# Marginal Costing Class 1 MCQ

1. **Contribution can be defined as ——————————**
   (a) Fixed costs less variable costs
   (b) Sales revenue less fixed cost.
   (c) Selling price less total costs.
   (d) Selling price less variable costs.
2. **When deciding to accept a special order at below the normal selling price a firm would consider which cost?**
   (a) Absorption cost
   (b) Marginal cost
   (c) Full cost
   (d) Overhead cost.
3. **Contribution means ——————————————**
   (a) Profit + Fixed cost
   (b) Profit + variable cost
   (c) Fixed cost + P/v Ratio
   (d) All of the above.
4. **Fixed Cost + Profit = ——————**
   (a) Semi-variable cost
   (b) Margin of safety
   (c) Contribution
   (d) Standard profit
5. **Selling price per unit Rs. 10; variable cost Rs. 8 per unit: fixed cost Rs. 20,000: break even production in units?**
   (a) 10,000
   (b) 16,300
   (c) 2,000
   (d) 2,500
6. **Sales Rs. 25,000: variable cost Rs. 8,000; Fixed cost Rs. 5,000: break Even Sales in value?**
   (a) Rs. 7,936
   (b) Rs. 7,353
   (c) Rs. 8,333
   (d) Rs. 9,090
7. **Fixed cost Rs. 80,000: Variable cost Rs. 2 per unit; selling price Rs. 10 per unit; Turnover required for a profit target of Rs. 60,000?**
   (a) **Rs. 1,75,000**
   (b) **Rs. 1,17,400**
   (c) **Rs.1,57,000**
   (d) **Rs. 1,86,667**
8. **Sales Rs. 25,000; variable cost Rs. 15,000; fixed cost Rs. 4,000; P/V ratio is -----------**
   (a) **40%**
   (b) **80%**
   (c) **15%**
   (d) **30%**
9. **Sales Rs. 50,000; variable cost Rs. 30,000; net profit Rs. 6,000; Fixed cost is ---------**
   (a) **Rs. 10,000**

(b) **R2. 14,000**
(c) **Rs. 12,000**
(d) **Rs. 8,000**

**10.** **Actual sales Rs. 4,00,000; break Even Sales Rs. 2,50,000; margin of safety in percentage is --------------------**
(a) **66.67%**
(b) **33.33%**
(c) **37.5%**
(d) **76.33%**

