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	Total	1,100

1. INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING

1. H Holding Ltd. has five subsidiary companies spread over five states in India. All subsidiaries are further divided into units which manufactures goods. Only the H Holdings Ltd. has the power to make decision on capital expenditures across the all subsidiaries. The subsidiary companies have the liberty to fix prices of the products. The manufacturing units make plans of material procurement and production operation. Each subsidiary has separate Research & development, publicity & advertisement and corporate social responsibility (CSR) departments. Which type of responsibility centre the research and development department is

- (a) Profit centre (b) Revenue centre (c) Discretionary cost centre (d) Standard cost centre

2. Which of the following is Not true about the three fold assumptions of cost reduction

- (a) There is possibility of saving in cost per unit.
(b) Such saving is of temporary in nature.
(c) The quality and utility of product remain unaffected.
(d) All of the above three.

3. Which of the following is NOT a part of Cost Control

- (a) Conducting continuous research and study to know the most optimal way to manufacture a product or render a service.
(b) Determination of pre-determined standard or results.
(c) Comparison of actual performance with set standard or target.
(d) None of the above.

4. Which of the following is Not true about the cost control and cost reduction

- (a) Cost control seeks to attain lowest possible cost under best conditions.
(b) Cost control emphasizes on past and present.
(c) Cost reduction is a corrective function. It operates even when an efficient cost control system exists.
(d) Cost control ends when targets are achieved.

5. Which of the following is not a function of cost accounting system?

- (a) Provision of information to help managers in making make or buy decisions.
(b) Ascertainment of cost for a cost object.
(c) Classification of costs on the basis of functions.
(d) Valuation of raw materials.

6. Fixed costs, which cannot be avoided during the temporary closure of a plant, will be known as:

- (a) Sunk cost (b) Shut-down cost (c) Opportunity cost (d) Notional Cost

7. Responsibility Centre can be categorised into:

- (a) Cost Centres only (b) Profit Centres only
(c) Investment Centres only (d) Cost Centres, Profit Centres and Investment Centres

8. Identify amongst the following which is/ are in the scope of cost and management accounting
- (a) Maintenance of accounting records relating to utilization of materials, labour and other items of cost.
 - (b) Preparation of cost reports for planning, control and performance evaluation.
 - (c) Performing analysis to know whether cost is not exceeding its budgeted cost and whether further cost reduction is possible or not.
 - (d) All of the above
9. Which of the following is the primary objective of management accounting:
- (a) To provide information to statutory bodies.
 - (b) To provide information to shareholders and investors for decision-making
 - (c) To provide information to lenders and creditors for evaluation of credit risk.
 - (d) To provide information to management for planning and controlling.
10. Which of the following is not a function of management accounting:
- (a) Identification and reporting of variances between the actual and the budgeted one.
 - (b) Providing information to shareholders in their decision making
 - (c) Provision of information for making better managerial decisions.
 - (d) Computation and classification of costs for determination of costs.
11. Which of the following is not true about the variable cost:
- (a) Cost tends to increase or decrease with the changes in output.
 - (b) Cost per unit remains unaffected with the change in volume of production.
 - (c) Cost remains variable irrespective of level of cost object like from unit level to batch level or plant level.
 - (d) In general, it is relevant for making decision on make or buy.
12. A Ltd. produces a final product X, which requires two components, A and B. The following are the information related to both the components:
- | | | |
|--|---|-----------------------------------|
| Normal usage 50 per week each | , | Maximum usage 75 per week each, |
| Minimum usage 25 per week each | , | Re-order quantity A: 300; B: 500, |
| Re-order period A: 4 to 6 weeks , B: 2 to 4 weeks. | | |
- Average stock level for the component A is:
- (a) 350 units
 - (b) 425 units
 - (c) 450 units
 - (d) 300 units
13. _____ is anything for which a separate measurement is required.
- (a) Cost unit
 - (b) Cost object
 - (c) Cost driver
 - (d) Cost centre
14. Which of the following is true about Cost control:
- (a) It is a corrective function
 - (b) It challenges the set standards
 - (c) It ends when targets achieved
 - (d) It is concerned with future
15. Cost units used in power sector is:
- (a) Kilo meter (KM)
 - (b) Kilowatt-hour (kWh)
 - (c) Number of electric points
 - (d) Number of hours
16. Processes Costing method is suitable for
- (a) Transport sector
 - (b) Chemical industries
 - (c) Dam construction
 - (d) Furniture making

17. Distinction between direct cost and indirect cost is an example of classification

- (a) By Element (b) By Function (c) By Controllability (d) By Variability

18. The advantage of using IT in Cost Accounting does not include:

- (a) Integration of various functions.
(b) Stock needs to be reconciled with Goods Received Note
(c) Reduction in multicity of documents
(d) Customised reports can be prepared.

19. A taxi provider charges minimum 80 thereafter 12 per kilometer of distance travelled, the behaviour of conveyance cost is:

- (a) Fixed Cost (b) Semi-variable Cost (c) Variable Cost (d) Administrative cost.

20. A Ltd. has three production department, and each department has two machines, which of the following cannot be treated as cost centre for cost allocation:

- (a) Machines under the production department (b) Production departments
(c) Both Production department and machines (d) A Ltd.

ANSWERS

1	B	11	C
2	B	12	B
3	A	13	B
4	A	14	C
5	A	15	B
6	B	16	B
7	D	17	A
8	D	18	B
9	D	19	B
10	B	20	D

21. Which of the following is an example of functional classification of cost:

- (a) Semi-variable Costs. (b) Fixed Cost (c) Administrative Overheads (d) Indirect Overheads.

