluctuate widely, the method of pricing that gives absurd results is –
   a. Simple Average Price
   b. Weighted Average Price
   c. Moving Average price
   d. Inflated Price
10. When prices fluctuate widely, the method that will smooth out the effect of fluctuations is –
    a. Simple Average
    b. Weighted Average
    c. FIFO
    d. LIFO
11. Under the FSN system of Inventory Control, Inventory is classified on the basis of:
    a. Volume of material consumption
    b. Frequency of usage of items of inventory
    c. Critically of the item of inventory for production
    d. Value of items of inventory
12. Form used for making a formal request to the Purchasing Department to purchase materials is a-
    a. Material Transfer Note
    b. Purchase Requisition Note
    c. Bill of Materials
    d. Material Requisition Note
13. Which of the following is evaluated in a Supplier Decision?
    a. Financial Background
    b. Quality of Materials
    c. Time for Delivery
    d. All of the above
14. Classification of Materials on the basis of their Importance in Value is called –
    a. EOQ Analysis
    b. Stock Level Analysis
    c. ABC Analysis
    d. Value Analysis
15. Issue Request by production Department to Stores Department is called –
    a. Request for Proposal
    b. Stores Requisition
    c. Purchase Requisition
    d. Consumption Statement
16. For Return of Excess materials from Production Department to Stores , the document used is-
    a. Material Return Note
    b. Stores Debit Note
    c. Shop Credit Note
    d. All the above(same)
17. Which of the following is NOT related to a Standard List of materials and Components?
    a. Consumption Statement
    b. Bill of Materials
    c. Material Specification List
    d. Material List
18. Formal Request to Purchase Department to procure materials from Suppliers is called..
    a. Purchase Order
    b. Purchase Requisition
    c. Purchase A/C
    d. Purchase Offer

19. Which of the following is NOT a Stores related Record?
    a. Bin Cards
    b. Stock Control Cards
    c. Job Cards
    d. Stores Ledger
20. Which of the following is NOT recorded on a Bin Card?
    a. Material Received from Supplier
    b. Material used to Production Depts.
    c. Inter Department Transfers
    d. Loss of Materials
21. Inventory Turnover Ratio is expressed in-
    a. Rupees
    b. Percentage
    c. Times
    d. Any of the above
22. Generally, a ……. T/o Ratio and ……. days Average Inventory Held is preferable.
    a. High, Less
    b. Low, High
    c. Low, Low
    d. High, High
23. Under LIFO, the Closing Stock of Inventory will be valued generally at ……… prices.
    a. Latest
    b. Earliest
    c. Average
    d. Inflated
24. Landed Cost of Materials does NOT include……..
    a. Cost of Containers
    b. Carriage Inwards
    c. Stock Insurance
    d. Unloading Charges
25. Cost of Abnormal Loss of Materials is …..
    a. Debited to Costing P&L
    b. Credited to Costing P&L
    c. Included in Landed Cost
    d. Included in OH
26. If RM Requirement is 18,250 units p.a., Ordering Cost is Rs.50 and Carrying Cost Rs.0.1 per day, EOQ=
    a. 4,272 units
    b. 224 units
    c. 8,162 units
    d. none of the above
27. Which of these is a treatment for Rectification Cost of Normal Defectives?
    a. Charged to general OH
    b. Charged to Good products
    c. Charged to Specific Department
    d. All of the above
28. Material Returned to Vendor is treated as……… In the Stores Ledger.
    a. Suspense
    b. Receipt
    c. Issue
    d. Stock

29. The Production Planning Department prepares a List of materials and Stores required for the completion of a specific job order. This List is known as –
    a. Bin Card
    b. Bill of Material
    c. Material Requisition Slip
    d. Production Planning Note

## Solutions

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

| 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 |
|---|---|---|---|---|---|---|---|---|
| c | a | b | c | a | b | d | c | b |

# Chapter – 3
# Employee Costing

1. Idle Time is –
   a. Time spent by workers in Factory
   b. Time spent by workers in Office
   c. Time spent by workers off their work
   d. Time spent by workers on their job
2. Cost of Idle Time due to non-availability of raw material is-
   a. Charged to overhead Costs
   b. Charged to respective Jobs
   c. Charged to Costing Profit and Loss Account
   d. Charged to Supplier
3. Time and Motion Study is conducted by –
   a. Time Keeping Department
   b. Personnel Department
   c. Payroll Department
   d. Engineering Department
4. Identify, which one of the following, does not account for increasing Labour Productivity-
   a. Job Satisfaction
   b. Motivating Workers
   c. High labour Turnover
   d. Proper Supervision and Control
5. Time Booking refers to a method wherein ______ of an employee is recorded.
   a. Attendance
   b. Book Keeping details
   c. Health Status
   d. Time spent on a particular job.
6. Employee Cost include-
   a. Wages and Salaries
   b. Allowances and Incentives
   c. Payment for Overtime
   d. All of the above
7. 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
8. Standard Time of a job is 60 hours and guaranteed time rate is Rs.30 per hour. What is the amount of wages under Rowan plan if job is completed in 48 hours?
   a. Rs.1,620
   b. Rs.1,728
   c. Rs.1,800
   d. Rs.1,440