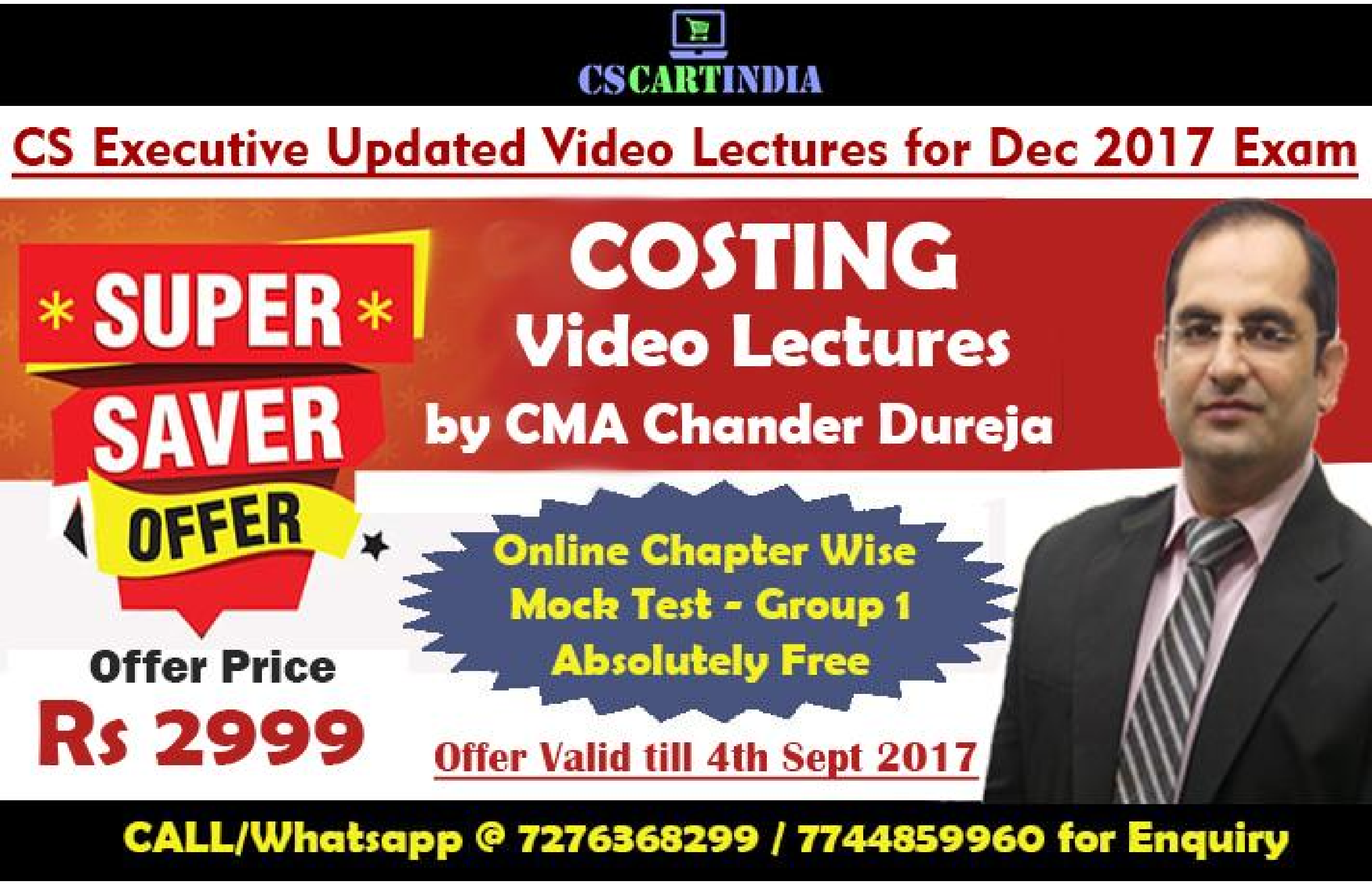
**11.** **Fixed cost Rs. 2,00,000; sales Rs. 8,00,000; P?V ratio 30%, the amount of profit is —**
(a) Rs. 50,000
(b) Rs. 40,000
(c) Rs. 35,000
(d) Rs. 45,000

**12.** **P?V ratio is 25% and margin of safety is Rs. 3,00,000; the amount of profit is ———-**
(a) Rs. 1,00,000
(b) Rs. 80,000
(c) Rs. 75,000
(d) Rs. 60,000

**13.** **Total sales Rs. 20,00,000; fixed expenses Rs. 4,00,000; P/V ratio 40%; break even capacity in percentage is ————————-**
(a) 40%
(b) 60%
(c) 50%
(d) 45%

**14.** **Break-even point occurs at 40% of total capacity, margin of safety will be ————**
(a) 40%
(b) 60%
(c) 80%
(d) 85%

**15.** **If the P/V ratio of a product is 25% and selling price is Rs. 25 per unit, the marginal cost of the product would be ———————-**
(a) Rs. 18,75
(b) Rs. 16
(c) Rs. 15
(d) Rs. 20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# Marginal Costing Class 2 MCQ By CMA. Chander Dureja

**1. Contribution margin is equal to ——————————**
(a) Fixed cost + loss.
(b) Profit + variable cost.
(c) Sales – fixed cost - profit
(d) Sales - profit

**2. P / V ratio is an indicator of ———————————-**
(a) The rate at which goods are sold.
(b) The volume of sales.
(c) The volume of profit
(d) The rate of profit.

