CA INTERMEDIATE

SUPER 30

MULTIPLE CHOICE QUESTIONS

COSTING

COST & MANAGEMENT ACCOUNTING

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MULTIPLE CHOICE QUESTIONS

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COST & MANAGEMENT ACCOUNTING

SUPER 30 [MCQ'S]

1 COST SHEET

THEORY BASED

1. Royalty paid on the basis of production is an example of –
   (a) Direct expenses
   (b) Administration overheads - Related to production
   (c) Administration overheads - General
   (d) Selling overheads

2. Carriage inward paid on raw material purchased should be added to –
   (a) Raw material sold (b) Finished goods purchased
   (c) Finished goods sold (d) None of the above

3. Secondary packing cost incurred should be shown after –
   (a) Factory cost (b) Cost of production
   (c) Cost of goods sold (d) Cost of sales

4. Penalty, fines and damages should be shown as –
   (a) Part of raw materials purchased
   (b) Part of factory overheads
   (c) Part of administration overheads - general
   (d) Doesn't form part of cost

5. Cost pertaining to or arising out of a pandemic should be part of
   (a) Cost of production (b) Cost of acquisition
   (c) Cost of supply of goods (d) None of the above

6. Job charges paid to job workers is an example of –
   (a) Direct wages (b) Factory overheads
   (c) Direct expenses (d) None of the above

7. Cost sheet usually shows _____ classification of costs.
   (a) Direct (b) Indirect
   (c) Functional (d) Variable

8. Depreciation on plant and machinery is part of –
   (a) Factory overheads
   (b) Direct expenses
   (c) Administration overheads - Related to production
   (d) Selling expenses

9. Hire charges paid for special machine required for production should be part of
   (a) Factory overheads (b) Direct expenses
   (c) Administration overheads - General (d) Distribution expenses

10. Cost of administration of factory work should be classified as:
   (a) Selling and distribution expenses
   (b) Administration overheads - Related to production
   (c) Administration overheads - General
   (d) Factory overheads

11. Sum total of factory cost and office and administrative overheads –
   (a) Prime cost (b) Work cost
   (c) Cost of production (d) Cost of sale

12. In cost sheet we record only incomes i.e. sale of goods and sale of –
   (a) Services (b) Scrap
   (c) Assets (d) Shares

13. Overheads consist of all the following except –
   (a) Indirect materials (b) Factory utilities
   (c) Direct labour (d) Indirect labour

14. Direct materials + Direct labour + Direct expenses =
   (a) Works costs (b) Cost of production
   (c) Cost of sates (d) Prime cost

15. Variable cost per unit _____

(a) Remains constant (b) Varies

(c) decreases (d) Increase

NUMERICAL BASED

1. Opening stock of raw materials ₹ 10,000
   Purchases of raw materials ₹ 1,00,000
   Raw materials consumed ₹ 60,000
   Closing stock of raw materials ?

   (a) ₹ 2,00,000 (b) ₹ 60,000

   (c) ₹ 50,000 (d) ₹ 55,000

2. Opening stock of finished goods 10,000 units
   Closing stock of finished goods 20,000 units
   No. of units produced 1,00,000 units
   No. of units sold ?

   (a) 80,000 units (b) 90,000 units

   (c) 1,00,000 units (d) 70,000 units

3. Using the information in above question 2, what will be the closing stock on FIFO basis, given that cost of production is ₹ 11,00,000?

   (a) ₹ 2,25,000 (b) ₹ 1,25,000

   (c) ₹ 1,20,000 (d) ₹ 2,20,000

4. Opening stock 10,000 units valued at ₹ 9.00 p.u.
   No. of units produced in current year 1,00,000 units
   Current year's cost of production ₹ 20,00,000
   Closing stock 5,000 units
   The value of closing stock under weighted average method will be –

   (a) ₹ 90,000 (b) ₹ 95,000

   (c) ₹ 1,00,000 (d) ₹ 80,000

Consider the following details to answer questions 5 to 9

	₹
Opening stock of raw materials	10,000
Purchase of raw materials	3,00,000
Closing stock of raw materials	20,000
Carriage inward	15,000
Scrap of raw materials	2,000
Purchase return	4,000
Direct wages	1,50,000
Cost of special module & dyes	30,000
Special machine hire charges	15,000
Stores consumed	20,000
Factory rent, rates & taxes	7,000

5. Raw materials consumed will be –

(a) ₹ 3,00,000 (b) ₹ 2,99,000

(c) ₹ 2,99,900 (d) ₹ 3,00,100

6. Total direct expense will be –

(a) ₹ 45,000 (b) ₹ 1,95,000

(c) ₹ 6,50,000 (d) ₹ 72,000

7. Prime Cost will be –

(a) ₹ 2,99,000 (b) ₹ 4,49,000

(c) ₹ 3,03,000 (d) ₹ 4,94,000

8. Total factory overheads will be –

(a) ₹ 65,000 (b) ₹ 15,000

(c) ₹ 45,000 (d) ₹ 27,000

9. Factory Cost will be –

(a) ₹ 3,49,000 (b) ₹ 27,000

(c) ₹ 5,21,000 (d) None of the above

10. If opening stock of raw material is ₹ 60,000, closing stock of raw material is ₹ 45,000 and raw materials consumed is ₹ 75,000; then the amount of material purchased will be –

(a) ₹ 60,000 (b) ₹ 90,000
(c) ₹ 30,000 (d) None of the above

11. From the following details calculate Prime Cost. Material consumed ₹ 1,00,000, Productive wages ₹ 50,000, Direct expenses at 50% of material used & direct wages.

(a) ₹ 3,25,000 (b) ₹ 3,50,000
(c) ₹ 2,30,000 (d) ₹ 2,25,000

12. If Prime Cost is ₹ 16,000; factory overheads are 25% of prime cost and office overheads are 75% of factory overheads then Cost of Production would be:

(a) ₹ 3,000 (b) ₹ 15,000
(c) ₹ 23,000 (d) None of these

13. Job ABC was unfinished at the end of the accounting period. The factory cost assigned to the job is ₹ 12,000 of which ₹ 3,000 is direct material. Factory overhead is allocated to job at 150% of direct labour cost. What was the amount of direct labour charged to Job ABC?

(a) ₹ 9,000 (b) ₹ 3,600
(c) ₹ 4,500 (d) ₹ 3,000

14. T company manufactures computer stands. What is the opening stock of finished goods, if cost of goods sold is ₹ 1,07,000; the ending balance of finished goods inventory is ₹ 20,000; and factory cost is ₹ 50,000 less than cost of goods sold.

(a) ₹ 70,000 (b) ₹ 77,000
(c) ₹ 57,000 (d) ₹ 1,27,000

15. If units produced during the month are 10,000 (out of which 2,000 units were unsold), cost of production is ₹ 62,000 and selling expenses per unit are ₹ 1.80; the cost of sales would be:

(a) ₹ 64,000 (b) ₹ 67,600
(b) ₹ 92,400 (d) None of these

2 ABSORPTION COSTING AND OVERHEADS

THEORY BASED

1. Identify the overheads not covered by functional classification.
   (a) Factory Overhead (b) Administrative Overhead
   (c) Fixed Overhead (d) Selling Overhead

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. A method of dealing with overheads involves spreading common costs over departments on the basis of benefit received. This is known as:
   (a) Overhead absorption
   (b) Overhead apportionment
   (c) Overhead identification
   (d) Overhead analysis

4. 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

5. Rent, rates and taxes paid for the building are apportioned on the basis of –
   (a) Floor area (b) Capital value
   (c) No. of employees (d) Direct labour hours

6. It is not appropriate to apportion the following overheads on the basis of direct labour?
   (a) Executive Salaries (b) Fringe benefits to worker
   (c) PF contribution (d) Leave with pay

7. Statement-I: Departmentalisation 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

8. 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

9. Which one of the following is not a part of reciprocal method for re-distribution of service departments' overheads to production departments –
(a) Simultaneous equation method (b) Step method
(c) Repeated distribution method (d) Trial and error method

10. 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 of output

11. 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

12. Which of the following formula is used to calculate the overheads to be absorbed –
(a) Standard rate per hour x Standard hours produced
(b) Budgeted hours x Standard overheads rate per hour
(c) Actual hours x Standard rate per hour
(d) Actual output x Actual overheads rate per unit

13. If the actual expenses fall short of the amount absorbed, it is known as –

(a) Under absorption (b) Over absorption

(c) Allocation (d) Apportionment

14. 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

15. Over-absorption of factory overheads due to inefficiency management should be treated by –

(a) Use of supplementary rate

(b) Transfer to costing profit and loss account

(c) Carry forward to next year

(d) Transfer to production account

16. 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

17. Computation of overheads absorption rate should be based on –

(a) Maximum capacity (b) Normal capacity

(c) Practical capacity (d) Idle capacity

NUMERICAL BASED

1. The following data relates to two activity level 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

2. The following data is available for Akhil Ltd. for the year ended 31st 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 overheads is –

(a) ₹ 68.55 (b) ₹ 216.75 (c) ₹ 235.25 (d) ₹ 198.25

3. The following information relates to the production department of a factory:

Materials used	₹ 30,000
Direct labour	₹ 20,000
Overheads	₹ 5,000

On an order carried out in the department, direct wages amounted to ₹ 3,000. Find out the overheads chargeable to this order on the basis of direct wages:

(a) ₹ 700 (b) ₹ 650 (c) ₹ 800 (d) ₹ 750

4. 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

5. 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 the total man-hours, to be deducted from total number of man-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

6. Total number of workers 100
Idle time 5%
Working days per year 300
Factory overheads ₹11,400
No. of hours worked per day 8
Direct labour hour rate will be –
(a) 6 paise per hour (b) 4 paise per hour
(c) 8 paise per hour (d) 5 paise per hour

7. A Company processes production through Machining Department. Overhead rates are predetermined on the basis of machine hours.
Figures for the year based on which overhead rates were arrived at are furnished below:

	Machine Dept.
Direct labour cost (₹)	10,80,000
Factory overhead (₹)	24,00,000
Direct labour hours	7,20,000
Machine hours	**6,00,000**

Absorption rate will be –
(a) ₹ 4 per machine hour (b) 222.22% of wages
(c) ₹ 3.33 per machine hour (d) ₹ 3.33 per labour hour

8. A Company processes production through Finishing Department. Overhead rates are predetermined on the basis of labour cost.

Figures for the year based on which overhead rates were arrived at are furnished below:

	Finishing Dept.
Direct labour cost (₹)	8,00,000
Factory overhead (₹)	12,00,000
Direct labour hours	10,00,000
Machine hours	1,00,000

Absorption rate will be –
(a) ₹ 12 per machine hour (b) 150% of Wages
(c) ₹ 0.833 per macine hour (d) ₹ 1.20 per labour hour

9. 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 and 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 product is –

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

10. 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

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

Cost of machine	₹ 1,00,000
Scrap value	₹ 5,000
Freight and installation charges	₹ 5,000
Repairs and 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

12. What is the machine hour rate on the basis of following information –
Cost of machine: ₹ 18,000, Cost of installation: ₹ 2,000, Scrap value after 10 years: ₹ 2,000, Insurance premium for The machine: ₹ 120 per annum,
Estimated repair: ₹ 200 per annum,
Power consumed: 2 units per hour @ ₹ 150 per 100 units,
Estimated working hours: 2,000 per annum.

(a) ₹ 4.06 (b) ₹ 10.46 (c) ₹ 13.26 (d) ₹ 14.56

13. Calculate machine hour rate from the following:

Cost of machine: ₹ 19,200, Estimated scrap value : ₹ 1,200, Average repair and maintenance charges per month : ₹ 150, Standing charges allocated to machine per month : ₹ 50, Effective working life of machine : 10,000 hours Running time per month : 166 hours. Power used by machine 5 units per hour @ : 19 paise per unit.