9. If overtime is required for meeting urgent orders, the Overtime Premium should be charged as-
    a. Respective job
    b. Overhead Cost
    c. Costing P&L A/c
    d. None of the above
10. Time lost between finish of one job and start of next job is an example .....
    a. Lost Time
    b. Elapsed Time
    c. Normal Idle Time
    d. Abnormal Idle time
11. Overtime is-
    a. Actual Hours being more than Normal Time
    b. Actual hours being more than Standard Time
    c. Standard Hours being more than Actual Hours
    d. Actual Hours being less than Standard Time
12. Rate of Change in Labour Force of a Firm during a period is called.....
    a. Labour Turnover Ratio
    b. Labour Utilisation Ratio
    c. Labour Cost Ratio
    d. Labour Change Ratio
13. A Worker will earn equal wages under Halsey and Rowan System, if Time Saved equals
    a. 50% of Std Time
    b. 50% of Actual Time
    c. 1/2 of Total Time
    d. 1/2 of Lost Time
14. If wages per day of 8 hours is Rs.500, Std Output is 100 units, Actual Output is 120, Piece rate wages=
    a. Rs.500
    b. Rs.600
    c. Rs.62.5
    d. Rs.5
15. If Std Time is 8 hours, Actual Time is 6 hours, Rate per hour is Rs.100, Rowan Wages =
    a. Rs.600
    b. Rs.150
    c. Rs.750
    d. Rs.700
16. If actual output in 8 hours is 700 units, Standard Output is 90 units per hour, Efficiency Ratio is
    a. 97.22%
    b. 102.86%
    c. 100%
    d. 77.78%

## Solutions

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| c | c | d | c | d | d | a | b | a | c | a | a | a | b | c | a |

# Chapter – 4

# Overheads & Absorption Costing System

1. ________ Capacity is defined as actually utilised capacity of a plant.
    a. Theoretical
    b. Installed
    c. Practical
    d. Idle
2. Maximum Possible Productive Capacity of a plant when no operating time is lost is its-
    a. Normal Capacity
    b. Practical Capacity
    c. Theoretical Capacity
    d. Capacity based on Sales Expectancy
3. The allotment of whole items of cost to Cost Centres or Cost Units is called:
    a. Cost Absorption
    b. Cost Apportionment
    c. Cost Allocation
    d. Cost Determination
4. Charging to a Cost Centre, those overheads that result solely for the existence of that Cost Centre is known as –
    a. Allocation
    b. Apportionment
    c. Absorption
    d. Allotment
5. Charging of common Overheads Cost to various Cost Centres, using appropriate bases is known as-
    a. Allocation
    b. Apportionment
    c. Absorption
    d. Allotment
6. Distribution of Service Department Overheads Cost to production Departments, using different assumptions and methods is known as-
    a. Allocation
    b. Apportionment
    c. Absorption
    d. Re- Apportionment
7. Which of the following is NOT a Service Department?
    a. Costing Department
    b. Machining Department
    c. Time Keeping Department
    d. Stores Department
8. Which of the following is a Service Department?
    a. Refining Department
    b. Machining Department
    c. Receiving Department
    d. Finishing department

9. Primary Packing Cost is a part of –
   a. Direct Material Cost
   b. Production Cost
   c. Selling Overheads
   d. Distribution Overheads
10. Which of the following is not classification of Overhead based on its functionality?
   a. Factory Overhead
   b. Administrative Overhead
   c. Fixed Overhead
   d. Selling Overhead
11. Normal Capacity of a Plant refers to the difference between –
   a. Maximum Capacity and Practical Capacity
   b. Practical Capacity and Normal capacity
   c. Practical capacity and estimated idle capacity as revealed by long term sales trend
   d. Maximum Capacity and Actual Capacity
12. The difference between Actual Factory Overhead and Absorbed Factory Overhead will be usually at the minimum level, provided pre-determined overhead rate is based on:
   a. Maximum Capacity
   b. Direct Labour Hours
   c. Machine Hours
   d. Normal capacity
13. Which of the following overhead cost may not be apportioned on the basis of Direct wages?
   a. Workers' Holiday Pay
   b. Perquisites to Workers
   c. ESI Contribution
   d. Managerial salaries
14. Selling and Distribution Overheads are absorbed on the basis of –
   a. Rate per unit sold
   b. Percentage on Works Cost
   c. Percentage on Sales Value
   d. Any of the above

# Solutions

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

# Chapter – 5
# Activity Based Costing

1. A cost Driver is -
   e. An item of Production Overheads
   f. A Common Cost which is shared over Cost Centres
   g. Any Cost relating to Transport Sector
   h. A resource or activity which generates costs.
2. In Activity Based Costing, costs are accumulated by activity. Such Accumulated Amounts are called
   a. Cost Drivers
   b. Cost Objects
   c. Cost Pools
   d. Cost Benefit Analysis
3. A Cost Driver-
   a. is a force behind the overhead cost
   b. is an allocation base
   c. is a transaction that is a significant determinant of cost
   d. is all of the above
4. which of the following is not a correct match:

| Activity | Cost Driver |
|---|---|
| a) Production Scheduling | Number of Production Runs |
| b) Despatching | Number of Despatch Orders |
| c) Machinery Maintenance | Maintenance Hours |
| d) Inspection | Machine Hours |