**3. An increase in variable price ——————————**
(a) Increases P/v ratio
(b) Increases the profit
(c) Reduces contribution
(d) Increase margin of safety.

**4. An increase in selling price -—————————**
(a) Increases the break-even point
(b) Decreases the break-even point
(c) Does not the break-even point
(d) Optimize the break-even point.

**5. A large margin of safety indicates ——————————**
(a) Over production
(b) Over capitalization
(c) The soundness of the business.
(d) Under capitalization.

**6. The difference between total revenues and total variable costs is known as -———————**
(a) Contribution margin
(b) Gross margin
(c) Operating income
(d) Fixed costs.

**7. The break-even point in units is calculated using ———————————**
(a) Fixed expenses and the contribution margin ratio
(b) Variable expenses and the contribution margin ratio.
(c) Fixed expenses and the unit contribution margin.
(d) Variable expenses and the unit contribution margin.

**8. The contribution margin ratio is calculated by using which one of the given formula?**
(a) (sales – Fixed Expenses) / Sales
(b) (Sales – Variable Expenses) / Sales
(c) (Sales – Total Expenses) / Sales

**9. Margin of safety is ——————— or ———————————**
(a) Sales minus break-even sales , Profit / PV ratio
(b) Sales plus break-even sales, Profit / PV ratio
(c) Sales minus break-even sales, PV ratio / Profit
(d) Sales / break-even sales, PV ratio /Profit

(d) None of the given options.

**10.** **In two consecutive periods, sales and profit were Rs. 1,60,000 and Rs. 8,000 respectively in the first period and Rs. 1,80,000 and Rs. 14,000 respectively during the second period. If there is no change in fixed costs between the two periods then P/V ratio must be ——————————**

(a) 20%

(b) 25%

(c) ~~30%~~

(d) 40%

**11.** **P /V ratio 50%; variable cost of the produce Rs. 25; selling price is:**

(a) Rs. 50

(b) Rs. 40

(c) Rs. 30

(d) Rs. 55

**12.** **A retail company sells computer parts, each of which is sold for Rs. 250 and bought from the manufacture for Rs. 100. The retailer's fixed costs are Rs. 1,50,000. Maximum possible sales are 3,000. How many computers must be sold to break-even?**

(a) 2,000

(b) 1,000

(c) 750

(d) 3,000

**13.** **Using the information above question, how much profit or loss would be made if 2,700 computers were sold?**

(a) Rs. 2,55,000 profit

(b) Rs. 1,50,000 loss

(c) Rs. 4,50,000 profit

(d) Rs. 1,62,000 profit

**14.** **Using the information above question, how many computers would have tobe sold for the company to earn a profit of Rs. 1,80,000?**