Choose the correct option –

(a) ₹ 4.00 (b) ₹ 3.95

(c) ₹ 5.95 (d) ₹ 3.50

14. Budgeted working hours are 2,592 based on 8 hours per day for 324 days. This includes 300 hours for plant maintenance and 92 hours for setting up of plant. If set-up time is to be taken as unproductive, and total overheads per machine per year is ₹ 2,72,116. Machine hour rate is: -

(a) ₹ 123.69 (b) ₹ 118.72

(c) ₹ 104.98 (d) ₹ 108.84

3 ACTIVITY BASED COSTING

THEORY BASED

1. Cost attribution to cost units on the basis of benefit received from indirect activities, such as ordering, setting-up, assuring quality is known as –
   (a) Allocation
   (b) Activity based costing
   (c) Always better control
   (d) Absorption

2. Activity Based Costing is –
   (a) a method of accounting for material, labour and overhead costs related to products
   (b) a method of allocating indirect costs
   (c) another name for benchmarking
   (d) a cost object

3. What is one aspect of activity based costing that differs from traditional costing?
   (a) Under activity based costing, allocation is based on the activities which generate the respective expenses
   (b) Under activity based costing, overhead costs are equally divided between products, jobs, or departments
   (c) Under activity based costing, direct and indirect costs are allocated based on a cause and effect relationship
   (d) Under activity based costing, allocation is based on the units produced which is a more accurate allocation of costs

4. Which of the following is not a benefit of activity based costing?
   (a) More accurate product costing
   (b) Enhanced control over overhead costs
   (c) Better management decisions
   (d) Less costly to use

5. In activity based costing, indirect costs are allocated to the products based on:
   (a) types of activities used by the product
   (b) the extent to which the activities are used
   (c) both (a) and (b)
   (d) none of the above

6. In activity based costing, an item for which cost measurement is required is called –
   (a) Cost driver (b) Cost object
   (c) Allocation (d) Cost pool

7. In activity based costing, costs are accumulated by:
   (a) Cost driver (b) Cost centre
   (c) Cost pool (d) Cost object

8. In an activity-based cost system, to what does 'pooling costs' refer?
   (a) Assigning various overhead costs to products
   (b) Collecting various types of costs that relate to an activity
   (c) Determining how much direct materials and labour should be allocated to a specific product or service
   (d) Comparing the actual performance of managers against the budget

9. In activity based costing, the allocation basis used for applying costs to services or products is called –
   (a) Cost driver (b) Cost object (c) Allocation (d) Applicator

10. The term cost driver refers to –
   (a) any activity that can be used to predict cost changes
   (b) the attempt to control expenditures at a reasonable level
   (c) the person who gathers and delivers cost data to the management accountant
   (d) a factor that causes a change in the cost of an activity

11. A cost driver is:
   (a) An example of work overheads
   (b) A joint cost which is common over cost centres
   (c) Any cost relating to conveyance
   (d) An action which generates costs

12. A cost driver:

(a) Is a transaction that is a major factor behind cost

(b) Is a reason behind the overhead cost

(c) Is an allocation base

(d) All of the above

13. Match the following

	COLUMN A		COLUMN B
1.	Machine set-up costs	(i)	Number of machine hours
2.	Machine operating costs	(ii)	Number of orders executed
3.	Materials handling and dispatch	(iii)	Number of set-ups

(a) (1) – (iii), (2) – (i), (3) – (ii) (b) (1) – (ii), (2) – (iii), (3) –(i)

(c) (1) – (iii), (2) – (i), (3) – (iii) (d) None of the above

14. Activity cost driver rate:

(a) $\frac{\text{Total cost of activity}}{\text{Activity cost driver}}$ (b) $\frac{\text{Total unit of level cost}}{\text{Activity cost driver}}$

(c) $\frac{\text{Total cost driver}}{\text{Activity cost driver}}$ (d) None of the above

15. Activity rates are determined by –

(a) dividing the actual cost for each activity pool by the actual activity base for that pool

(b) dividing the cost budgeted for each activity pool by the estimated activity base for that pool

(c) dividing the actual cost for each activity pool by the estimated activity base for that pool

(d) dividing the cost budgeted for each activity pool by the actual activity base in that pool

16. What is the proper sequence of events in an 'activity based costing' system –

(i) Calculation of overheads application rates.

(ii) Identification of cost drivers

(iii) Identification of cost pools

(iv) Assignment of overheads cost to products.

Select the correct answer from the options given below –

(a) (i), (iii), (iv), (ii)

(b) (ii), (iii), (i), (iv)

(c) (iii), (ii), (i), (iv)

(d) (ii), (iii), (iv), (i)

NUMERICAL BASED

1. Company B uses activity-based costing and has the following activity cost pools and estimated overhead cost for each pool:

Machine related	₹ 3,50,000
Handling material	₹ 2,40,000
Processing purchase orders	₹ 7,20,000
General factory	₹ 5,00,000.
Material movements are	24,000.

There were 36,000 orders

Total machine hours worked during the period is 10,000.

The amount of absorption rate under traditional absorption costing is:

(a) ₹ 10 (b) ₹ 20

(c) ₹ 30 (d) ₹ 181

2. Company X uses activity-based costing for its two products: Product B and Product D. One of the activity cost pools is parts administration. The total estimated overhead cost for that pool was ₹ 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

3. A company manufactures two products using common handling facility. The total budgeted material handling cost is ₹ 1,20,000. The other details are:

Particulars	Product A	Product B
Number of units produced	60	60
Material moves per product line	10	30
Direct labour hours per unit	400	400

Under activity based costing system, the material handling costs to be allocated to Product A (per unit) would be:

(a) ₹ 2,000 (b) ₹ 500

(c) ₹ 2,500 (d) ₹ 3,500

4. Stores receiving cost is ₹ 1,20,000.

Product	P	Q	R
Customers' orders executed (in numbers)	1,250	1,000	1,500
Number of requisitions raised	40	30	50

The cost driver rate for the store receiving cost is:

(a) ₹ 1,000 (b) ₹ 32

(c) ₹ 31 (d) None of the above

5. Max Limited manufactures three products A, B and C which are similar in nature and are usually produced in production runs [batches] of 100 units. Setup costs is ₹ 1,80,000.

Product	A	B	C
Units produced and sold	15,000	12,000	18,000

The cost driver rate for the set-up cost is:

(a) ₹ 4 (b) ₹ 0.25

(c) ₹ 400 (d) ₹ 0.0025

4 COST ACCOUNTING SYSTEMS (INTEGRATED & NON – INTEGRATED ACCOUNTS)

THEORY BASED

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

   Store ledger A/c Dr.

   To General ledger adjustment A/c

   (a) Material returned to supplier.

   (b) Materials purchased

   (c) Materials returned from production department

   (d) Job completed

2. Under non-integrated accounts, if materials worth ₹ 5,000 are purchased for a special job, then which account will be debited:

   (a) Special job account or Work in Process account

   (b) Material Control account

   (c) Cost Control account

   (d) None of the above

3. 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 Stores Ledger Control A/c			500
(d)	Cost Ledger Control A/c	Dr.	500	
	To WIP Ledger Control A/c			500

4. When stores are issued for maintenance, the accounting entry is to _____ production overheads and _____ stores ledger control account.

(a) debit; credit (b) credit; debit

(c) deduct; add (d) divide; multiply

5. 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

6. _____ account is debited for charging of indirect factory wages of ₹ 58,000.

(a) Work-in-progress ledger control A/c

(b) Stores ledger control A/c

(c) Work overhead control A/c

(d) Cost ledger control A/c

7. For charging depreciation of machinery which of the following entry is passed if books are kept under non-integrated accounting system?

(a) Depreciation A/c Dr.
To Fixed Assets A/c

(b) Depreciation A/c Dr.
To General Ledger Control A/c

(c) General Ledger Control A/c Dr.
To Production Overhead Control A/c

(d) Production Overhead Control A/c Dr.
To General Ledger Control A/c

8. 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

9. What journal entry is to be passed, at cost value, in non-integrated accounting system when finished goods are sold –
   (a) Debit General ledger adjustment account and Credit Costing profit and loss account
   (b) Debit General ledger adjustment account and Credit Finished goods stock ledger account
   (c) Debit Cost of sales account and Credit Costing profit and loss account
   (d) Debit Cost of sales account and Credit Finished goods ledger control account

10. 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

11. _____ account is credited for transfer of finished goods worth ₹ 1,26,000 is manufactured.
   (a) Work-in-progress ledger control A/c
   (b) Cost Ledger control A/c
   (c) Finished goods ledger control A/c
   (d) Cost of Sales A/c

12. 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

13. _____ account is debited for charging of indirect office staff wages of ₹ 5,58,000.
   (a) Work-in-progress ledger control A/c
   (b) Selling and distribution overheads control A/c
   (c) Work overhead control A/c
   (d) Administration overhead control A/c

14. _____ account is debited for issue of indirect material of ₹ 2,38,000 to sales department.
    (a) Work-in-progress ledger control A/c
    (b) Selling and distribution overhead control A/c
    (c) Work overhead control A/c
    (d) Administration overhead control A/c

15. _____ account is credited for return of direct material of ₹ 8,000, from production department.
    (a) Work-in-progress ledger control A/c
    (b) Stores ledger control A/c
    (c) Work overhead control A/c
    (d) Cost ledger control A/c

16. Nominal Ledger Control A/c invariably has _____ .
    (a) Debit balance (b) Credit balance
    (c) No balance (d) None of the above

17. 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

18. Which of the following account will be debited under the integrated accounting system when materials are purchased on credit –
    (a) Purchases account (b) Stores ledger control account
    (c) Cost ledger control account (d) None of the above

19. _____ account is credited for sale realization from debtors ₹ 32,00,000, under integral system.
    (a) Work-in-progress ledger control A/c
    (b) Cost ledger control A/c
    (c) Debtors A/c
    (d) Costing Profit and Loss A/c

20. Rent of the premises owned –
    (a) May be included in Integrated accounts
    (b) May be included in Non-Integrated accounts
    (c) Cannot be included in Non-integrated accounts
    (d) None of the above

21. Which of the following is not considered in financial account –
    (a) Interest received on bank deposits
    (b) Transfer fees received
    (c) Profit made on sale of investments, fixed assets, etc.
    (d) Salary of the proprietor

22. Which of the following items are purely financial incomes _____
    (a) Discount on issue of shares
    (b) Interest on bank loan
    (c) Transfer fees received
    (d) Notional interest on capital employed

23. Which of the following items is to be included both in cost accounts and financial accounts –
    (a) Salary of the proprietor
    (b) Rent on owned premises
    (c) Notional interest on capital employed
    (d) Salary to staff

24. If the closing stock figures are more in cost books as compared to those in financial books for reconciliation starting with the profit as per cost accounting, the difference due to stock valuation is –
    (a) Deducted from costing profit (b) Added to costing profit
    (c) Ignored (d) None of the above

25. Under-valuation of closing stock in cost accounts is _____ and under-valuation of opening stock in cost accounts is _____ while reconciling costing profits with financial profits.
    (a) deducted, added (b) added, deducted
    (c) multiplied, divided (d) divided, multiplied

NUMERICAL BASED

1. Balance as on 1st April 2023 ₹ 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

2. Find out the material purchased during the year that will appear to Stores Ledger Control Account form the following data?

Stores Ledger Control Account (on 1st April, 2022)	₹ 9,450
Stores issued to production	₹ 45,370
Material purchased for direct issue to production	₹ 1,135
Stores issued for capital WIP	₹ 1,500
Stores issued for factory repairs	₹ 2,000
Stores lost due to fire in stores	₹ 150
Stores Ledger Control Account (on 31st March, 2023)	₹ 12,830

   (a) ₹ 52,400 (b) ₹ 51,265
   (c) ₹ 53,535 (d) ₹ 50,130

3. Finished Stock balance on 1.4.2022 = ₹ 30,780.
   Finished goods transferred to warehouse during the year = ₹ 2,02,900
   Sales = ₹ 2,56,000.
   The company's gross profit is 25% on cost.
   Finished Stock balance on 31.3.2023 =?

   (a) ₹ 28,880 (b) ₹ 83,880
   (c) ₹ 41,680 (d) ₹ 19,880

4. On 31st March, 2023, profit as per financial accounts was ₹ 50,000. A comparison of cost and financial accounts revealed the following:

Works overheads over-absorbed	₹ 8,500
Excess depreciation charged in cost accounts	₹ 3,000
Interest on investments included in financial accounts only	₹ 2,500

From the above information, the profit as per cost accounts will be –

(a) ₹ 47,000 (b) ₹ 36,000

(c) ₹ 41,000 (d) ₹ 53,000

5. The financial records of a company showed a net profit of ₹ 6,70,000 for the period ended 31st March, 2015. On further examination of cost and financial records, the following facts were discovered: Works overheads under-recovered in cost ₹ 16,240, Office overheads over-recorded in cost ₹ 4,000, Interest on investments not included in cost ₹ 16,000

The profit as per cost records is –

(a) ₹ 6,66,250 (b) ₹ 6,66,240

(c) ₹ 6,67,270 (d) ₹ 6,68,250

6. The profit as per financial accounts are ₹ 84,700. The values of opening and closing stock as shown in cost accounts and financial accounts are as under:

Details	Financial Accounts ₹	Cost Accounts ₹
Raw materials		
Opening	54,000	52,000
Closing	60,000	59,400
Work – in – progress		
Opening	26,000	29,600
Closing	20,000	17,500

From the above information, the profit as per costing records is –

(a) ₹ 83,400

(b) ₹ 82,000

(c) ₹ 80,000

(d) ₹ 79,400

7. During the year ended 31st March, 2023, the profit of the company is ₹ 63,450 as per financial records. The following details are given:

Opening stock overstated in cost accounts	₹ 8,500
Closing stock understated in cost accounts	₹ 7,600
Factory overheads under recovered in cost accounts	₹ 4,500

The profit as per cost accounts will be –

(a) ₹ 69,950 (b) ₹ 65,950

(c) ₹ 51,850 (d) ₹ 56,950

8. When costing loss is ₹ 48,000, work overhead under-absorbed being ₹ 2,000, the loss as per financial accounts should be

(a) ₹ 50,000 (b) ₹ 46,000

(c) ₹ 2,000 (d) None of the above.