5. Find the one which is not appropriate in the following list
   a. The number of purchases, supplies and customers' orders drives the cost associated with new material inventory, work-in-progress and finished goods inventory
   b. The number of Production Runs undertaken drives Production Scheduling, Inspection and material Handling.
   c. The quality of Raw material issued drives the cost of Receiving Department Costs.
   d. The number of packing orders drives the packing Costs.
6. Steps in ABC include -
   a. Identification of activities and their respective costs
   b. Identification of Cost Driver of each activity and computation of an allocation rate per activity
   c. Allocation of Overhead Cost to products/services based on the activities involved
   d. All of the above
7. Which of the following is not a benefit of ABC?
   a. Accurate cost allocation
   b. Improved decision making
   c. Better control on activity and costs
   d. Reduction of Prime Cost
8. Which of these is NOT a Cost Driver for Marketing and Sales Function?
   a. Number of Advertisements/ Insertions
   b. Number of research projects
   c. Number of sales Personnel
   d. Sales Revenue

9. Which of these is Not a Cost Driver for Customer Service Activity?
    a. Number of Service Calls
    b. Number of Products serviced
    c. Hours spent on servicing products
    d. Sales revenue
10. Which of these is NOT a Cost Driver for the Activity "Design of Products, Services & Processes"?
    a. Number of Products in design
    b. Number of Parts per Product
    c. Number of Employee Training Programmes
    d. Number of Engineering Hours
11. Which of these is generally a "Unit Level Activity" Cost?
    a. Material Ordering – where an order is placed for every batch of production.
    b. Machine Set-Up Costs – where machines need re – setting for each different batch / lot.
    c. Inspection of Products – where the first item in every batch is inspected.
    d. Use of Indirect Materials and Consumables
12. Which of the following statements are true: (1) Activity based Management involves Activity Analysis and Performance Measurement: (2) Activity Based Costing serves as a major source of information in ABM.
    a. (1) True; (2) False
    b. (1) True; (2) True
    c. (1) False; (2) True
    d. (1) False; (2) False

## Solutions

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| d | c | d | d | c | d | d | b | d | c | d | b |

# Chapter – 6

## Cost Accounting System

1. Under the Non-Integrated Accounting System –
   a. Same Ledger is maintained for Cost and Financial Accounts by Accountants
   b. Separate Ledgers are maintained for Cost and Financial Accounts
   c. All transactions relating to Incomes, Expenditure, Assets and liabilities are completely recorded
   d. Product – wise or Department – wise information is not maintained.
2. Notional Costs –
   a. May be included in Integrated Accounts
   b. May be included in Non-Integrated Accounts
   c. Cannot be included in Non-Integrated Accounts
   d. are not accounted at all in Integrated or Non – Integrated Accounts
3. Under Non-Integrated Accounting System, the account made to complete double entry is –
   a. Stores Ledger Control Account
   b. Work in Progress Control Account
   c. Finished Goods Control Account
   d. General Ledger Adjustment Account
4. Integrated Systems of accountants are maintained –
   a. in separate books of accounts for costing and financial accounting purposes
   b. in same books of accounts
   c. in computerized system only
   d. All of the above
5. Under Non-Integrated System of Accounting, purchase of raw material is debited to –
   a. Stores ledger Control Account
   b. General Ledger Adjustment account
   c. Purchase Account
   d. Supplier Account
6. Under Non-Integrated Accounts, if materials worth Rs.1,500 are purchased for a special job, then which account will be debited –
   a. Special Job Account / Work in Process Account
   b. Raw material Control Account
   c. Purchase Account
   d. General Ledger Adjustment Account
7. Which account is to be debited if materials worth Rs.500 are returned to vendor under Non-Integrated Accounts –
   a. Cost Ledger Control Account
   b. Finished Goods Control Account
   c. WIP Control Account
   d. Raw material Control Account
8. What is the Journal Entry under Integrated System for purchase of Material on credit?
   a. Dr. Stores Ledger Control, Cr. Purchases
   b. Dr. Stores Ledger Control, Cr. General Ledger Adjustment
   c. Dr. Stores Ledger Control, Cr. Supplier
   d. Dr. General Ledger Adjustment, Cr. Supplier

9. What is the Journal Entry under Non-Integrated System for recording Sales made?
   a. No entry
   b. Dr. Sales, Cr. General Ledger Adjustment
   c. Dr. Cash or bank, Cr. Sales
   d. Dr. General Ledger Adjustment, Cr. Sales
10. What is the Journal Entry under Non-Integrated System, for absorption of Factory overhead?
   a. Dr. Factory OH Control, Cr. WIP Control
   b. Dr. WIP Control, Cr. Factory OH Control
   c. Dr. WIP Control, Cr. General Ledger Adjustment
   d. Dr. Factory OH Control, Cr. General ledger Adjustment
11. Which of the following items is most likely to be included in Cost Accounts?
   a. Notional Rent
   b. Donations
   c. Transfer to General Reserve
   d. Rent Receivable
12. Which of the following is considered as accounting record?
   a. Bin card
   b. Bill of Material
   c. Stores Ledger
   d. Stores Requisition
13. When Loss as per Cost records is Rs.5,600, AOH under-absorbed being Rs.600, the Loss as per financial Accounts should be –
   a. Rs.5,600
   b. Rs.6,200
   c. Rs.5,000
   d. None of the above
14. When you attempt a reconciliation of profits as per Financial Accounts and Cost Accounts, the following is done
   a. Add the under absorption of OH in Cost Accounts if you start from the Profits as per Financial Accounts.
   b. Add the under absorption of OH in Cost Accounts if you start from the Profits as per Cost Accounts.
   c. Add the overabsorption of OH in Cost Accounts if you start from the Profits as per Financial Accounts.
   d. Add the overabsorption of OH in Cost Accounts if you start from the Profits as per Cost Accounts.
15. Which of the following items should be added to Costing Profit to arrive at financial profit?
   a. Over-absorption of Works overhead
   b. Interest paid on Debentures
   c. Income tax paid
   d. Stores Adjustment debited in Financial Books
16. In Profit Reconciliation statement, expenses shown only in Financial Accounts are –
   a. Added to financial Profit
   b. Deducted from Financial Profit
   c. Added to Costing Profit
   d. Omitted from Reconciliation
17. In profit reconciliation Statement, Incomes shown only in Financial Accounts are –
   a. Added to Financial Profit
   b. Deducted from Financial Profit
   c. Deducted from Costing Profit
   d. Omitted from Reconciliation