(a) 1,000

(b) 720

(c) 2,200

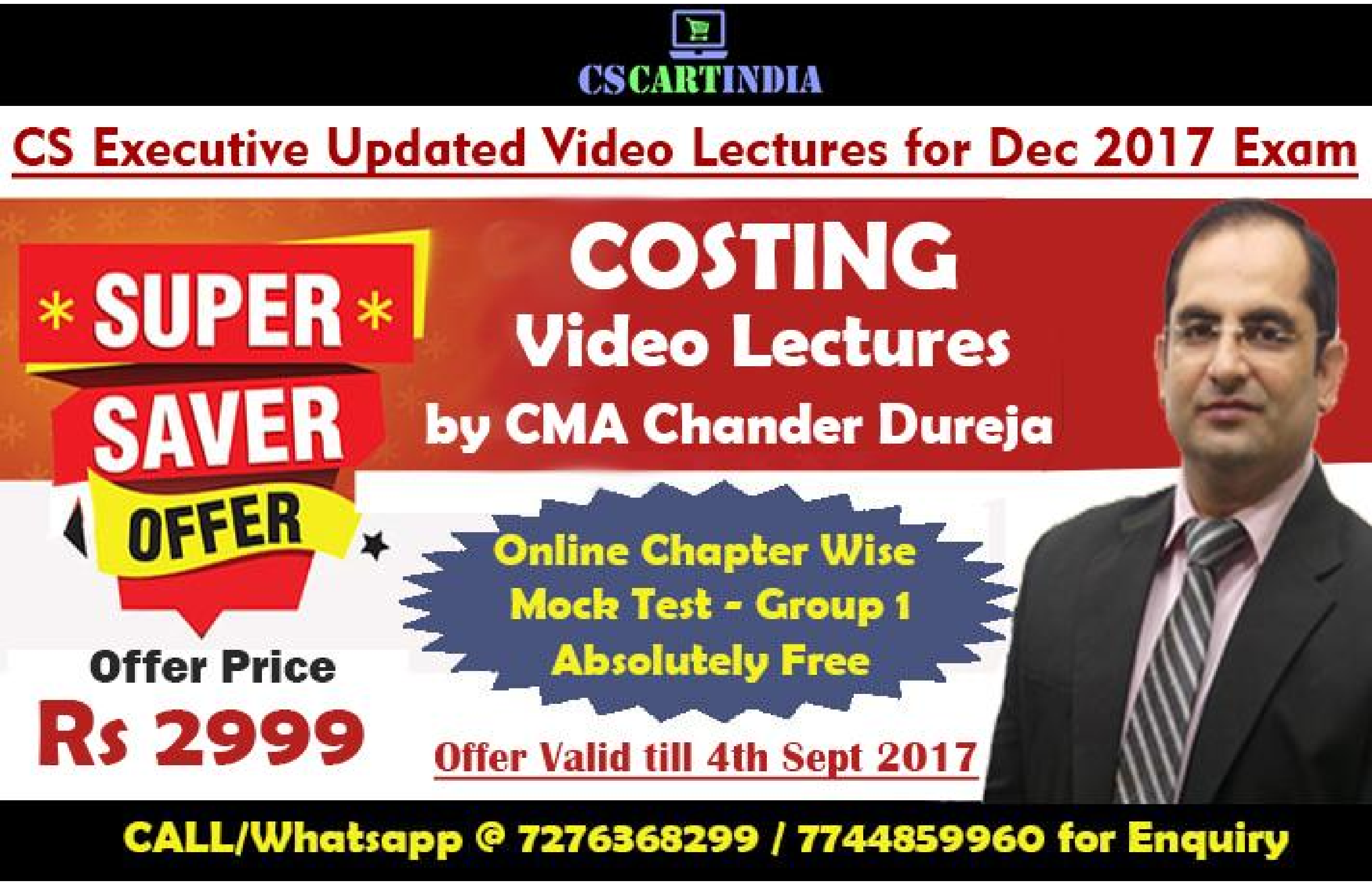
(d) 2,000

**15.** **Using the following data, determine the unit production cost under absorption costing.**

| | |
|---|---|
| **Unit produced** | **1,000** |
| **Direct material** | **Rs. 6** |
| **Direct labour** | **Rs. 10** |
| **Fixed overheads** | **Rs. 6,000** |
| **Variable overheads** | **Rs. 6** |
| **Fixed selling & Admin. overheads** | **Rs. 2,000** |
| **Variable selling & Admin. overheads** | **Rs. 2** |

(a) Rs. 22

(b) Rs. 24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(c) Rs. 28
(d) Rs. 30

**16.** **Use the data of above question and determine the unit the unit product cost under variable costing.**

(a) Rs. 22
(b) Rs. 24
(c) Rs. 28
(d) Rs. 30

**17.** **A company manufactures a single product which is sold for Rs. 70 per unit. Unit costs are:**

| | |
|---|---|
| **Variable production** | **Rs./Unit 29.50** |
| **Fixed production** | **21.00** |
| **Variable selling** | **4.80** |
| **Fixed selling** | **9.00** |

**20,000 units of the product were manufactured in a period during which 19,700 units were sold. Using marginal costing, what was the total contribution made in the period?**