5 PROCESS & OPERATION COSTING

THEORY BASED

1. Clean Labs develops film using a three-step process that moves progressively through three departments. Currently direct materials, direct labour and overheads are accumulated by departments.
The cost accumulation system that best describes the system that Clean Labs is using is:
(a) Job-order Costing (b) Activity-based Costing
(c) Service Costing (d) Process Costing

2. In process, conversion cost means –
(a) 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

3. The spoilage that occurs due to inefficient operating conditions and is ordinarily controllable is called:
(a) Normal spoilage (b) Abnormal spoilage
(c) Normal defectives (d) None of these

4. The type of loss that should not be allowed to affect the cost of good units is:
(a) Normal loss (b) Abnormal loss
(c) Standard loss (d) None of these

5. In process costing, abnormal gain would arise if –
(a) Actual units lost during the process were more than the normal loss
(b) Closing stock at end of the period was higher than opening stock
(c) Actual units lost during the process were less than the normal loss
(d) Estimate of cost per unit was below the actual cost per unit of output

6. Process Account is credited by _____ .

(a) Cost of normal loss (b) Scrap value of normal loss

(c) Cost of abnormal loss (d) Both (b) and (c)

7. The cost of normal process loss is:

(a) Absorbed by good units produced

(b) Debited to Costing P&L account

(c) Absorbed by good units produced and amount realized by the sale of loss units should be debited to process account

(d) Debited to Costing P&L account amount realized by the sale of loss units should be credited to process account

8. Balance in abnormal loss account is transferred to –

(a) Process account

(b) Costing profit and loss account

(c) Partly to the process account and partly to costing profit and loss account

(d) None of the above

9. When an abnormal gain in a process occurs, the accounting entry is to be made:

(a) Process account debit and Abnormal gain account credit

(b) Abnormal gain account debit and P & L account credit

(c) Abnormal gain account debit and Normal wastage account credit

(d) Normal wastage account debit and abnormal gain account credit

10. In process costing, if an abnormal gain arises, the process account is generally:

(a) Debited with the scrap value of the abnormal gain units

(b) Debited with the full production cost of the abnormal gain units

(c) Debited with the production cost minus scrap value of the abnormal gain units

(d) Credited with the full production cost of the abnormal gain units

11. The two main methods of calculating equivalent production are –

(a) FIFO method and average cost method

(b) LIFO method and standard cost method

(c) LIFO method and market price method

(d) FIFO method and market price method

12. _____ is valued in terms of equivalent production units.

(a) Stock of raw material (b) Stock of work-in-progress
(c) Stock of finished goods (d) All the above three stocks

13. Under Weighted Average Method –

(a) The cost to complete opening work-in-progress is ignored
(b) The cost to complete opening work-in-progress and other completed units are calculated separately
(c) The cost of opening work-in-progress and cost of the current period are added and the aggregate cost is then divided by the output in terms of completed units
(d) None of these

14. When average method is used in process costing, the opening work-in-progress costs are:

(a) Subtracted from the new costs (b) Added to the new costs
(c) Kept separate from the new costs (d) Ignored

15. The situation of unrealized profit in the closing stock arises in the case of:

(a) Process losses (b) Equivalent production
(c) By-products and joint products (d) Inter process profits

NUMERICAL BASED

1. An input of 60,000 kgs. of material is introduced into the process and the expected loss is 5%. If the actual output from the process is 55,000 kgs., the abnormal loss is –

(a) 3,000 kgs. (b) 1,500 kgs.
(c) 2,000 kgs. (d) 2,750 kgs.

2. The input in a process is 8,600 units and normal loss is considered at 5% of input. If the actual output is 8,200 units, then there will be:

(a) Abnormal loss of 30 units
(b) Abnormal loss of 400 units
(c) Abnormal gain of 400 units
(d) Abnormal gain of 30 units

3. In Ruby Ltd. 10,000 units of raw material were introduced in Process-I. The actual output and normal loss of respective processes are as follows:

Process	Output (units)	Normal loss on input units
I	9,000	10%
II	6,800	20%
III	5,400	25%

Abnormal gain in Process III is –

(a) 400 units (b) 500 units

(c) 450 units (d) 300 units

4. In Process A, 100 units of raw material were introduced at a cost of ₹ 1,000. Manufacturing wages were ₹ 500 and factory overheads ₹ 102. Out of the units introduced, 10% are normally lost during manufacture and they have scrap value of ₹ 3 each. The output of Process A was 75 units. The value of abnormal loss in Process A is –

(a) ₹ 45 (b) ₹ 168

(c) ₹ 262 (d) ₹ 270

5. The following information is given:

Input of raw material @ ₹ 50 per unit	**1,000 units**
Direct Material	**₹ 15,000**
Direct Wages	**₹ 9,000**
Production overheads	**₹ 12,000**
Actual output transferred to next process	**900 units**
Normal Loss	**5%**
Value of Scrap	**₹ 20 per unit**

The amount of abnormal loss would be transferred to costing profit and loss account (calculation to the nearest rupee):

(a) ₹ 3,474 (b) ₹ 4,474

(c) ₹ 4,300 (d) ₹ 4,250

6. Following information is available:

Input of raw material	**1,000 units @ ₹ 25 per unit**
Direct material	**₹ 7,500**
Direct wages	**₹ 4,500**
Production overheads	**₹ 6,000**
Actual output transferred to next process	**900 units**
Normal loss	**5%**
Value of scrap	**₹ 10 per unit**

The cost of output transferred to next process will be –

(a) ₹ 38,700 (b) ₹ 40,263

(c) ₹ 38,250 (d) ₹ 43,500

7. A product is completed in three consecutive processes. Details of normal and abnormal losses 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	–

Realisable scrap value per unit of process I, II and III are ₹ 1, ₹ 5 and ₹ 6 respectively. Indicate from out of the following, what will be the abnormal gain to be transferred to Costing P & L Account?

(a) ₹ 490 (b) ₹ 810

(c) ₹ 890 (d) ₹ 840

8. Following information is available as regards Process I:

Units introduced	**14,100 units at ₹ 42,300**
Additional material	**₹ 1,560**
Direct wages	**₹ 3,500**
Production overheads	**₹ 5,250**
Scrap value of normal loss	**₹ 2 per unit**

The output of Process I was transferred to Process II at ₹ 4 per unit. The percentage of wastage in Process I will be:

(a) 13.44% (b) 12.95%

(c) 14.83% (d) 11.88%

9. In a process 8,000 units are introduced during a period. 5% of input is normal loss. Closing work in progress 60% complete is 1,000 units. 6,600 completed units are transferred to next process. Equivalent production for the period is:

(a) 9,000 units (b) 7,440 units

(c) 5,400 units (d) 7,200 units

10. Input material : 10,000 units

Normal loss of total input : 8%

Closing work-in-progress : 900 units

Degree of completion for closing stock of work-in-progress and abnormal loss:

Material - 100%

Labour - 70%

Output transferred to next process 7,900 units.

From the above information, equivalent production units for material and labour are:

(a) 9,200 and 8,930 respectively (b) 9,200 and 8,810 respectively

(c) 8,800 and 8,930 respectively (d) 8,800 and 8,810 respectively

11. During the month July, 2023, 15,000 units were completed in process I and transferred to the process II. Opening stock as on 1st July, 2023 was 5,000 units and closing stock as on 31st July, 2023 was 10,000 units.

Degree of completion for both opening and closing stock:

Material 100%

Labour and overhead 40%

Equivalent production units for labour and overheads using FIFO method are:

(a) 18,000 units (b) 17,000 units

(c) 20,000 units (d) 25,000 units

12. In process A, 20,000 units are introduced during a particular month. The normal loss is estimated to be 4% of the input. At the end of the month 2,400 units were lying as incomplete. The stagewise completion of the inventory was given as under:

Materials : 80% complete, Labour : 60% complete and Overheads : 50% complete.

16,600 units were transferred to finished stores. Equivalent units in respect of material =?

(a) 20,000 units (b) 18,000 units

(c) 18,240 units (d) 18,720 units

Consider the following details to answer questions 13 and 14:

Opening WIP	1,000 units
Cost incurred on opening WIP	₹ 1,10,000
Cost incurred in the process	₹ 19,30,000
Units introduced during the month	10,000 units
Transferred to next process	9,000 units
Closing WIP (75% complete)	800 units
Normal loss	10% of total input
Scrap value	₹ 10 per unit

13. Equivalent units for the month will be:

(a) 10,000 units (b) 9,700 units

(c) 9,600 units (d) 9,800 units

14. Cost per equivalent production unit is:

(a) ₹ 210.31 (b) ₹ 198.97

(c) ₹ 209.18 (d) ₹ 211.35

15. In a company adopting process costing, the output of a process is transferred to next process by adding profit. In a particular period, the total cost and profit of the process amounted to ₹ 70,500 and ₹ 9,500 respectively. The total value of closing stock was ₹ 6,000. Then the value of unrealized profit in closing stock of the process is:

(a) ₹ 712 (b) ₹ 768

(c) ₹ 816 (d) None of the above

6 JOINT PRODUCTS AND BY PRODUCTS

THEORY BASED

1. Individual products, each of a significant sales value, produced simultaneously from the identical raw materials are called:
   (a) Joint Product (b) Common Product
   (c) By-Product (d) Main Product

2. Gasoline, diesel, paraffin and asphalt which are obtained from Crude Oil are:
   (a) Joint Products (b) Co-Products
   (c) By-Products (d) Unique Products

3. Which of the following is used as a method for apportioning total joint cost over the joint products?
   (a) Average unit cost method (b) Contribution margin method
   (c) Market value method (d) All of these

4. _____ relate to two or more products from a common production process or element-material, labour and overhead or any combination thereof or so locked together that one cannot be produced without producing the other.
   (a) Sunk cost (b) Imputed cost
   (c) Joint cost (d) Replacement cost

5. The stage of production at which separate products are identified is known as –
   (a) Split-off point (b) Break-even point
   (c) Re-order point (d) Cost indifference point

6. _____ costs incurred upto the point where individual products can be identified are called
   (a) Mixed (b) Joint
   (c) Separate (d) None of the above

7. Costs that are incurred after the split-off point of joint products in a production process are referred to as:

(a) Joint costs (b) Post Separation costs
(c) By-product costs (d) Manufacturing costs

8. The main purpose of accounting of joint products and by-products is to –

(a) determine the profit/loss on each product line
(b) determine the selling price
(c) comply with the statutory requirements
(d) identify the cost and load it on the main product

9. Method of apportioning joint costs on the basis of output of each joint product is:

(a) Sales value at split off point method (b) Average cost method
(c) Physical unit method (d) Contribution method

10. Under net realizable value method of apportioning joint costs to joint products, the further processing cost is:

(a) Added to joint cost (b) Deducted from joint cost
(c) Deducted from sales value (d) Ignored

11. 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) Sale price less a normal profit margin
(c) Net sales value at split off (d) Total Costs

12. _____are defined as "any saleable or usable value incidentally produced in addition to the main product."

(a) By-products (b) Joint products
(c) Common products (d) Secondary products

13. An outcome of a production process considered as relatively less important as compared to the main product is called –

(a) By-product (b) Co-product
(c) Joint product (d) Core product

14. 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) By-product (b) Common product
(c) Joint product (d) None of these

15. When a by-product does not have any realizable value, the cost of by-product is:

(a) Transferred to Costing Profit & Loss A/c
(b) By-product cost is borne by the good units
(c) By-product cost is ignored
(d) By-product cost is determined taking value of similar goods

NUMERICAL BASED

1. A company produces three joint products A, B and C. The company has chosen 'physical quantity method'. Up to the point of split off, the total production of A, B and C is 80,000 kgs. The quantity of A, B and C produced is 25,000 kgs., 35,000 kgs. and 20,000 kgs. respectively. Total joint cost is ₹ 5,00,000. Joint cost allocated to product 'A' is -

(a) ₹ 1,25,000 (b) ₹ 2,18,750
(c) ₹ 1,56,250 (d) ₹ 1,66,666

Consider the following details to answer questions 2 and 3

A company manufactures two products, Product P and Product Q, out of a joint process. The joint costs incurred are ₹ 6,30,000 that generated 18,000 kgs. of P and 12,000 kgs. of Q. Further processing costs beyond split-off point are ₹ 14 per unit for Product P and ₹ 9 per unit for Product Q. After further processing Product P sells for ₹ 24 per unit and Product Q sells for ₹ 39 per unit.