18. In Profit Reconciliation Statement, Transfer to Reserves are –
    a. Added to Financial Profit
    b. Deducted from Financial Profit
    c. Added to Costing Profit
    d. Omitted from Reconciliation
19. In Profit Reconciliation Statement, Closing Stock Undervalued in Financial Accounts are –
    a. Added to Financial Profit
    b. Deducted from Financial Profit
    c. Added to Costing Profit
    d. Omitted from Reconciliation
20. In Profit Reconciliation Statement, Expenses shown only in Cost Accounts are –
    a. Added to Financial Profit
    b. Deducted from Financial Profit
    c. Deducted from Costing Profit
    d. Omitted from Reconciliation
21. There is a Loss as per Financial Accounts Rs.10,600, Donations not shown in Cost Accounts Rs.6,000. What would be the profit or Loss as per Cost Accounts?
    a. Loss Rs.16,600
    b. Profit Rs.16,600
    c. Loss Rs.4,600
    d. Profit Rs.4,600

# Solutions

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

# Chapter – 7

# Job and Batch Costing

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

9. Which of the following would best describes the characteristics of Job Costing: (i) homogeneous products; (ii) customer driven production; (iii) short period of time between the commencement and completion of the Cost Unit.
    a. (i) and (ii) only
    b. (ii) and (iii) only
    c. (i) and (iii) only
    d. (ii) only
10. The most suitable cost system where the products differ in type of materials and work performed is:
    a. Job Costing
    b. Process Costing
    c. Operating Costing
    d. Multiple Costing
11. 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 suitable 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).
12. Job Costing is used in –
    a. Furniture-making
    b. Repair Shops
    c. Printing Press
    d. All of the above

## Solutions

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

# Chapter – 8
## Single / Output / Unit Costing

1. Which of the following is an appropriate example of Direct Expanses?
   a. Rent for Warehouse
   b. Royalty charged on Production
   c. Bonus to Employees
   d. Works Directors' Salaries
2. Unit Costing is applicable where –
   a. Product produced are unique and no two products are same
   b. Dissimilar articles are produced as per customer specification
   c. Homogeneous articles are produced on large scale
   d. Products made require different raw materials.
3. In Product Costing, Conversion Cost means –
   a. Cost of Direct Materials, Direct labour, Direct Expenses
   b. Direct Labour, Direct Expenses, Indirect Material, Indirect Labour, Indirect Expenses
   c. Prime Cost plus Factory Overheads
   d. All costs up to the product reaching the consumer, less Direct Material Costs
4. The following is an example of Direct Expenses –
   a. Special Raw Material which is a substantial part of the Prime Cost
   b. Royalty paid for Production Process
   c. Overtime Charges paid to Direct Worker to complete work before time
   d. Catalogue of Prices of Finished Products
5. Cost units of Automobile Industry is-
   a. Number of Cubic Meters
   b. Number of Kilometres
   c. Number of Calls
   d. Number of Vehicles

## Solutions

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| b | c | b | b | d |

# Chapter – 9
# Joint Products and By Products

1. In Sugar Manufacturing Industries, Molasses is also produced along with Sugar. Molasses may be of smaller value as compared with the value of Sugar and is known as:
    a. Common Product
    b. By-Product
    c. Joint Product
    d. Co Product
2. Joint Cost Concept is suitable for –
    a. Infrastructure Industry
    b. Ornament Industry
    c. Oil Industry
    d. Fertilizer Industry
3. In the Net Realisable Value Method, for apportioning Joint Costs over the Joint products, the basis of apportionment would be –
    a. Selling Price per unit of each of the Joint Products
    b. Selling Price multiplied by units sold of each of the major Joint Products
    c. Sales Value of each Joint Product less Further Processing Costs of individual products
    d. Net Contribution obtained from each of the Joint Products
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. Determine the Total Profit of the business
5. Under net Realizable Value method of apportioning Joint Costs to Joint Products, the Selling & Distribution Cost is:
    a. Added to Joint Cost
    b. Deducted from Further Processing Cost
    c. Deducted from Sales value
    d. Not relevant for computation at all
6. Which of the following is a Co-Product:
    a. Direct and Petrol in an Oil Refinery
    b. Edible Oils and Oil cakes
    c. Curd and Butter in a Dairy
    d. Mustard Oil and Sunflower Oil in an Oil Processing Company
7. Which of the following is an example of By-Product?
    a. Diesel and Petrol in an Oil Refinery
    b. Edible Oils and Oil Cakes
    c. Curd and Butter in a Dairy
    d. Mustard Seeds and Mustard Oil
8. Which of 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 Realisable Value method
    c. Physical Units method
    d. Market Value at Split-Off Method