(a) Rs. 7,03,290
(b) Rs. 7,14,000
(c) Rs, 3,84,150
(d) Rs. 3,90,000

**18.** **G makes one product which sells for Rs. 80 per unit. Fixed costs are Rs. 28,000 per month and marginal costs are Rs. 42 a unit. What sales level in units will provide a profit of Rs. 10,000?**

(a) 350 units
(b) 667 units
(c) 1,000 units
(d) 1,350 units

**Use the following data to answer next 2 questions:**

| **Particulars** | **Rs.** |
|---|---|
| **Sales (1,000 units)** | **10,00,000** |
| **Variable cost** | **(7,00,000)** |
| **Fixed cost** | **(2,10,000)** |
| **Operating profit** | **90,000** |

**19.** **If fixed costs increased by Rs. 31,500 with no other cost or revenue factors changing, the break-even sales in units would be ————————**

(a) 34,500
(b) 80,500
(c) 69,000
(d) 94,500

**20.** **If effective income tax rate is 40%, the number of units would have to sell to earn an after-tax profit of Rs. 90,000 is ————————**

(a) 1,00,000 units
(b) 1,20,000 units
(c) 1,12,000 units

(d) 1,45,000 units

**21.** **Sun ltd. sells a product for Rs. 10 per unit. Fixed costs are Rs. 48,000 and the product has a contribution to sales ratio of 40%. In a period when actual sales were Rs. 1,40,000. Sun ltd. margin of safety in units was ------------------**

(a) 2,000
(b) 6,000
(c) 8,000
(d) 12,000

**22.** **A Ltd. has fixed costs of Rs. 60,000 p.a. it manufactures a single product, which it sells for Rs. 20 per unit. Its P/v is 40%. A Ltd. break-even point in units is----------------**

(a) 1,800
(b) 3,000
(c) 5,000
(d) 7,500

**23.** **J sells a product for R. 6.25. The variable costs are Rs. 3.75. j's break-even units are 35,000. What is the amount of fixed costs?**

(a) Rs. 87,500
(b) Rs. 35,000
(c) Rs. 1,31,250
(d) Rs. 1,04,750

**24.** **A firm which makes yachts, has fixed cost of Rs. 2,60,000 per month. The product sells for Rs. 35,000 per boat, and the variable cost of production ars Rs. 15,000 per boat. The boatyard can manufacture 20 boats each month. What is the firm's margin of safety at the moment?**