2. The amount of joint cost allocated to Product P using physical-quantity basis would be:

(a) ₹ 3,15,000 (b) ₹ 3,78,000
(c) ₹ 2,32,000 (d) ₹ 3,02,400

3. The amount of joint cost allocated to Product Q using net realizable value method would be:

(a) ₹ 2,10,000 (b) ₹ 3,78,000
(c) ₹ 4,20,000 (d) ₹ 3,02,400

4. A company's plant processes 6,750 units of a raw material at a cost of ₹ 80 per unit to produce two products X and Y.

The process yield is as under:

Product X	80%
Product Y	12%
Process loss	8%

Processing cost is ₹ 2,25,000 of which labour cost is accounted for 66%. Labour is chargeable to products X and Y in the ratio of 100 : 80. Joint cost apportioned to Product Y will be:

(a) ₹ 99,783 (b) ₹ 1,46,413 (c) ₹ 80,413 (d) None of these

5. JK Ltd. manufactures two products from a joint manufacturing process. The two products developed are Product J and Product K. A standard production run incurs joint costs of ₹ 1,00,000 and results in 6,000 units of J and 9,000 units of K. Each unit of J sells for ₹ 200 per unit and each unit of K sells for ₹ 450 per unit. Assuming no further processing work is done after the split-off point, the amount of joint cost allocated to Product K using sales value at split off would be:

(a) ₹ 60,000 (b) ₹ 77,142
(c) ₹ 50,000 (d) ₹ 22,857

6. A company buys a particular raw material and processes it in Department I which splits-off into products X, Y and Z. Product X is sold at the split-off point, with no further processing. Products Y and Z require further processing before they can be sold. Product Y is processed in Department II and Product Z is processed in Department III. Following data is available for 2022-23:

Department	Total Cost (₹)
I	5,98,000
II	6,60,000
III	11,00,000

Details for the three products are as follows:

	Product		
Particulars	X	Y	Z
Sales (units)	10,000	15,000	22,500
Closing stock (units)	5,000	-	7,500
Sale price per unit (₹)	30	64	50

If the company uses Net Realizable Value method for allocating joint costs, the net realizable values of the three products will be:

(a) ₹ 3,00,000, ₹ 9,60,000 and ₹ 11,25,000

(b) ₹ 3,00,000, ₹ 3,00,000 and ₹ 25,000

(c) ₹ 4,50,000, ₹ 3,00,000 and ₹ 4,00,000

(d) None of the above

7. A company produces two joint products, P and V. In a year, further processing costs beyond split-off point spent were ₹ 8,000 and ₹ 12,000 for 800 units of P and 400 units of V respectively. P sells at ₹ 25 and V sells at ₹ 50 per unit. A sum of ₹ 9,000 of joint costs were allocated to Product P based on net realizable value method. What were the total joint costs in a year?

(a) ₹ 15,000

(b) ₹ 22,500

(c) ₹ 27,000

(d) ₹ 36,000

8. In an oil mill, four products emerge from a refining process. The joint cost of purchasing the crude oil and processing is ₹ 40,000. The other details as under:

Product	Sales at split-off point (₹)	Further processing costs (₹)	Sales after further processing (₹)
A	20,000	80,000	1,20,000
B	12,000	32,000	40,000
C	28,000	36,000	48,000
D	20,000	-	-

Which of the products should be further processed for maximising profits?

(a) Only Product A

(b) Product B and C

(c) All the products

(d) None of the products

9. A company produces three joint products P, Q and R. The products are processed further. Pre-separation costs are apportioned on the basis of weight of output of each joint product. The following data are provided for the month of May, 2023

Cost incurred up to separation point: ₹ 10,000

Particulars	Product		
	P	Q	R
Output (in kgs.)	100	70	80
	₹	₹	₹
Costs incurred after separation point	2,000	1,200	800
Sale price per kg.			
After further processing	50	80	60
At pre-separation point (estimated)	25	70	45

Which is the best course of action for the company?

(a) All the three products should be further processed

(b) Product P and Q should be further processed and Product R should be sold at split-off point

(c) Product P and R should be further processed and Product Q should be sold at split-off point

(d) Product Q should be further processed and Product P and R should be sold at split-off point

10. A factory producing article A also produces a by-product B which is further processed into finished product, the joint cost of manufacture is ₹ 10,000. The subsequent cost incurred on A is ₹ 5,000 and on B is ₹ 3,000.

Selling Prices are: A – ₹ 16,000
B – ₹ 8,000

Estimated profit on selling prices is 25% for A and 20% for B. Assume that selling expenses are in proportion of sales prices. Joint costs apportioned to A and B will be:

(a) ₹ 5,000 and ₹ 5,000

(b) ₹ 6,800 and ₹ 3,200

(c) ₹ 6,733 and ₹ 3,267

(d) None of these

11. Two products P and Q are obtained in crude form and require further processing at a cost of ₹ 5 for P and ₹ 4 for Q per unit before sale. Assuming a net margin of 25% on cost, their sale prices are fixed at ₹ 13.75 and ₹ 8.75 per unit respectively. During the period, the joint cost was ₹ 88,000 and the output were P – 8,000 units and Q – 6,000 units. Joint cost per unit will be:

(a) ₹ 8 and ₹ 4 (b) ₹ 6 and ₹ 3

(c) ₹ 7.33 and ₹ 4.89 (d) None of these

12. A manufacturing concern produced two joint products A and B whose sales values were ₹ 1,52,000 and ₹ 1,68,000 respectively and selling expenses were ₹ 20,000 and ₹ 80,000 respectively. The joint cost was ₹ 1,67,600. If the joint cost was apportioned on cost of sales basis, it is:

(a) ₹ 33,520 and ₹ 1,34,080 (b) ₹ 79,610 and ₹ 87,990

(c) ₹ 1,00,560 and ₹ 67,040 (d) ₹ 83,800 and ₹ 83,800

13. In a manufacturing concern, the joint expenses of products X, Y and Z are ₹ 25,000. Subsequent expenses of products X, Y and Z are ₹ 5,900, ₹ 4,000 and ₹ 4,450 respectively. Sales values are : X ₹ 30,000, Y ₹ 20,000 and Z ₹ 15,000. Estimated profit on sales are : X 40%, Y 30% and Z 25%. What is the amount of share in the joint expenses of product X, Y and Z respectively if the selling expenses are 6% on sales value?

(a) ₹ 12,100, ₹ 10,000 and ₹ 6,800

(b) ₹ 10,300, ₹ 8,800 and ₹ 5,900

(c) ₹ 11,538, ₹ 7,692 and ₹ 5,769

(d) ₹ 10,405, ₹ 8,092 and ₹ 6,503

14. A factory produces two products, A and B from a single joint process. The joint manufacturing costs during a particular month are:

Direct Material	₹ 30,000
Direct Labour	₹ 9,600
Variable Overheads	₹ 12,000
Fixed Overheads	₹ 32,000

Sales: A – 100 units @ ₹ 600 per unit

B – 120 units @ ₹ 200 per unit

Joint costs apportioned on the basis of Contribution Margin Method to each product will be:

(a) ₹ 38,000 and ₹ 45,600

(b) ₹ 41,800 and ₹ 41,800

(c) ₹ 71,745 and ₹ 11,855

(d) ₹ 55,455 and ₹ 28,145

15. JK Ltd. produces Product J and gets a by-product K out of a joint process. The net realizable value of the by-product is used to reduce the joint production costs before the joint cost are allocated to the main product. The company incurred joint production costs of ₹ 4,00,000. The main product J is not marketable at split off point. Thus, it has to be further processed. Details of company's operation are as under:

Particulars	Product J	By-product K
Production (units)	10,000	200
Sale price per kg.	₹ 45	₹ 5
Further processing cost	₹ 1,01,000	-

If the company wants to earn profit of ₹ 1,00,000, then what should be selling price per kg. of Product J:

(a) ₹ 60.10 per kg. (b) ₹ 50 per kg.

(c) ₹ 60 per kg. (d) ₹ 45 per kg.

7 SERVICE OR OPERATING COSTING

THEORY BASED

1. Service costing is applicable to:
   (a) Hotels & Lodges (b) Power generation
   (c) Transport undertaking (d) All of the above

2. The method of costing used both in a cinema and a hospital is _____ costing.
   (a) service (b) marginal
   (c) job (d) process

3. Service costing is not used in the which one of the following:
   (a) electricity (b) transport
   (c) hospitals (d) electronics

4. Which of the following 'Cost Unit' is not used by the organisation engaged in providing services?
   (a) Per Metre (b) Tonne-Km
   (c) Passenger-Km (d) Kilowatt-Hour

5. In transport service costing, costs are classified as:
   (a) Standing charges, running charges & maintenance costs
   (b) Fixed cost, normal cost & standard cost
   (c) Variable cost, fixed cost & marginal cost
   (d) Standard cost, marginal cost & fixed cost

6. Cost of diesel and lubricants is:
   (a) Operating Cost (b) Fixed charges
   (c) Semi-variable cost (d) None of the above

7. Which of the following is not an item of standing charges in transport costing?
   (a) Garage rent (b) Road license and other taxes
   (c) Repairs and maintenance (d) Supervisor's salary

8. 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

9. Absolute tonne-km. is an example of:

(a) Composite unit in power sector (b) Composite unit for oil and natural gas

(c) Composite unit for bus operation (d) Composite unit of transport sector

10. Cost Unit of Hospital Industry is:

(a) Tonne (b) Student per year

(c) Kilowatt Hour (d) Patient Day

11. Composite Unit of Hotel Industry is:

(a) Per room (b) Per bed

(c) Per day (d) Per room-day

12. Jobs undertaken by Information Technology and Information Technology Enabled Services organisations are considered as:

(a) Project (b) Batch work

(c) Both (a) & (b) (d) None of these

13. Cost units used in power sector is called:

(a) Number of hours (b) Kilo meter (KM)

(c) Number of electric points (d) Kilowatt-hour (KWH)

14. BOT approach means:

(a) Buy, Operate and Transfer (b) Build, Operate and Trash

(c) Build, Own and Trash (d) Build, Operate and Transfer

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

(a) Processing of claim (b) Selling of policy

(c) Provision of conditions (d) Policy application processing

16. Post-product development activities in insurance companies, include:

(a) Selling of policy (b) Processing of claim

(c) Both (a) and (b) (d) Neither (a) or (b)

NUMERICAL BASED

1. A transport company is running 4 buses between two cities, which are 60 kms. apart. Seating capacity of each bus is 45 passengers. Actual passengers carried by each bus is 80% of seating capacity. All buses run on all days of the month. Each bus makes one round trip per day. Assuming 30 days in a month, the passenger-kms. are –

(a) 5,62,500 (b) 5,18,400
(c) 6,40,000 (d) 2,59,200

2. From the following information, the total passenger kilometers for the month of May, 2023 will be:

Number of Buses	4
Round trips made by each bus per day	5
Distance of route	60 km
Capacity of bus	45 passengers
Normal passenger travelling	90% of capacity
Days operated in the month	All days

(a) 15,06,600 Passenger-kms.
(b) 30,13,200 Passenger-kms.
(c) 7,29,000 Passenger-kms.
(d) 14,58,000 Passenger-kms.

3. Prakash automobiles distributes its goods to a regional dealer using a single lorry. The dealer's premises are 40 kilometers away by road. The lorry has a capacity of 10 tonnes. The lorry makes the journey twice a day fully loaded on the outward journeys and empty on return journeys. The lorry operates on a five-day week. Total effective tonne-kms. for four week period will be :

(a) 8,000 (b) 4,000
(c) 32,000 (d) 16,000

4. Vipul travels provided mini buses to an IT company for carrying its employees from home to office and dropping back after office hours. It runs a fleet of 8 mini buses for this purpose. The buses are parked in a garage adjoining the company's premises.

Company is operating in two shifts (one shift in the morning and one shift in the afternoon). The distance travelled by each mini bus one way is 30 kms. The company works for 20 days in a month. The total distance travelled in a year by each bus will be:

(a) 28,800 kms. (b) 4,800 kms.

(c) 57,600 kms. (d) 2,400 kms.

5. Total passenger-km. run by ABC Ltd. was 21,60,000 for the year between town Z and town A. The bus made 3 round trips per day. Seating capacity of the bus was 50 passengers and average daily occupancy was 80% and the bus runs on an average 25 days in a month. Calculate the distance between towns Z and A.

(a) 30 kms. (b) 25 kms.

(c) 45 kms. (d) 40 kms.