9. **When a By-Product does not have any Realisable value, the Cost of By-Product is:**
   a. **transferred to Costing profit & Loss A/c**
   b. **borne by the good units**
   c. **ignored**
   d. **determined taking value of similar goods**
10. **AB Ltd. produces 2 products A and B from a joint milling process. A standard production run incurs joint costs of Rs.1,00,000 and results in 60,000 units of A and 90,000 units of B. A and B have a Sale Price of Rs.200 and Rs.450 per unit respectively. Assuming no further processing work is done after the spilt-off point, the amount of Joint Cost allocated to B on a physical quantity allocation basis would be:**
    a. **Rs.60,000**
    b. **Rs.40,000**
    c. **Rs.1,00,000**
    d. **Rs.1,20,000**
11. **BV Company manufactures 2 items, B and V, out of a joint process, with Joint Costs rs.6,30,000 for a standard production run that generates 1,80,000 units of B and 1,20,000 units of V. B sells for Rs.240 per unit, and V sells for rs.390 per unit. If Additional Processing Costs beyond the split-off point are Rs.140 per unit for B and Rs.90 per unit for V, the amount of joint cost of each production run allocated to V on a Sales Value basis is-**
    a. **Rs.3,40,000**
    b. **Rs.3,27,600**
    c. **Rs.2,32,000**
    d. **Rs.5,80,000**
12. **For allocating Joint Costs to Joint Products, the Sales Price at point of sale, reduced by cost to complete after split-off, is assumed to be equal to the:**
    a. **Joint Costs**
    b. **Sales Price less a Normal Profit Margin at point of sale**
    c. **Net Sales Value at split off**
    d. **Total Costs**

## Solutions

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

``

# Chapter – 10
## Process Costing

1. The type of Process Loss that should not be allowed to affect the cost of good units is –
   a. Abnormal Loss
   b. Normal Loss
   c. Seasonal Loss
   d. Standard Loss
2. 200 units were introduced in a process in which 20 units is the normal loss. If the actual output is 150 units, then there is:
   a. No Abnormal Loss
   b. No Wastage in Production
   c. Abnormal Loss of 30 units
   d. Abnormal Gain of 30 units
3. 200 units are processed at a total cost of Rs.16,700, Normal Loss is 10%. Scrap units are sold at Rs.25 each. If the output is 150 units, then the value of abnormal loss is:
   a. Rs.90
   b. Rs.108
   c. Rs.2,700
   d. Rs.3,240
4. When Average Method is used in Process Costing, the Opening Inventory Costs are:
   a. Subtracted from the Current Costs
   b. Added to the Current Costs
   c. Kept separate from the Costs of the Current Period
   d. Averaged with other costs to arrive at Total Cost
5. Spoilage that occurs under inefficient operating conditions and is ordinary controllable is called –
   a. Normal Spoilage
   b. Abnormal Spoilage
   c. Normal Defectives
   d. Rectified Work
6. The value of Abnormal Loss is equal to:
   a. Total Cost of Materials
   b. Total Process Cost less Realizable Value of Normal Loss
   c. Total Process Cost less Cost of Scrap
   d. Total process Cost less Realizable Value of Normal Loss less Value of Transferred Out Goods.
7. Inter-Process Profit is calculated, because:
   a. a process is a Cost Centre
   b. each process has to report profit
   c. the efficiency of the process is measured
   d. the wages of employees are linked to the process profitability.
8. In a Process, 8,000 units are introduced during a period. 5% of input is Normal Loss. Closing WIP is 60% complete is 1,000 units. 6600 completed units are transferred to next process. Equivalent Production for the period is:
   a. 9000 units
   b. 7440 units
   c. 5400 units
   d. 7200 units