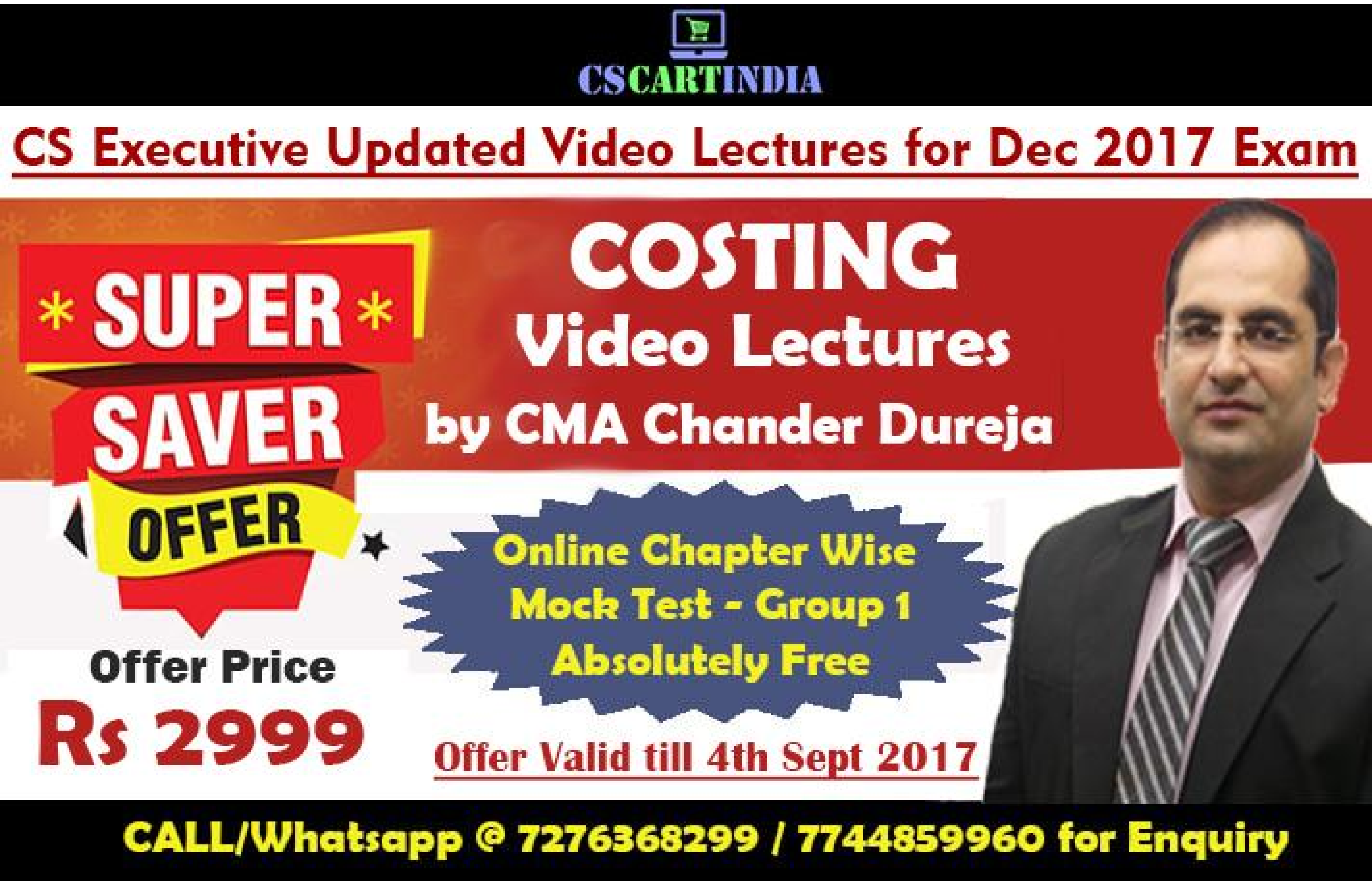
(a) 20%
(b) 35%
(c) 54%
(d) 67%

**25.** **X Ltd. had the following information:**

| | |
|---|---|
| **Sales (1,00,000 units)** | **Rs, 2,00,000** |
| **Variable costs** | **Rs. 1,00,000** |
| **Contribution margin** | **Rs, 1,00,000** |
| **Fixed costs** | **Rs. 50,000** |
| **Net income** | **Rs. 50,000** |

**If sales were to increase by 200 units, what would be the effect on net income?**

(a) Rs. 400 increase
(b) Rs. 200 increase
(c) Rs. 150 increase
(d) Rs. 200 loss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# Marginal Costing Class 3 & 4

1. **Key factor is also known as ——————————**
   (a) Marginal factor
   (b) Principal budget factor.
   (c) Limiting factor.
   (d) All of the above.
2. **In marginal costing fixed overheads are treated as ——————————**
   (a) Product cost
   (b) Period cost
   (c) Standard cost
   (d) Abnormal cost
3. **Cost volume-profit analysis is always based on ————————————-**
   (a) Contribution per unit
   (b) Profit per unit
   (c) Both (a) & (b)
   (d) None of these
4. **Marginal costing is also called ——————————-**
   (a) Variable costing
   (b) Total costing
   (c) Marginal costing
   (d) Activity based costing
5. **Absorption costing is concerned with ——————————**
   (a) Variable costs
   (b) Direct labour
   (c) Fixed costs
   (d) Variable and fixed costs.
6. **The main difference between absorption costing and marginal costing is the treatment of ——————————-**
   (a) Prime cost
   (b) Variable overheads
   (c) Fixed overheads
   (d) Direct material and fixed overheads.
7. **Using absorption costing, a unit of product includes what costs?**
   (a) Direct materials and direct labour
   (b) Direct materials, direct labour and fixed overhead
   (c) Direct materials, direct labour and variable overhead.
   (d) Direct materials, direct labour, variable overhead and fixed overhead.
8. **When production is equal to sales, which of the following is true?**
   (a) No change occurs to inventories for either absorption costing or variable costing methods.
   (b) The use of absorption costing produces a higher net income than the use of variable costing.
   (c) The use of absorption costing produces a lower net income than the use of variable costing.
   (d) The use of absorption costing causes inventory value to increase more than they would through the use of variable costing.