6. A transport service company incurred a total operating cost of ₹ 1,40,625 in June, 2023 to operate five buses between two places which are 50 kms. apart. Each bus is having a seating capacity of 50 passengers and all buses run on all days with one round trip only. If the operating cost per passenger-km., is ₹ 0.25, then the capacity occupied in each bus is:

(a) 60% (b) 75%

(c) 80% (d) 100%

7. A hotel has 200 rooms accommodation. The normal occupancy in summer is 90% and winter 40%. The period of summer and winter is taken 8 months and 4 months respectively. Assume 30 days in each month. The total rooms occupancy in a year will be –

(a) 38,400 room-days

(b) 52,800 room-days

(c) 9,600 room-days

(d) 72,000 room-days

8. Calculate the cost to be charged per day per room for a multinational hotel company using the following information:

Total Rooms in hotel	100
Occupied in summer	80%
Occupied in winter	30%

Period of summer and winter six months each and normal days in a month are 30. Total cost incurred ₹ 8,88,800

(a) ₹ 24.68 (b) ₹ 44.89

(c) ₹ 34.68 (d) ₹ 25.68

9. A hotel has a capacity of 100 single bed-rooms and 40 double bed-rooms. The average occupancy for single bed-room is 80% and for double bed-rooms is 60% throughout the year of 365 days. The rent for double bed-room has been fixed 1.50 times of rent of single bed-room. Total operational cost of the year is ₹1,96,45,760 and hotel wants to earn profit of 20% on chargeable price. Chargeable room rent per day for single and double bed-room will be:

(a) ₹ 556.80 and ₹ 835.20

(b) ₹ 580 and ₹ 870

(c) ₹ 646.90 and ₹ 970.40

(d) ₹ 517.50 and ₹ 776.30

Consider the following details to answer questions 10 and 11

A hotel has a capacity of 100 single rooms and 20 double rooms. The average occupancy of both single and double rooms is expected to be 80% throughout the year of 365 days. The rent for double room has been fixed at 125% of a single room. The costs are as under:

Variable costs: Single room ₹ 220 each per day; Double rooms ₹ 350 each per day

Fixed costs: Single room ₹ 120 each per day; Double rooms ₹ 250 each per day

10. If the hotel wants to earn profit of 20% on room rent, the total room rent for the year will be:

(a) ₹ 2,09,87,500 (b) ₹ 1,61,18,400

(c) ₹ 1,67,90,000 (d) None of these

11. Rent chargeable for single and double room per day will be:

(a) ₹ 575 and ₹ 718.75 (b) ₹ 580 and ₹ 870

(c) ₹ 646.90 and ₹ 970.40 (d) ₹ 460 and ₹ 575

12. A group of Health care services has decided to establish an Intensive Care Unit (ICU). The unit's capacity shall be of 50 beds and 10 more beds, if required, can be added. It was reported that for 200 days in a year 50 beds were occupied, for 105 days 30 beds were occupied and for 60 days 20 beds were occupied. The hospital hired 250

beds accommodate the flow of patients. However, this never exceeded the normal capacity of 50 beds on any day. The total bed-days for the year will be:

(a) 14,350 (b) 14,600

(c) 26,850 (d) None of these

Consider the following details to answer questions 13 and 14

SLS infrastructure built and operate 110 kms. highway on the basis of Built-Operate-Transfer (BOT) for a period of 25 years. A traffic assessment has been carried out to estimate the traffic flow per day shows the following figures:

Sl. No.	Type of Vehicle	Daily traffic volume
1.	Two wheelers	44,500
2.	Cars and SUVs	3,450
3.	Bus and LCV	1,800
4.	Heavy commercial vehicles	816

The estimated cost of the project is ₹ 1,15,615.25 Lakhs.

On the basis of the vehicle specifications (i.e. weight, size time saving etc.), the following weights has been assigned to the passing vehicles:

Sl. No.	Type of Vehicle	
1.	Two wheelers	5%
2.	Cars and SUVs	20%
3.	Bus and LCV	30%
4.	Heavy commercial vehicles	45%

13. The total project cost per day of concession period will be:

(a) ₹ 3,16,75,000 (b) ₹ 12,67,000

(c) ₹ 12,85,000 (d) None of these

14. If the company wants to earn a profit of 15% on total cost, the toll fee to be charged for per vehicle of each type will be:

	Two wheelers	Cars and SUVs	Bus and LCV	Heavy commercial vehicles
(a)	₹ 1.64	₹ 84.47	₹ 242.84	₹ 803.52
(b)	₹ 28.81	₹ 28.81	₹ 28.81	₹ 28.81
(c)	₹ 19.06	₹ 76.24	₹ 114.36	₹ 171.54
(d)	None of these			

8 MATERIAL COST CONTROL, STOCK VALUATION & STOCK CONTROL

THEORY BASED

1. Direct material can be classified as –
   (a) Fixed cost (b) Variable cost
   (c) Semi-variable cost (d) None of these

2. _____ is the optimum order quantity of material to be ordered every time an order is placed.
   (a) Standard Ordered Quantity (SOQ)
   (b) Special Order Quantity (SOQ)
   (c) Economic Order Quantity (EOQ)
   (d) None of these

3. At the economic ordering quantity level, the following is true:
   (a) The ordering cost is minimum
   (b) The carrying cost is minimum
   (c) The total ordering cost is equal to the total carrying cost
   (d) The purchase price is minimum

4. 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) None of these

5. Under which of the following methods, the materials in stock are valued at the price of the latest purchases:
   (a) Base stock method
   (b) First in first out method
   (c) Last in first out method
   (d) Highest in first out method

6. During the time of inflation, the method of pricing material issues which leads to a lower material costs for a job is:

(a) FIFO (b) LIFO

(c) HIFO (d) Standard Pricing Method

7. In case of rising prices, FIFO method will provide –

(a) Lowest value of closing stock and profit

(b) Highest value of closing stock and profit

(c) Highest value of closing stock but lowest value of profit

(d) Lowest value of closing stock but highest value of profit

8. In a situation of rising prices, profit and tax liability would be lower under _____ method than under _____ method of material issue pricing.

(a) FIFO; LIFO (b) LIFO; FIFO

(c) LIFO; Average (d) FIFO; Average.

9. Issue of materials during a period of time are priced at the latest purchase cost under:

(a) LIFO (b) FIFO

(c) Simple average (d) Weighted average

10. When prices fluctuate widely, which of the following method will even out the effect of fluctuations?

(a) Weighted average (b) FIFO

(c) LIFO (d) Simple average

11. Differences in stock of material due to _____ are written off to Profit and Loss Account and do not form part of manufacturing cost.

(a) Normal causes (b) Abnormal causes

(c) Unavoidable causes (d) All of the above

12. ABC analysis is

(a) a system of profit planning

(b) a technique of financial analysis

(c) a technique of inventory control

(d) a technique of profit determination

13. _____ is a value based system of inventory control, in which materials are analysed according to their value so that costly and more valuable materials are given greater attention.
    (a) MAX-MIN plan
    (b) Review of slow and non-moving items
    (c) ABC Analysis
    (d) Order cycling system

14. Which one of the following statements is true in ABC classification of materials–
    (a) 'C' items of material have moderate % of cost and high % of quantity
    (b) 'A' items of material have high % of cost and low % of quantity
    (c) 'A' items of material have high % of cost and high % of quantity
    (d) 'B' items of material have moderate % of cost and low % of quantity

15. In ABC analysis, 'C' class items require –
    (a) tight control
    (b) loose control
    (c) moderate control
    (d) high safety stock

NUMERICAL BASED

1. A firm requires 12,800 units of a certain component which it buys @ ₹ 60 each. The cost of placing an order and following it up is ₹ 150 and annual storage charges work out to 10% of the cost of items. Number of units to be ordered to get maximum benefit to the firm are –
    (a) 1,000 units (b) 900 units
    (c) 800 units (d) 320 units

2. A company requires 1,500 units of an item per month. The cost of each unit is ₹30. The cost of placing an order is ₹ 200 and the material carrying charges work out to be 20% of the average material. The economic order quantity (EOQ) is –
    (a) 1,096 units (b) 316 units
    (c) 490 units (d) 33 units

3. S limited produces 4,000 litres of paints on a quarterly basis. Each litre requires 2 kgs. of raw material. The cost of placing one order for raw material is ₹ 40 and the purchasing price of raw material is ₹ 50 per kg. the storage cost and interest cost is 2% and 6% per annum respectively. Economic Order Quantity will be:

(a) 283 kgs. (b) 566 kgs.

(c) 400 kgs. (d) 800 kgs.

4. If annual total carrying cost, per unit carrying cost and cost per order are ₹15,000, ₹ 10 and ₹ 150 respectively, then Economic Order Quantity will be :

(a) 1,500 units (b) 3,000 units

(c) 100 units (d) 200 units

5. A company purchases 2,000 units of a particular item per year at a unit cost of ₹20. The ordering cost is ₹ 50 per order and the inventory carrying cost is 25% on unit cost. What will be the total cost, if company decides to buy on the basis of EOQ?

(a) ₹ 41,325 (b) ₹ 41,000

(c) ₹ 41,500 (d) ₹ 41,525

6. EOQ is 200 units, ordering cost ₹ 20 per order and total purchases 4,000 units. The carrying cost per unit will be –

(a) ₹ 2 (b) ₹ 6

(c) ₹ 4 (d) None of the above

7. If the annual carrying cost of material Z is ₹ 4 per unit and its total carrying cost is ₹ 12,000 p.a., the economic order quantity of the material is:

(a) 3,000 units (b) 4,000 units

(c) 5,000 units (d) 6,000 units

8. Quarterly consumption of materials : 2,000 kgs.
Cost of placing an order : ₹ 50
Cost per unit : ₹ 40
Storage and other carrying costs : 8% of average inventory
The economic order quantity and number of orders to be placed per quarter of the year will be –

(a) 400 kgs. and 5 orders (b) 500 kgs. and 4 orders

(c) 500 kgs. and 12 orders (d) 400 kgs. and 6 orders

9. For a product X, following information is available:

Maximum consumption per week	: 300 units
Normal consumption per week	: 200 units
Re-order period	: 2 to 4 weeks

The re-order level will be –

(a) 400 units (b) 600 units
(c) 1,200 units (d) 800 units

10. The maximum and minimum lead time is 4 weeks and 3 weeks respectively. If the maximum and minimum weekly consumption is 25 units and 20 units respectively, the re-ordering level will be –

(a) 100 units (b) 110 units
(c) 120 units (d) 140 units

11. In a company, weekly minimum and maximum consumption of Material A is 25 and 75 units respectively. The re-order quantity as fixed by the company is 300 units. The material is received within 4 to 6 weeks from issue of supply order. Maximum level of Material A is –

(a) 640 Units (b) 650 Units
(c) 175 units (d) 560 units

12. Following information is given for Component 'A':
Normal usage 50 units per week, maximum usage 75 units per week, reorder period 4 to 6 weeks. The minimum level of stock will be –

(a) 250 units (b) 150 units
(c) 450 units (d) 200 units.

13.

Re-order quantity	:	300 kgs.
Minimum usage	:	20 kgs. per day
Minimum lead time	:	5 days
Maximum stock level	:	400 kgs.

Re-order level will be –

(a) 350 kgs. (b) 200 kgs. (c) 375 kgs. (d) 150 kgs.

14. If the Minimum Stock Level is 2,500 units, Normal Consumption is 150 units, Maximum Re-order Period is 10 days and Normal Re-order Period is 8 days, then Re-order Level will be:

(a) 1,500 units (b) 4,000 units
(c) 1,200 units (d) 3,700 units

15. V Ltd. is the manufacturer of picture tubes for TV. The following are details of their operation. Minimum usages 50 tubes per week, Maximum usages 200 tubes per week; Normal usages 100 tubes per week; lead time to supply 4-6 weeks; and Re-order quantity 400 tubes. What would be the maximum and minimum level of stock?

(a) 1,400 units and 700 units (b) 1,200 units and 700 units
(c) 1,300 units and 600 units (d) 1,100 units and 600 units

16. A company produces a single product for which following data is available:

Average production per week : 200 units
Usage per unit : 10 kgs.
Re-order level : 8,000 kgs.
Delivery time required : 2 weeks
The minimum level of stock required will be –

(a) 3,000 kgs. (b) 5,000 kgs.
(c) 4,000 kgs. (d) 2,500 kgs.