9. Total Input to a process was 1,000 units. There was no WIP at the beginning of the period. There was no Process Loss during the period. At the end of the period, it was observed that the units in process were 60% complete in all respects. What is the Equivalent Production for the period?
    a. 1000 units
    b. 1600 units
    c. 600 units
    d. Nil units
10. In Process A, 6,000 units are introduced during a period. Normal Loss is 5% of Input. Closing WIP was 800 units, each 60% complete. 4,900 completed units are transferred to next Process. Equivalent Production for the period is –
    a. 6,000 units
    b. 4,900 units
    c. 5,220 units
    d. 5,380 units
11. Under Weighted Average (Average) Method –
    a. The Cost to complete the Opening WIP is ignored.
    b. The Cost to complete the Opening WIP and other completed units are calculated separately.
    c. The Cost of opening WIP and cost of the current period are aggregated and the aggerate cost is divided by output in terms of completed units.
    d. Closing Stock of WIP is valued at current cost.
12. "K Labs" develops a product using a four-step process that moves progressively through four departments. The Company specializes in overnight service and has the largest drug store chain as its Primary Customer. Currently, Direct Labour, Direct Materials, and Overhead are accumulated by departments. The cost accumulation system that best describes the system in the Company is –
    a. Operation Costing
    b. Activity-Based Costing
    c. Job-Order Costing
    d. Process Costing
13. Assume 550 units were worked on during a period in which a total of 500 good units were completed. Normal Spoilage was 30 units; Abnormal Spoilage was 20 units. Total Production Costs were Rs.2,20,000. The Company accounts for Abnormal Spoilage separately in its Income Statement as Loss due to Abnormal Spoilage. Normal Spoilage is not accounted for separately. What is the cost of the good units produced?
    a. Rs.2,08,000
    b. Rs.2,11,538
    c. Rs.2,20,000
    d. Rs.2,33,222
14. In a period, Good Units completed (units) 15,000, Normal Spoilage (units) 300, Abnormal Spoilage (units) 100. Units Costs were: Material Rs.2.50 and Conversion (Labour & Overheads) Rs.6.00. The number of units that the Company would transfer to its Finished Goods Stock and the related cost of these units are –
    a. 15,000 units transferred at a cost of Rs.1,27,500
    b. 15,000 units transferred at a cost of Rs.1,30,050
    c. 15,000 units transferred at a cost of Rs.1,35,000
    d. 15,300 units transferred at a cost of Rs.1,30,000

## Solutions

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

# Chapter – 11

# Service Costing

1. Composite Cost Unit for a Hospital is:
    a. Per Patient
    b. Per Patient-Day
    c. Per Day
    d. Per Bed
2. Cost Unit of Cargo transport Industry is
    a. Kilometres
    b. Passenger Kilometres
    c. Tonne Kilometres
    d. Number of Vehicles
3. In Passenger Transport Sector, Cost of Diesel and Lubricant1\s is an example of
    a. Operating Cost
    b. Fixed Charges
    c. Semi-Variable Cost
    d. Running Charges
4. Absolute Tonne-Km is an example of Composite Cost units in –
    a. Power Sector
    b. Cargo Transport
    c. Bus Operation
    d. Oil and Natural Gas
5. Operating Costing is NOT applicable to –
    a. Hospitals
    b. Cinemas
    c. Transport Undertaking
    d. Oil Refinery
6. Depreciation is treated as Fixed Cost if it is related to
    a. Activity Level
    b. Related with Machine Hours
    c. Efflux of time
    d. National Value of Asset
7. Generally, Depreciation on Assets is an example of –
    a. Fixed Cost
    b. Variable Cost
    c. Semi-Variable Cost
    d. Notional Value of Asset
8. Jobs undertaken by IT & ITES organizations are considered as:
    a. Project
    b. Batch Work
    c. Contract
    d. Multiple Cost Unit

9. In Toll Road Costing, the repetitive costs include -
    a. Maintenance Cost
    b. Annual Operating Costs
    c. Neither (a) nor (b)
    d. Both (a) and (b) .
10. BOT approach means:
    a. Build, Operate and Transfer
    b. Buy, Operate and Transfer
    c. Build, Operate and Trash
    d. Build, Own and Trash
11. Pre-Product Development activities in Insurance Companies, include:
    a. Processing of Claim
    b. Selling of Policy
    c. Provision of Conditions
    d. Policy Application processing
12. Which of the following costing method is not appropriate for costing of Educational Institutes:
    a. Batch Costing
    b. Activity Based Costing
    c. Absorption Costing
    d. Process Costing
13. A Hotel has 100 rooms of which 80% are normally occupied in summer and 25% in winter. Summer and Winter to be taken as 6 months each and normal days in a month be assumed to be 30. The Total Occupied Room Days per annum will be –
    a. 4500 Room days
    b. 18900 Room Days
    c. 36000 Room Days
    d. 14400 Room Days

## Solutions

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

# Chapter – 12
# Standard Costing

1. Analysis of the differences between Actual and Standard Cost is known as –
   a. Multiple Analysis
   b. Variable Cost Analysis
   c. Variance Analysis
   d. Linear Trend Analysis
2. Difference between Standard Cost and Actual Cost is called as
   a. Wastage
   b. Loss
   c. Variance
   d. Profit
3. Overhead Cost Variance is:
   a. The difference between overheads recovered on Actual Output, and the Actual Overhead incurred
   b. The difference between Budgeted Overhead Cost and Actual Overhead Cost
   c. Obtained by multiplying Standard Overhead Absorption Rate with the difference between Standard Hours for actual output and actual hours worked.
   d. A notional concept and cannot be computed at all
4. Excess of Actual Cost over Standard Cost is known as
   a. Abnormal Effectiveness
   b. Unfavourable Variance
   c. Favourable Variance
   d. Overabsorption
5. Standard Cost is used –
   a. To ascertain the Break-Even Point
   b. To established Cost-Volume profit Relationship
   c. As a basis for price fixation and cost control through Variance Analysis
   d. All of the above
6. Standard price of Material per kg Rs.50, Standard Usage per unit of production is 5 kg. Budgeted Output is 120 units, while Actual Output is 100 units. In this case, Standard Material Cost is –
   a. Rs.25,000
   b. Rs.30,000
   c. Rs.250
   d. Rs. Nil
7. Material Cost Variance is equal to –
   a. Material Usage variance + material Mix Variance
   b. Material Price Variance + Material usage variance
   c. Material Price variance + Material Yield Variance
   d. Material Mix variance + Material Yield Variance
8. Standard Price of Material per kg rs.50, Standard usage per unit of production is 5 kg. Budgeted output is 120 units, while Actual Output is 100 units. During the period 625 kg of Material were purchased of which 75 kg were in still in stock at period end. There was no opening Stock. What is the Standard Quantity of Raw Material in this case?
   a. 600 kg
   b. 625 kg
   c. 500 kg
   d. 550 kg