# Marginal Costing Class 3 & 4

**9. Production cost under marginal costing includes ——————————**

(a) Prime cost only
(b) Prime cost and fixed overhead
(c) Prime cost and variable overhead.
(d) Prime cost, variable overhead, and fixed overhead.

**10. In marginal costing stock are valued at ——————————**

(a) Fixed cost
(b) Semi variable cost
(c) Variable cost
(d) Market price.

**11. 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.

**12. Under Absorption Costing all ———— are recovered from production.**

(a) Fixed cost
(b) Variable cost
(c) Fixed and variable cost
(d) Fixed, semi-variable & variable costs.

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

| | **Location I** | **Location II** |
|---|---|---|
| **Sales** | **200** | **75** |
| **Variable cost** | **140** | **54** |
| **Fixed cost** | **30** | **14** |

**13. What is the P/v ratio of merged plant?**

(a) 33.33%
(b) 66.67%
(c) 14.77%
(d) A29.33%

**14. Break-even sales of merged plant?**

(a) 15**4.67 Lakhs**
(b) 100 Lakhs
(c) 150 Lakhs
(d) 133.33 Lakhs

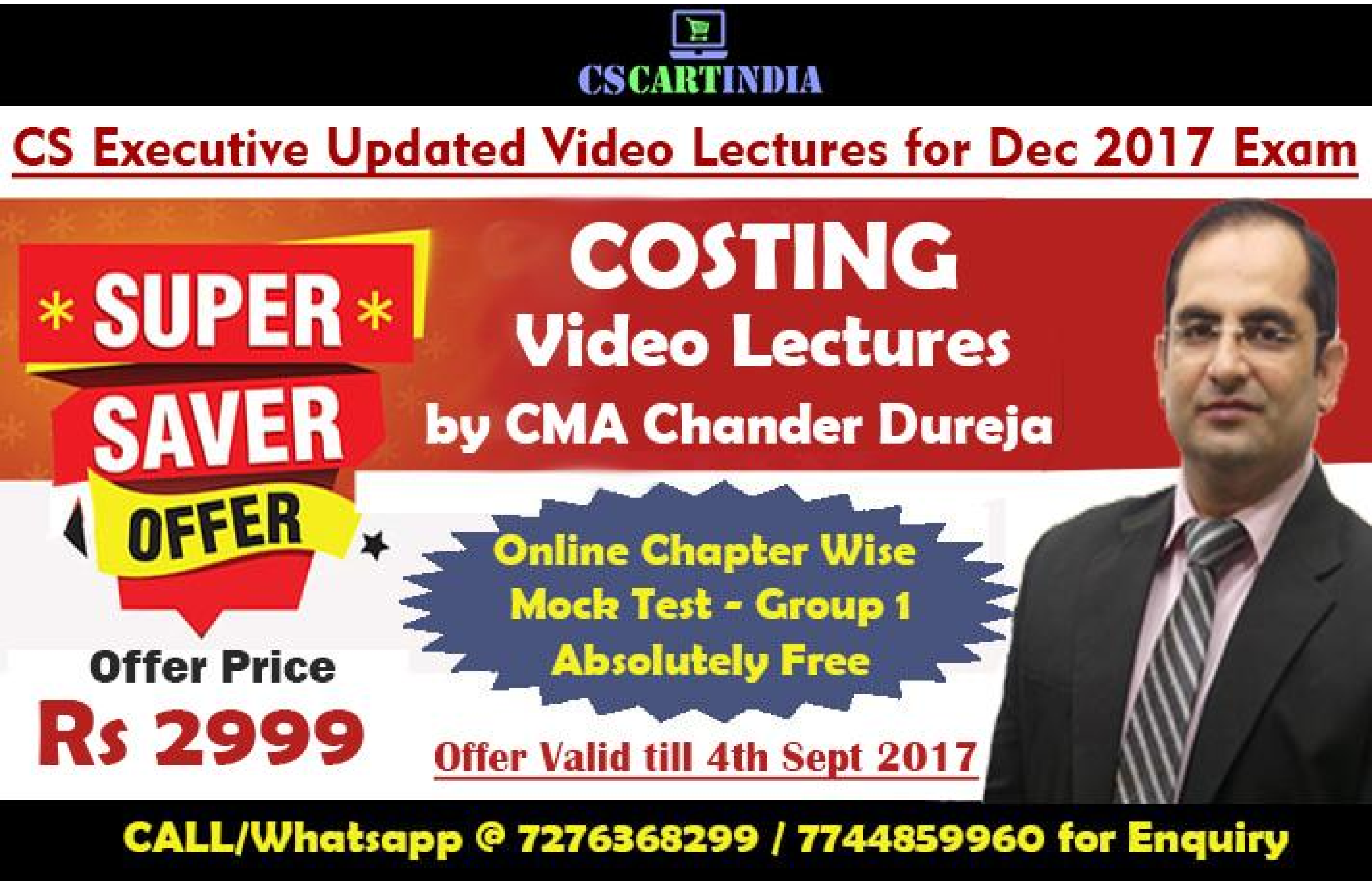
**Use the following information to answer next 5 questions:**