17. If minimum stock level and average stock level of a raw material are 4,000 and 9,000 units respectively, then its reorder quantity will be

(a) 8,000 units (b) 10,000 units
(c) 11,000 units (d) 9,000 units

18. 4,000 kgs. of material is purchased @ ₹ 2 per kg. Normal wastage is estimated at the rate of 10%. The wastage has recovery value of ₹ 1.10 per kg. Calculate cost of material of work order of 600 units, if each unit requires 1.5 kg. of material –

(a) ₹ 1,260 (b) ₹ 1,800
(c) ₹ 1,620 (d) ₹ 1,890

19. Following information is available regarding a Component X:

1st January, 2023 :	
Opening balance	50 units @ ₹ 4
Receipts :	
5th January, 2023	100 units @ ₹ 5
12th January, 2023	200 units @ ₹ 5.50
Issues :	
2nd January, 2023	30 units
18th January, 2023	170 units

The value of closing stock according to FIFO method is –

(a) ₹ 660 (b) ₹ 770

(c) ₹ 825 (d) ₹ 1,100

20. Amaze Ltd. had an opening inventory of 5,000 units costing ₹ 5 per unit on 1st April, 2023. Following receipts and issues took place in April, 2023:

5th April, 2023	Purchased 800 units @ ₹ 8 per unit
12th April, 2023	Purchased 200 units @ ₹ 8 per unit
15th April, 2023	Issued 3,000 units
25th April, 2023	Purchased 1,000 units @ ₹ 9 per unit

Cost of inventory as on 30th April, 2023 under weighted average basis will be –

(a) ₹ 25,500 (b) ₹ 27,000

(c) ₹ 20,000 (d) ₹ 23,500

9 EMPLOYEE COST AND DIRECT EXPENSES

THEORY BASED

1. Employee cost includes –
   (a) Wages and Salaries (b) Allowances and incentives
   (c) Payment for overtime (d) All of the above

2. Which of the following is a situation in which the bonus under Halsey Plan (50%) as well as under Rowan Plan will be same?
   (a) When time saved is less than time taken
   (b) When time saved is more than time taken
   (c) When time saved is equal to time taken
   (d) No such situation is possible

3. If the time saved is less than 50% of the standard time, then wages under Rowan and Halsey premium plan on comparison gives –
   (a) More wages under Rowan plan than Halsey plan
   (b) More wages under Halsey plan than Rowan plan
   (c) Equal wages under both plans
   (d) None of the above

4. 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

5. The abnormal idle time is due to:
   (a) rest pauses (b) tea break
   (c) tool setting (d) strikes or lockout

6. Cost of idle time due to abnormal causes should be :
   (a) Charged to overhead costs
   (b) Charged to respective jobs
   (c) Charged to costing profit and loss account
   (d) None of the above

7. Cost of idle time due to non-availability of raw material is –
   (a) Charged to costing profit and loss
   (b) Charged to overheads
   (c) Charged to respective jobs
   (d) None of the above

8. 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

9. If the overtime arises for completing a job within a specified time as requested by the customer, then the entire amount of overtime including overtime premium should be charged:
   (a) To that customer
   (b) To general overheads
   (c) To costing profit and loss account
   (d) To a particular department

10. If the overtime is done irregularly to meet the requirements of production, then the overtime premium is charged to:
   (a) The specific job directly (b) Factory overheads
   (c) Costing profit and loss account (d) Any of the above

11. The rate of change of labour force in an organisation during a specified period is called –
   (a) Labour efficiency (b) Labour turnover
   (c) Labour productivity (d) Labour planning

12. Which one of the following, does not account for increasing labour productivity:

(a) Job satisfaction (b) Motivating labour

(c) Proper supervision and control (d) High labour turnover

13. Which of the following are the methods of measurement of labour turnover?

(a) Separation rate method and Replacement method

(b) Replacement method and Labour flux rate method

(c) Separation rate method and Labour flux rate method

(d) Separation rate method; Replacement method and Labour flux rate method

14. Labour turnover is measured by –

(a) Number of workers replaced / average number of workers

(b) Number of workers left / number in the beginning plus number at the end

(c) Number of workers joining / number in the beginning of the period

(d) All of these

15. Example of Direct Expenses is

(a) Rent (b) Royalty charged on production

(c) Bonus to employee (d) None of these

NUMERICAL BASED

1. 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 and effective rate per hour of the worker as per Rowan plan will be –

(a) ₹ 1,940 and ₹ 40.42 (b) ₹ 1,450 and ₹ 30.21

(c) ₹ 1,152 and ₹ 19.20 (d) ₹ 1,152 and ₹ 24.00

2. Wage rate : ₹ 1.50 per hour

Time allowed for job : 20 hours

Time taken : 15 hours

The total earnings and effective rate per hour of the worker under Halsey plan is –

(a) ₹ 26.25 and ₹ 1.31 (b) ₹ 26.55 and ₹ 1.77

(c) ₹ 26.25 and ₹ 1.75 (d) ₹ 27.55 and ₹ 1.84

3. tting same bonus under Halsey Plan and Rowan Plan?

(a) 24 hours (b) 36 hours

(c) 48 hours (d) 18 hours

4. During the third week of March, Mr. R. produced 420 units. The standard time allowed to produce one unit is 10 minutes. If he received wages for a guaranteed 48 hours per week at the rate of ₹ 5 per hour and bonus according to Hasley Plan, the total earning was:

(a) ₹ 295 (b) ₹ 350

(c) ₹ 240 (d) ₹ 276.67

Consider the following details to answer questions 5 and 6

A worker takes 15 hours to complete a particular work for which time allowed is 20 hours. His wage rate is ₹ 5 per hour. Following additional information is available:

Material cost of the work ₹ 50

Factory Overheads 100% of wages

5. Factory cost of the work if the worker is paid bonus as per Halsey Plan

(a) ₹ 87.50 (b) ₹ 137.50

(c) ₹ 225 (d) ₹ 75

6. Factory cost of the work if the worker is paid bonus as per Rowan Plan

(a) ₹ 93.75 (b) ₹ 143.75

(c) ₹ 75 (d) ₹ 237.50

7. A skilled worker is paid a guaranteed wage rate of ₹ 150 per hour. The standard time allowed for a job is 10 hours. He took 8 hours to complete the job. He has been paid wages under Rowan Incentive Plan and earned an effective hourly rate of ₹ 180 per hour. The time in which he should complete the job, if the worker is placed under Halsey Incentive Scheme (50%), and he wants to maintain the same effective hourly rate of earnings, will be:

(a) 8 hours (b) 10 hours

(c) 7.14 hours (d) None of these

8. A worker in PQR Ltd., is paid a guaranteed wages of ₹ 60 per hour. The standard time per unit for a particular product is 4 hours. X, a machine man, has been paid wages under the Rowan incentive plan and he had earned an effective hourly rate of ₹ 75 on the manufacture of that particular product. Had he been put on Halsey incentive scheme, his effective hourly rate would be:

(a) ₹ 67.50 (b) ₹ 52.50

(c) ₹ 70.00 (d) ₹ 65.00

9. A skilled worker is paid a guaranteed wage rate of ₹ 15 per hour in a 48-hour week. The standard time to produce a unit is 18 minutes. During a week, a skilled worker has produced 200 units of the product. Wages of worker under piece-rate with guaranteed weekly wage will be:

(a) ₹ 720 (b) ₹ 240

(c) ₹ 3,000 (d) ₹ 900

10. Relevant data regarding number of workers on roll is given below for June, 2023:

At the beginning of the month 750

At the end of the month 850

During June, 2023, 10 workers left, 30 workers were discharged and 100 workers were recruited. Of these, 15 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 for June, 2023 is -

(a) 1.875 % (b) 1.647 %

(c) 1.750 % (d) 5.00 %

11. The cost accountant of Zed Ltd. has computed the following labour turnover rates for the quarter ended 31st March, 2023:

Under Flux Method 15%

Under Replacement Method 10%

Under Separation Method 6%

If the number of workers replaced during the quarter is 75, find out the number of workers left and discharged:

(a) 48 (b) 45

(c) 30 (d) 64

12. Labour turnover rate for the quarter ended 31st Dec. 2018 as 16%, 8% and 6% under flux, replacement and separation methods respectively. If the number of workers replaced during the quarter is 60. What number of workers recruited and joined?

(a) 112 (b) 75

(c) 15 (d) 100

Consider the following details to answer questions 13 to 15

Following data have been extracted from the books of PQR limited:

(i)	Salary (each employee, per month)	₹ 30,000
(ii)	Bonus	25% of salary
(iii)	Employer's contribution to PF, ESI etc	15% of salary
(iv)	Total cost for employees' welfare activities	₹ 6,61,500 per annum
(v)	No. of employees	175
(vi)	Normal idle time	70 hours per annum
(vii)	Abnormal idle time (due to power failure)	50 hours
(viii)	Working days per annum	310 days of 8 hours

13. Annual cost of each employee

(a) ₹ 3,60,000 (b) ₹ 5,04,000

(c) ₹ 11,65,500 (d) ₹ 5,07,780

14. Employee cost per hour

(a) ₹ 204.75 (b) ₹ 215.16

(c) ₹ 234 (d) ₹ 210.70

15. Cost of abnormal idle time, per employee

(a) ₹ 10,535 (b) ₹ 10,758

(c) ₹ 11,700 (d) ₹ 10,237.50

16. Royalty paid on sales ₹ 89,000 and Software development charges related to product is ₹ 22,000. Direct Expenses will be:

(a) ₹ 1,11,100 (b) ₹ 1,11,000

(c) ₹ 1,11,110 (d) ₹ 1,10,000

10 UNIT & BATCH COSTING

THEORY BASED

1. Unit Costing is applicable where:
   (a) Products produced are unique and no two products are same
   (b) Dissimilar articles are produced as per customer specification
   (c) Homogeneous articles are produced on a large scale
   (d) Products made require different raw materials

2. Batch Costing is similar to job costing except 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

3. Batch production is suitable for:
   (a) Mass production in batches
   (b) Production of homogeneous articles in batches
   (c) Production of articles in mass scale
   (d) Mass production in jobs

4. In batch costing, at the level of production of economical lot size:
   (a) Carrying cost is minimum
   (b) Setup cost is minimum
   (c) Total set-up cost and carrying cost is minimum
   (d) Computation of cost of production is easy

5. In Batch Costing, with increase in batch size:
   (a) There is an increase in carrying cost and set-up cost
   (b) There is a decrease in carrying cost and set-up cost
   (c) There is an increase in carrying cost and set-up cost is reduced
   (d) There is a decrease in carrying cost but the set-up cost is increased

NUMERICAL BASED

1. Amaze Ltd. manufactures ring binders which are embossed with customer's own 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

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

2. 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	:	12%
Cost of production per unit	:	₹ 16

The optimum batch size is

(a) 4,000 units (b) 3,000 units

(c) 2,500 units (d) 2,000 units

3.

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.

The economic batch quantity is –

(a) 400 units (b) 600 units

(c) 500 units (d) 200 units

4. A company manufactures a component in a process. Material cost is ₹ 6 per component, Wages of the operator ₹ 7.20 per hour, Machine hour rate ₹ 1.50 per hour, setting up time of machine (productive) 5 hours, manufacturing time 10 minutes per component. Company producing 50 batches consist of 100 components in each batch. What will be the cost per batch and total setting up cost?

(a) ₹ 740.00 and 43.50 (b) ₹ 745.00 and 43.50

(c) ₹ 745.00 and 36 (d) ₹ 74.00 and 36

5. G ltd. manufactures 'S' that is used by hospitals for surgery. As per the estimates provided by Pharmaceutical Industry Bureau, there will be demand of 40 million units of 'S' in the coming year. G ltd. is expected to have a market share of 2.5% of the total market demand of 'S' in the coming year. It is estimated that it costs ₹ 1.5 as inventory holding costs per unit per month and that the set-up cost per run of manufacture is ₹ 225. The optimum run size for 'S' will be:

(a) 1,09,545 units (b) 17,320 units

(c) 31,623 units (d) 5,000 units

11 JOB COSTING

THEORY BASED

1. Which of the following costing methods is most suitable for the industries, where the production is not on continuous basis, rather it is only when order from customers is received and that too as per the specifications of the customers?
   (a) Process costing (b) Job costing
   (c) Batch costing (d) Service costing

2. In case work undertaken or products produced are of diverse nature, the system of costing to be used should be:
   (a) Service Costing (b) Job Costing
   (c) Process Costing (d) None of these

3. Job costing is used in
   (a) Furniture making (b) Repair shops
   (c) Printing press (d) All of the above

4. Suitable costing system for repair shops is:
   (a) Unit costing (b) Operation costing
   (c) Operating costing (d) Job costing

5. Which of the following method of costing is suitable for Interior Decoration?
   (a) Job costing (b) Service costing
   (c) Batch costing (d) Process Costing

6. The most suitable cost system where the products differ in type of material and work performed is
   (a) Service Costing (b) Job costing
   (c) Process costing (d) All of these.

7. In a job cost system, costs are accumulated

(a) On a monthly basis (b) By specific job

(c) By department or process (d) By kind of material used

8. 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) Purchase requisition

9. In job costing to record the issue of direct materials to a job which of the following document is used?

(a) Purchase order (b) Goods receipt note

(c) Material requisition (d) Purchase requisition

10. Which of the following is not a part of job order cost sheet –

(a) Direct material (b) Direct labour

(c) Actual factory overheads (d) Applied factory overheads.