9. Which of the following variance arises only when more than one material is used in the manufacture of a product?
   a. Material Price Variance
   b. Material usage Variance
   c. Material Yield Variance
   d. Material Mix Variance
10. Standard Material Price per kg is rs.20, Standard U sage per unit of production is 5 kg. Actual Usage of Material for production of 100 units is 520 kgs, all of which was purchased at Rs.22 per kg. Material Usage Variance in this case is –
   a. 1,040 (A)
   b. 1,440 (A)
   c. 400 (F)
   d. 400 (A)
11. Standard Material Price per kg is Rs.20, Standard Usage per unit of production is 5 kg. Actual usage of Material for production of 100 units is 520 kgs, all of which was purchased at Rs.22 per kg, Material Price Variance in this case is –
   a. 1,040 (A)
   b. 1,040 (F)
   c. 1,440 (A)
   d. 400 (A)
12. Standard Material Price per kg is Rs.20, Standard Usage per unit of production is 5 kg. Actual usage of Material for production of 100 units is 520 kgs, all of which was purchased at Rs.22 per kg, Material Cost Variance in this case is –
   a. 1,040 (A)
   b. 1,040 (F)
   c. 1,440 (A)
   d. 1,440 (F)
13. If Standard Hours for 100 units of output are 400 at Rs.200 per hour and Actual Hours taken are 380 at Rs.225 per hour, then the Labour Rate Variances is:
   a. Rs.9,500 (Adverse)
   b. Rs.10,000 (Adverse)
   c. Rs.2,500 (Favourable)
   d. Rs.12,000 (Adverse).
14. Abnormal Non-Controllable Variances are best disposed-off by transferred to –
   a. Cost of Goods Sold
   b. Cost of Goods Sold and Inventories
   c. Inventories of Work-in-Progress and Finished Goods
   d. Costing profit and Loss Account
15. Idle Time Variance is obtained by multiplying the difference between –
   a. Standard and Actual Hours by the Actual rate of Labour per hour
   b. Actual Productive Labour Hours and Actual Labour Hours Paid, by the Standard Rate of labour per hour
   c. Standard Hours and Actual Productive labour Hours, by the Standard Rate of Labour per hour
   d. Standard Hours and Actual Labour Hours Paid, by the Standard Rate of Labour per hour
16. During a period, Standard labour is 24 Skilled Labour Hours and 30 Unskilled Labour Hours at Rs.60 and Rs.40 respectively as the standard labour rates. Actually, 20 skilled and 25 unskilled labour Hours were used at Rs.50 and Rs.50 respectively. Then, the labour Mix Variance will be-
   a. Adverse
   b. Favourable
   c. Zero
   d. Favourable for skilled and unfavourable for Unskilled

17. Budgeted material Cost for 10,000 units is Rs.15,000, and 9,000 units were actually produced at a Material Cost of Rs.16,200. The Material Cost Variance is:
    a. Rs.1,200 (A)
    b. Rs.2,700 (A)
    c. Rs.1,500 (A)
    d. Rs.1,200 (F)
18. During a period, 3,600 Labour Hours were worked and Standard VOH Rates was Rs.8 per hour. The VOH Efficiency Variance was Rs.8,800 (Adv). How many Standard Hours were produced?
    a. 3,600 hours
    b. 2,500 hours
    c. 4,700 hours
    d. 1,100 hours
19. During a period, 5,120 Labour Hours were worked at a Standard Rate of Rs.75 per hour. The Direct Labour Efficiency Variance was rs.33,000 (A). How many Standard Hours were produced?
    a. 5,120 hours
    b. 5,560 hours
    c. 4,680 hours
    d. 3,300 hours

## Solutions

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| c | c | a | b | c | a | b | c | d | d | a | c | a | d | b | c | b | b | c |

# Chapter – 13
## Marginal Costing

1. Under Marginal Costing, the Cost of Product for Inventory Valuation includes –
    a. Prime Costs only
    b. Prime Costs and Variable Factory Overheads
    c. Prime Costs and Fixed Factory Overheads
    d. Prime Costs and All Factory Overheads
2. Period Costs are -
    a. Variable Costs
    b. Fixed Costs
    c. Prime Costs
    d. Overheads Costs
3. Which of the following best describes a Fixed Cost?
    a. It may change in total where such change is unrelated to changes in production.
    b. It may change in total where such change is related to changes in production.
    c. It is constant per unit of change in production.
    d. It may change in total where such change depends on production within the relevant range.
4. When Sales and production (in units) are the same, then the Profit under marginal Costing will be ……. when compared to Absorption Costing.
    a. higher than
    b. lower than
    c. equal to
    d. None of the above
5. when Sales exceeds Production (in units), then the Profit under Marginal Costing will be ……. When compared to Absorption Costing.
    a. higher than
    b. lower than
    c. equal to
    d. None of the above
6. The main difference between Marginal Costing and Absorption Costing is regarding the treatment of:
    a. Prime Cost
    b. Fixed Overheads
    c. Direct Materials
    d. Variable overheads
7. Under profit Volume Ratio, the term Profit –
    a. means the Sales proceeds in excess of Total Costs
    b. means the Net Operating Profit for the period
    c. represents the Profit available for distribution for Dividend
    d. is a misnomer, it in fact refers to Contribution i.e. (Sales revenue less Variable Costs).
8. PV Ratio will increase if three is –
    a. a decrease in Fixed Cost
    b. an increase in Fixed Cost
    c. a decrease in Selling Price per unit
    d. a decrease in Variable Cost per unit