**Selling price per unit is Rs. 20.**

**Variable cost per unit is Rs. 10.**

**Fixed cost of the period are Rs. 800.**

| | **Period 1 units** | **Period 2 units** | **Period 3 units** |
|---|---|---|---|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# Marginal Costing Class 3 & 4

| | | | |
|---|---|---|---|
| **Produced** | **250** | **200** | **180** |
| **Sold** | **210** | **210** | **210** |
| **Held in stock at the end of period** | **40** | **30** | **Nil** |

**Normal level of production activity is 200 units.**

**15.** **Using absorption costing, the profit of Period 2 is ——————**

(a) 2,940
(b) 1,260
(c) 1,180
(d) 1,460

**16.** **Using marginal costing, the profit of Period 2 is ———————-**

(a) **4,200**
(b) 1,300
(c) 2,900
(d) 2,100

**17.** **Comparing the profit of Period 1 under absorption costing with that under marginal costing, the difference is explained by:**

(a) The increase or decrease in volume of stock over the period multiplied by the production overhead cost per unit.
(b) The increase or decrease in volume of stock over the period multiplied by the selling price per unit.
(c) The increase or decrease in volume of stock over the period multiplied by the total cost per unit.
(d) The increase or decrease in volume of stock over the period multiplied by the variable cost per unit.

**18.** **Using absorption costing, the value of closing stock at the end of Period 1 is ——-**

(a) 420
(b) Nil
(c) 400
(d) 560

**19.** **Using marginal costing, the value of closing stock at the end of period 1 is ———**

(a) 420
(b) 560
(c) 400
(d) 560

**20.** **The following information relates to Product X for Month 1:**

| | |
|---|---|
| **Opening inventory** | **Nil** |
| **Production** | **900 units** |
| **Sales** | **800 units** |

**If marginal costing rather than absorption costing is used what is the effect on profit and inventory valuation?**

(a) High profit & high stock valuation
(b) High profit & low stock valuation.
(c) Low profit % high stock valuation

(d) Low profit & low stock valuation.