NUMERICAL BASED

1. From the following particulars relating to Job No. 555:

	₹
Direct materials	16,000
Direct labour	8,000
Direct expenses	1,600

Works overheads are recovered on the basis of 50% on prime cost and administrative overheads at 10% of works cost. The total cost of Job No. 555 is

(a) ₹ 45,000 (b) ₹ 45,240

(c) ₹ 42,240 (d) ₹ 43,000

2. 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

3. 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

4. A company has been asked to quote for a job. The company aims to make a net profit of 30% on sales. The estimated cost for the job is as follows:

Direct materials 10 kgs. @ ₹ 10 per kg.

Direct labour 20 hours @ ₹ 5 per hour

Variable production overheads are recovered at the rate of ₹ 2 per labour hour.

Fixed production overheads for the company are budgeted to be ₹ 1,00,000 each year and are recovered on the basis of labour hours.

There are 10,000 budgeted labour hours each year. Other costs in relation to selling, distribution and administration are recovered at the rate of ₹ 50 per job.

The sales value of the job will be:

(a) ₹ 700 (b) ₹ 637

(c) ₹ 490 (d) None of these

5. A factory uses job costing system. The following is the cost sheet for the year 2019-20:

Particulars	Amt. (₹)
Direct Materials	18,00,000
Direct Wages	15,00,000
Prime Cost	33,00,000
Add : Factory Overheads	9,00,000
Cost of Production	42,00,000
Add : Administration Overheads (General)	8,40,000
Add : Selling and Distribution Overheads	10,50,000
Cost of Sales	60,90,000
Add : Profit	12,18,000
Sales	73,08,000

In 2019-20, the factory has received an order for a job. It is estimated that direct materials required will be ₹4,80,000 and direct labour will cost ₹3,00,000. The factory overheads are recovered as percentage of wages, whereas, other overheads are recovered as percentage of cost of production. Assuming the selling and distribution overheads have gone up by 15%, the price of for the job if factory intends to earn the same rate of profit on sales will be:

(a) ₹ 17,13,600

(b) ₹ 14,28,000

(c) ₹ 16,66,000

(d) None of these

12 BUDGET

THEORY BASED

1. From the following, which one is a functional budget –
   (a) Master budget (b) Fixed budget
   (c) Sales budget (d) Current budget

2. 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

3. The fixed-variable cost classification has a special significance in the preparation of _____ .
   (a) Flexible budget (b) Master budget
   (c) Cash budget (d) Capital budget

4. If actual output is lower than budgeted output which of the following costs would you expect to be lower than the original budget?
   (a) Total variable costs (b) Total fixed costs
   (c) Fixed costs per unit (d) Variable costs per unit

5. If a company plans to sell 16,000 units of product but sells 20,000, the most appropriate comparison of the cost data associated with the sales will be by a budget based on _____ .
   (a) The original planned level of activity (b) 18,000 units of activity
   (c) 20,000 units of activity (d) 16,000 units of activity

6. 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

7. Budget which remains unchanged regardless of the actual level of activity is known as

(a) Fixed budget (b) Functional budget
(c) Flexible budget (d) Cash budget

8. The basic difference between a static budget and a flexible budget is –

(a) A static budget is based on one specific level of production and a flexible budget can be prepared for any production level within a relevant range
(b) A static budget is for an entire production, but a flexible budget is applicable only to a single department
(c) Flexible budget allows management liberty in meeting goals, whereas a static budget is based on a fixed standard.
(d) A flexible budget considers only variable costs, but a static budget considers all costs

9. 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

10. Which one of the following would not form part of master budget –

(a) Cash budget (b) Statement of profit and loss
(c) Statement of financial position (d) None of the above.

11. Sales budget is a _____ .

(a) Expenditure budget (b) Functional budget
(c) Master budget (d) None of the above

12. A Ltd. is a manufacturing company that has no production resource limitations for the foreseeable future. The Managing Director has asked the company managers to coordinate the preparation of their budgets for the next financial year. In what order should the following budgets be prepared?

(1) Sales budget (2) Raw-material consumption
(3) Production budget (4) Purchase budget
(a) (1), (4), (3), (2) (b) (1), (3), (2), (4)
(c) (1), (4), (2), (3) (d) (4), (2), (3), (1)

13. 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

14. Individual budget schedules are prepared to develop an annual comprehensive or master budget. The budget schedule that would provide the necessary input data for the direct labour budget would be the:

(a) Sales forecast

(b) Raw materials purchases budget

(c) Schedule of cash receipts and disbursements

(d) Production budget

15. "A favourable budget variance is always an indication of efficient performance." Do you agree, give reason?

(a) A favourable variance indicates, saving on the part of the organization hence it indicates efficient performance of the organization

(b) Under all situations, a favourable variance of an organization speaks about its efficient performance

(c) A favourable variance does not necessarily indicate efficient performance, because such a variance might have been arrived at by not carrying out the expenses mentioned in the budget

(d) None of the above

16. A factor which limits the activities of an undertaking which is taken into account while preparing budget is known as –

(a) Budget manual

(b) Budget controller

(c) Budget key factor

(d) Budget centre

17. 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

18. 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

19. 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

20. On the basis of the budget reports
    (a) Management analyzes differences between actual and planned results
    (b) Management may take corrective action
    (c) Management may modify the future plans
    (d) All of these

21. 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

22. Under which of the following method of budgeting, all activities are re-evaluated each time a budget is set –
    (a) Materials budget (b) Zero base budgeting
    (c) Sales budget (d) Overheads budget

23. 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

24. Match the following:

List-I	List-II
P. Performance budgeting	1. Fixed budget
Q. Zero base budgeting	2. Production oriented
R. Summary of all functional budgets	3. Each expense be justified for new period
S. Remains unchanged irrespective of level of activity actually attained.	4. Master budget

Select the correct answer from the options given below:

	P	Q	R	S
(a)	3	4	1	2
(b)	3	4	2	1
(c)	2	4	1	3
(d)	2	3	4	1

NUMERICAL BASED

1. A factory which expects to operate 6,000 hours, i.e., at 60% level of activity, Semi-variable expenses at this level is ₹ 900. The semi-variable expenses go up by 10% between 85% and 95% activity and by 20% above 95% activity. The semi-variable expenses at 100 per cent activity is

(a) ₹ 900 (b) ₹ 1,080

(c) ₹ 1,000 (d) ₹ 1,755

2. Budgeted sales (in units) is 3,840, in the budgeted period of 1 month having 20 working days. The anticipated closing stocks for budget period is 4 days' sales. Opening stock is 808 units. The production units are:

(a) 3,544 units (b) 1,080 units

(c) 3,800 units (d) 2,520 units

3. ABC Ltd. produces and sells a single product. Sales budget to the calendar year 2022 for each quarter is as under:

No. of units to be sold:

Quarter-I : 12,000

Quarter-II : 15,000

Quarter-III : 16,500

Quarter-IV : 18,000

The year 2022 is expected to open with an inventory of 4,000 units of finished product and close with an inventory of 6,500 units. Production is customarily scheduled to provide for two-third of the current quarter's demand plus one-third of the following quarter's demand. Production for Quarter-IV would be –

(a) 13,500 units (b) 15,500 units

(c) 17,000 units (d) 18,500 units

4. Crown Ltd. has forecast its sales for the next three months as follows:

April : 12,000 units, May : 15,000 units, June : 17,000 units. Opening stock as on 1st April is expected to be 3,500 units. Closing stock should be equal to 20% of the coming month's sales needs. The number of units required to be produced in May is –

(a) 14,600 units

(b) 11,500 units

(c) 15,400 units

(d) 13,600 units

5. Budgeted sales for April & May is 24,000 & 30,000 units respectively. The production pattern in each month is based on 80% of the sales of the current month and 20% of the sales of the next month. Budgeted production for the month of April is: -

(a) 25,200 units

(b) 28,800 units

(c) 25,800 units

(d) 28,500 units

6. To produce one unit of 'A', two ingredients, i.e., 2 kgs. of X and 3 kgs. of Y are required:

Stock levels	Opening	Closing
A (Units)	5,000	8,000
X (Kgs.)	11,000	14,000
Y (Kgs.)	18,000	21,000

What will be the quantity of consumption of ingredients X and Y, if 20,000 units of A are sold–

(a) 46,000 Kgs. and 69,000 Kgs. respectively

(b) 49,000 Kgs. and 72,000 Kgs. respectively

(c) 40,000 Kgs. and 60,000 Kgs. respectively

(d) 43,000 Kgs. and 63,000 Kgs. respectively.

7. Product A requires 5 kg. of material per unit. Budgeted Production is 2,480 units. Budget period is April 2023, with no holiday. The anticipated closing stocks for budget period is 15 days' consumption. Opening stock is 3,600 kgs. The purchase quantity will be:

(a) 120 kgs. (b) 4,840 kgs.

(c) 9,800 kgs. (d) 15,000 kgs.

8. Budgeted Production is 2,480 units. Standard labour hours allowed per unit of product is 3 hours. Rate of wages is 40 per hour. The budgeted labour cost is:

(a) ₹ 99,200 (b) ₹ 2,97,600

(c) ₹ 33,067 (d) ₹ 186

13 STANDARD COSTING

THEORY BASED

1. 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

2. Excess of actual cost over standard cost is a
   (a) Favourable variance (b) Un favourable variance
   (c) Abnormal gain (d) None of the above

3. The standard which is attainable under favourable conditions is:
   (a) Theoretical standard (b) Expected standard
   (c) Normal standard (d) Basic standard

4. The standard most suitable from cost control point of view is:
   (a) Normal standard (b) Theoretical standard
   (c) Expected standard (d) Basic standard

5. Controllable variances are best disposed-off by transferring to:
   (a) Cost of goods sold
   (b) Cost of goods sold and inventories
   (c) Inventories of work–in–progress and finished goods
   (d) Costing profit and loss account

6. Basic standards are:
   (a) Those standards, which require high degree of efficiency and performance.
   (b) Average standards and are useful in long term planning.
   (c) Standards, which can be attained or achieved
   (d) Assuming to remain unchanged for a long time.

7. Material usage variable can be calculated using the formula-

(a) (Standard quantity for actual output- Actual quantity) x Actual price

(b) (Standard quantity for actual output- Actual quantity) x Standard price

(c) (Standard price – Actual price) x Actual quantity

(d) (Standard price – Actual price) x Standard quantity

8. Match the following:

List-I		List-II	
P.	Material cost variance	1.	SP (Actual Q in standard proportion - 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:

	P	Q	R	S
(a)	4	3	2	1
(b)	2	1	4	3
(c)	4	1	2	3
(d)	3	4	2	1

9. Match the following:

List-I		List-II	
P.	Labour cost variance	1.	Actual hours paid × (Standard rate – Actual rate)
Q.	Labour rate variance	2.	Standard cost – Actual cost
R.	Efficiency variance	3.	Idle hours × Standard rate per hour
S.	Idle time variance	4.	Standard rate × (Standard hours – Actual hours worked)

Select the correct answer from the options given below:

	P	Q	R	S
(a)	4	3	2	1
(b)	2	3	4	1
(c)	4	1	2	3
(d)	2	1	4	3

10. Idle time variance is always

(a) Favourable (b) Unfavourable

(c) Controllable (d) None of the above

11. Overhead cost variances is:

(a) The difference between overheads recovered on actual output - actual overhead incurred.

(b) The difference between budgeted overhead cost and actual overhead cost.

(c) Obtained by multiplying standard overhead absorption rate with the difference between standard hours for actual output and actual hours worked.