9. Variable Cost –
    a. Remains fixed in total at all output levels
    b. Remains fixed per unit at all output levels
    c. Varies per unit for different output levels
    d. Is dependent on the Profit earned
10. It is planned to sell 1,00,000 units of product A at Rs.12 per unit. Fixed Costs are Rs.2,80,000. To achieve a profit of Rs.2,00,000, what would the Variable Costs be?
    a. Rs.4,80,000
    b. Rs.7,20,000
    c. Rs.9,00,000
    d. Rs.9,20,000
11. If sales are Rs.1,50,000 and Variable Cost are rs.50,000. Compute PV Ratio.
    a. 66.66%
    b. 100%
    c. 133.33%
    d. 33.33%
12. Fixed Cost is Rs.30,000 and Variable Cost ratio is 80%. Compute BEP in Rupees.
    a. Rs.37,500
    b. Rs.1,50,000
    c. Rs.1,87,000
    d. Rs.1,12,500
13. A firm has Fixed Expenses Rs.90,000, Sales Rs.3,00,000 and profit Rs.60,000. Its Variable Cost Ratio is –
    a. 30%
    b. 20%
    c. 60%
    d. 50%
14. Marginal Costing Technique follows the following basis of classification –
    a. Element wise
    b. Function-wise
    c. Behaviour-wise
    d. Identifiability-wise
15. Factors which can change the Break-Even Point:
    a. Change in Total Fixed Costs
    b. Change in Variable Costs per unit
    c. Change in the Selling Price per unit
    d. All of the above
16. If PV Ratio is 40% of Sales, then the remaining 60% is called…?
    a. Profit
    b. Fixed Cost
    c. Variable Cost
    d. Margin of Safety
17. If BEP is 40% of Sales, then the remaining 60% is called…?
    a. Profit
    b. Fixed Cost
    c. Variable Cost
    d. Margin of Safety
18. If PVR is 60% and Profit is Rs.9,000, then Margin of Safety is –
    a. Rs.5,400
    b. Rs.15,000
    c. Rs.22,500
    d. Rs.3,600

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

## Solutions

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

# Chapter – 14
## Budgetary Control

1. 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
2. Sales Budget is a –
   a. Expenditure Budget
   b. Functional Budget
   c. Master Budget
   d. Cash Budget
3. 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
4. The Basic difference between a Fixed Budget and Flexible Budget is that a Fixed Budget –
   a. is concerned with a single level of activity, while Flexible Budget is prepared for different levels of activity
   b. is concerned with Fixed Costs, while Flexible Budget is concerned with Variable Costs
   c. is fixed while Flexible Budget changes
   d. cannot be differentiated from a Flexible Budget
5. a Flexible Budget requires a careful study of –
   a. Actual and Standard Expenses
   b. Past and Current Expanses
   c. Production Overheads, Selling and Administrative Expenses
   d. Fixed, Semi-Fixed and Variable Expenses
6. 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
7. "A favourable Budget Variance is always an indication of efficient performance.'' Do you agree, give reason?
   a. A favourable variance indicates, saving on the part of the organization hence it indicates efficient performance of the organization.
   b. Under all situation, a Favourable Variance of an organization speaks about its efficient performance.
   c. A Favourable variance does not necessarily indicate efficient performance, because such a Variance might have been arrived at by not carrying out the expenses mentioned in the budget.
   d. None of the above

8. Cash Budget of a Company indicates a possibility of a short-term surplus. Which of the following would be appropriate action to be taken in such a situation?
   a. Purchase new Fixed Assets
   b. Repay Long-Term Loans
   c. Write off Preliminary Expenses
   d. Pay Creditors early to obtain a Cash Discount
9. Efficiency Ratio is:
   a. Activity Ratio multiplied by capacity Ratio
   b. Activity Ratio divided by capacity Ratio
   c. Calendar Ratio multiplied by capacity Ratio
   d. Calendar Ratio divided by capacity Ratio
10. Activity Ratio depicts whether –
    a. the actual capacity utilized exceeds or falls short of the budgeted capacity
    b. the actual hours used for actual production were more or less than the standard hours
    c. the actual activity was more or less than the budgeted capacity
    d. the actual days worked was more or less than the planned days
11. Materials become Key Factor, if
    a. quota restrictions exist
    b. insufficient advertisement prevails
    c. there is low demand
    d. there is no problem with supplies of materials
12. The budget that is prepared first of all is –
    a. Master Budget
    b. Budget with Key Factor
    c. Cash Budget
    d. Capital Expenditure Budget

## Solutions

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