(d) None of the above

12. Fixed overheads 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

13. Match the following:

List-I (Variances)	List-II (Causes)
P. Overheads efficiency variance	1. Power failure
Q. Overheads volume variance	2. General price rise in the economy.
R. Labour idle time variance	3. Poor working conditions
S. Labour rate variance	4. Working days being more or less than budgets

Select the correct answer from the options given below –

	P	Q	R	S
(a)	4	3	2	1
(b)	3	4	1	2
(c)	3	1	4	2
(d)	2	1	4	3

NUMERICAL BASED

1. 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 percentage of input is lost during processing. If during a month 1,200 kgs. 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)

2. 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)

3. The standard material required to manufacture one unit of Product-A is 5 kgs. and the standard price per kg. of material is ₹ 3. The cost accountant's records, however, reveal that 16,000 kgs. of material costing ₹ 52,000 were used for producing 3,000 units of Product-A. Material price variance will be –

   (a) 4,000 (A) (b) 4,000 (F)
   (c) 4,300 (A) (d) 4,300 (F)

4. If material price variance is ₹ 400 (A), material cost variance is ₹ 600 (F), then material usage variance is –

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

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

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

6. Standard rate of wages ₹ 0.90 per hour; standard output 20 units per hour; actual wages paid ₹ 76 for 80 hours (idle time 10 hours). Output produced 1,640 units. Direct labour rate variance is –

(a) 4.00 (A) (b) 4.00 (F)

(c) 4.20 (F) (d) 4.20 (A)

7. 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

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

Actual hours worked	:	5,600
Actual wages paid	:	₹ 7,840
Standard rate @ ₹ per hour	:	2
Standard hours produced	:	4,000

(a) 3,200 (A) (b) 3,200 (F)

(c) 3,360 (F) (d) 3,360 (A)

9. The following information is provided:

	Budget	Actual
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)

10. Actual fixed overhead: ₹ 22,400. Budgeted fixed overheads: ₹ 20,000
Actual hours worked: 28,000. Budgeted hours: 40,000. Fixed overhead expenditure variance is –

(a) 2,800 (A)

(b) 2,400 (A)

(c) 2,400 (F)

(d) 2,800 (F)

11. 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 is –

(a) 2,000 (F) (b) 4,000 (A)

(c) 2,000 (A) (d) 4,000(F)

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

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

Correct answer option is –

(a) 9,000 (F) (b) 10,000 (F)

(c) 11,000 (F) (d) 8,000 (F)

13. If capacity variance is ₹ 48,000 (F) and efficiency variance is ₹ 23,040 (A), the fixed overheads volume variance is –

(a) 24,960 (F) (b) 71,040 (F)

(c) 24,960 (A) (d) 71,040 (A)

14. Following information is given: Standard fixed overheads rate per hour: ₹ 5 Budgeted hours: 12,500, Standard number of working days: 25, Actual hours: 11,500, Actual number of working days: 22. Calendar Variance will be –

(a) 2,840 (A) (b) 5,000 (A)

(c) 2,500 (A) (d) 7,500 (A)

14 MARGINAL COSTING

THEORY BASED

1. Marginal costing provides required information to _____for enabling them to take decisions.

(a) Creditors (b) Management
(c) Bankers (d) None of the above

2. Match the following:

List-I	List-II
P. Marginal cost	1. _____ = Contribution ÷ Sales
Q. P/V ratio	2. Contribution = Selling price – _____
R. Profit	3. _____ = Sales × (1 – P/V ratio)
S. Variable cost	4. Margin of safety = _____. ÷ P/V Ratio

Select the correct answer from the options given below:

	P	Q	R	S
(a)	4	3	2	1
(b)	3	1	4	2
(c)	2	1	4	3
(d)	2	3	4	1

3. At break-even point, total of the contribution is just enough to cover_____ costs.

(a) Variable cost (b) Fixed cost
(c) Both (a) and (b) (d) None of the above

4. Margin of safety can be calculated using the formula –

(a) Total sale - break even sales
(b) Fixed cost ÷ P/V Ratio
(c) P/v ratio ÷ Profit
(d) Fixed cost ÷ Contribution

5. P/V ratio will _____ at different levels of production.

(a) Decrease (b) Increase

(c) Remain Constant (d) None of the above

6. Which of the following formula cannot be used for calculating P/V ratio –

(a) (Sales value minus variable cost) / Sales value

(b) (Fixed cost plus profit) / Sales value

(c) Change in profits / Change in sales

(d) Profit / Sales value

7. An increase in variable costs:

(a) Reduces the contribution

(b) Increase the P/V ratio

(c) Increase the margin of safety

(d) Increase the profit

8. Factors which can change the break-even point:

(a) Change in total amount of fixed costs or change in variable cost per unit.

(b) Change in the selling price.

(c) None of the above

(d) (a) & (b) above.

9. In _____ costing both variable and fixed cost are charged to products.

(a) Absorption (b) Marginal

(c) Both (a) and (b) (d) None of the above

10. The costing method in which fixed factory overheads are added to inventory is:

(a) Activity based costing (b) Marginal costing

(c) Direct costing (d) Absorption costing

11. Product cost under marginal costing include ____

(a) Prime cost only

(b) Prime cost and fixed overheads

(c) Prime cost and variable overheads

(d) Materials cost and variable overheads

12. Reporting under marginal costing is accomplished by:

(a) Matching variable costs against revenue and treating fixed costs as period costs.

(b) Eliminating all types of stock account.

(c) Treating all costs as period costs.

(d) Counting only marginal costs in income statement.

13. Match the following:

List-I	List-II
P. Classification of costs into fixed and variable costs	1. Contribution
Q. Difference between sales and variable costs	2. P/V ratio
R. Both fixed and variable costs are charged to product	3. Marginal costing
S. Contribution ÷ Sales	4. Absorption

Select the correct answer from the following options

	P	Q	R	S
(a)	4	3	1	2
(b)	3	4	1	2
(c)	3	1	4	2
(d)	4	3	2	1

14. When a business is faced with a limiting factor (one which limits the activity of an entity) and there is a choice to be 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

15. Make of buy decisions are made by comparing _____ cost with outside purchase price.

(a) Fixed

(b) Variable

(c) Sunk

(d) Joint

NUMERICAL BASED

1. P/V ratio 50%; variable cost of the produce ₹ 25; selling price is –

   (a) ₹ 50 (b) ₹ 40

   (c) ₹ 30 (d) ₹ 55

2. A product is sold at ₹ 150 per unit and its variable cost is ₹ 70 per unit. The fixed expenses of the business are ₹ 8,000 per year Break-even point (in units) is –

   (a) 200 units (b) 50 units

   (c) 115 units (d) 100 units

3. PQ Ltd. reports the following cost structure at two capacity levels.

	2,000 units (100% Capacity)	1,500 units
Production Overheads I	₹ 3 per unit	₹ 4 per unit
Production overheads II	₹ 2 per unit	₹ 2 per unit

   If the selling price, reduced by direct material and labour is ₹ 8 per unit, what would be its breakeven point?

   (a) 1,300 units (b) 1,200 units

   (c) 1,100 units (d) 1,000 units

4. A product is sold at a price of ₹ 120 per unit and its variable cost is ₹ 80 per unit. The fixed expenses of the business are ₹ 8,000 per year. Break-even point is –

   (a) ₹ 24,000 (b) ₹ 20,000

   (c) ₹ 16,000 (d) ₹ 28,000

5. For a given product, the sales of a company @ ₹ 200 per unit is ₹ 20,00,000. Variable cost is ₹ 12,00,000 and fixed cost is ₹ 6,00,000. The capacity of the factory is 15,000 units. Capacity utilization at break-even point level is –

   (a) 40% (b) 50%

   (c) 60% (d) 100%

Consider the following details to answer questions 6 and 7

Fixed cost	₹ 4,000
Break even sales	₹ 20,000
Profit	₹ 1,000
Selling price per unit	₹ 20

6. Calculate sales & marginal cost of sales.

(a) ₹ 25,000; ₹ 20,000 (b) ₹ 20,000; ₹ 25,000

(c) ₹ 30,000; ₹ 35,000 (d) ₹ 35,000; ₹ 30,000

7. Calculate new break-even point if selling price is reduced by 10%.

(a) ₹ 46,000 (b) ₹ 36,000

(c) ₹ 26,000 (d) ₹ 16,000

8. Horizon Ltd. manufactures product BM. Company maintains a margin of safety of 37.5% with contribution to sales ratio of 40%. If the fixed cost is ₹ 5 lakhs, the profit of the company_____

(a) ₹ 24.00 lakhs (b) ₹ 12.50 lakhs

(c) ₹ 3.00 lakhs (d) None of these

9. If margin of safety of AB Ltd. is ₹ 2,40,000 (40% of sales) and P/V ratio is 30%, calculate its break-even sales.

(a) ₹ 3,80,000 (b) ₹ 3,70,000

(c) ₹ 3,60,000 (d) ₹ 3,50,000

10. Profit : ₹ 50,000, Contribution : ₹ 70,000, Sales : ₹ 7,00,000
The amount of margin of safety will be –

(a) ₹ 4,00,000 (b) ₹ 5,00,000

(c) ₹ 2,50,000 (d) ₹ 1,45,000

11. Margin of safety is ₹ 8,000 which represents 40% of sales. P/V ratio is 50%. Fixed cost will be –

(a) ₹ 6,000 (b) ₹ 5,500

(c) ₹ 6,500 (d) ₹ 7,000

12. A company which has a margin of safety of ₹ 4,00,000 makes a profit of ₹ 80,000. Its fixed cost is ₹ 5,00,000, its break-even sales will be –

(a) ₹ 20 lakhs (b) ₹ 30 lakhs
(c) ₹ 25 lakhs (d) ₹ 40 lakhs

Consider the following details to answer questions 13 and 14

Fixed Cost ₹ 90,000; Sales ₹ 3,00,000 and Profit ₹ 60,000.

13. Calculate sale volume if the company suffered a loss of ₹ 30,000 in the next period

(a) ₹ 1,30,000 (b) ₹ 1,25,000
(c) ₹ 1,20,000 (d) ₹ 1,15,000

14. What is the margin of safety for a profit of ₹ 90,000?

(a) ₹ 1,80,000 (b) ₹ 1,70,000
(c) ₹ 1,60,000 (d) ₹ 1,50,000

15. Sunny Ltd. makes product – A which sells at ₹ 80 per unit. Total fixed costs are ₹ 28,000 and marginal cost ₹ 42 per unit. The sales level (in units) that will provide a profit of ₹ 10,000 is –

(a) 1,200 units (b) 1,500 units
(c) 1,250 units (d) 1,000 units

Consider the following details to answer questions 16 and 17

The following data is obtained from the records of an industrial unit:

Sales (4,000 units × ₹ 25)		1,00,000
Material cost	40,000	
Variable overheads	10,000	
Labour cost	20,000	
Fixed overheads	18,000	88,000
Net Profit		12,000

16. The number of units by selling which the company will neither lose nor gain anything.

(a) 4,200 units (b) 2,400 units
(c) 2,800 units (d) 3,200 units

17. The sales needed to earn a profit of 20% on sales.

(a) ₹ 1,50,000 (b) ₹ 1,60,000
(c) ₹ 1,70,000 (d) ₹ 1,80,000

18. When the sales increase from ₹ 40,000 to ₹ 60,000 and profit increases by ₹ 5,000, the P/V ratio is –

(a) 20% (b) 30%
(c) 25% (d) 40%

19. If sales revenue at 60% capacity is ₹ 4,50,000, sales revenue at 70% capacity on a fall in selling price by 5% would be –

(a) ₹ 4,98,750 (b) ₹ 7,50,000
(c) ₹ 5,25,000 (d) ₹ 7,12,000

Consider the following details to answer questions 20 to 22

Fixed Cost : ₹ 4,000, Break-even Point : ₹ 10,000;

20. Calculate the P/V Ratio.

(a) 40% (b) 42%
(c) 45% (d) 50%

21. Calculate the profit when sales are ₹ 20,000

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

22. Calculate new break-even point if selling price is reduced by 20%.

(a) ₹ 15,000 (b) ₹ 16,000
(c) ₹ 17,000 (d) ₹ 18,000

23. A company producing three products, viz., X, Y and Z has sales mix in the ratio of 2:1:3. The profit volume ratio of the products X, Y and Z are 15%, 30% and 20% respectively. The total fixed cost of the company is ₹ 3,50,000. The break-even point of the company will be –

(a) ₹ 16,15,390 (b) ₹ 17,50,000
(c) ₹ 23,33,333 (d) ₹ 11,66,667

24. A company has fixed cost of ₹ 20,000. It sells two products – A and B, in the ratio 2 units A and 1 unit of B. Contribution is ₹ 1 per unit of A and ₹ 2 per unit of B. How many units of A and B would be sold at break-even point?

(a) 10,000; 5,000 (b) 5,000; 10,000

(c) 12,000; 6,000 (d) 6,000,12,000

25. Following data are given:

	Product–A	Product–B
Contribution per unit (₹)	30	28
Direct labour (hours per unit)	5	4
Maximum possible production (units)	10,000	10,000

Direct labour hours available 72,000 hours. What should be the number of units of A and B to be produced to maximise profit of the company –

(a) A-10,000 units, B-5,500 units (b) B-10,000 units, A-5,500 units

(c) B-10,000 units, A-6,400 units (d) 10,000 units of each A and B.

26. The following cost details relate to a single product manufactured by JK Ltd:

	₹ / Unit
Direct materials (5kgs.)	30
Direct labour (11 hours)	77
Production overheads	45

During the next period direct labour will be restricted to 3,40,000 hours and only 1,40,000 kgs. of material will be available. Demand is expected to be 30,000 units. What will be the limiting factor for the next period?

(a) Material only (b) Labour only

(c) Material and labour (d) Neither material nor labour

27. Selling price of a product-X is ₹ 50 per unit. Variable cost ₹ 20 per unit and 2 kgs. of raw material is needed to produce a unit of product-X. The contribution per kg. of raw material will be –

(a) ₹ 30 (b) ₹ 15

(c) ₹ 60 (d) ₹ 50

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