22. Ticket counter in a railway station is an example of

- (a) Cost centre (b) Revenue Centre (c) Profit centre (d) Investment centre

23. Prime cost is

- (a) all costs incurred in manufacturing a product (b) the total of direct costs
(c) the material cost of a product (d) the cost of operating a department

24. A company employs three drivers to deliver goods to its customers. The salaries paid to these drivers are:

- a. a part of prime cost b. a direct production expense
c. a production overhead d. a selling and distribution overhead

25. A company has to pay a ₹ 1 per unit royalty to the designer of a product which it manufactures and sells. The royalty charge would be classified in the company's accounts as a

- a. Direct expense b. Production overhead c. Administrative overhead d. Selling overhead

26. is a method of dealing with overheads which involves spreading common costs over cost centers on the basis of benefit received.

- a. overhead absorption b. overhead apportionment c. overhead allocation d. overhead analysis

27. Which of the following classification is meant for distinction between direct cost and indirect cost?

- a. Function b. Element c. Variability d. Controllability

28. Which of the following is applicable for Cost Control?

- a. It is related with the future b. It is a corrective function
c. It ends when the targets are achieved d. It challenges the standards set

29. is anything for which a separate measurement of cost is required.

- a. Cost driver b. Cost centre c. Cost unit d. Cost object

30. Ticket counter in a Metro Station is an example of

- a. Profit centre b. Investment centre c. Cost centre d. Revenue centre

31. Which of the following is an example of functional classification of cost?

- a. Direct labour cost b. Direct material cost
c. Factory overhead d. Indirect material cost

32. Absorption costing is also referred as

- a. Historical costing b. Traditional costing c. Full costing d. All of the above terms

33. _____ is defined as "the process of accounting for cost which begins with the recording of income and expenditure or the bases on which they are calculated and ends with the preparation of periodical statements and reports for ascertaining and controlling costs."

- (a) Cost Accounting (b) Cost Accountancy (c) Costing (d) Cost

34. _____ is defined "as the achievement of real and permanent reduction in the unit cost of goods manufactured or services rendered without impairing their suitability for the use intended or diminution in the quality of the product."
- (a) Costing (b) Cost Control (c) Cost Cutting (d) Cost Reduction
35. The three-fold assumptions involved in the definition of cost reduction are
- (a) There is a saving in unit cost.
(b) Such saving is of permanent nature.
(c) The utility and quality of the goods and services remain unaffected, if not improved.
(d) All of the above
36. The role of a cost and management accounting system is to:
- (a) Provide relevant information to management for decision making
(b) Assist management for planning, measurement, evaluation and controlling of business activities
(c) Help in allocation of cost to products and inventories for both external and internal users.
(d) All of the above
37. The cost centres are of two types:
- (a) Standard Cost Centre (b) Discretionary Cost Centre
(c) Both (a) & (b) (d) Either (a) or (b)
38. Cost Centre where output is measurable and input required for the output can be specified is known as
- (a) Standard Cost Centre (b) Discretionary Cost Centre
(c) Revenue Centre (d) Profit Centre
39. The cost centre whose output cannot be measured in financial terms, thus input-output ratio cannot be defined is known as
- (a) Standard Cost Centre (b) Discretionary Cost Centre
(c) Revenue Centre (d) Profit Centre
40. _____ costs contain both fixed and variable components and are thus partly affected by fluctuations in the level of activity.
- (a) Variable Costs (b) Semi-Variable Costs (c) Direct Costs (d) Fixed Costs

ANSWERS

21	C	31	C
22	B	32	D
23	B	33	A
24	D	34	D
25	A	35	D
26	B	36	D
27	B	37	C
28	C	38	A
29	D	39	B
30	D	40	B

41. Under _____ method, difference between the total cost at highest and lowest volume is divided by the difference between the sales value at the highest and lowest volume.

- (a) Graphical (b) High-Low (c) Analytical (d) Least Squares

42. Under _____ method an experienced cost accountant tries to judge empirically what proportion of the semi-variable cost would be variable and what would be fixed.

- (a) Graphical (b) High-Low (c) Analytical (d) Least Squares

43. A cost which is computed in advance before production or operations start, on the basis of specification of all the factors affecting cost, is known as _____.

- (a) Pre-determined cost (b) Standard Cost (c) Estimated Cost (d) Imputed Costs

44. A _____ is a factor or variable which effect level of cost.

- (a) Cost driver (b) Cost Pool (c) Costing (d) Cost Units

45. These are costs that result specifically from a clear cause and effect relationship between inputs and outputs.

- (a) Explicit Costs (b) Engineered Costs (c) Period Costs (d) Sunk Costs

46.

Number of units produced	12,000 units	14,000 Units
Factory overhead cost	2,00,000 rupees	2,06,000 rupees

Normal capacity for the period is 20,000 Units. Find factory overhead cost for 18,000 Units.

- (a) 2,00,000 (b) 2,10,000 (c) 2,18,000 (d) 2,20,000

47.

PARTICULARS	20,000 Units	25,000 Units
Prime cost	2,00,000	2,50,000
Factory overhead	1,50,000	1,60,000
Factory Cost	3,50,000	4,10,000

Find factory cost for 30,000 Units, if normal capacity for the period is to produce and sell 40,000 units.

- (a) 4,00,000 (b) 4,10,000 (c) 4,70,000 (d) 5,20,000

48.

PARTICULARS	Jan- March (2027)	April-Dec (2027)
Number of units produced	5,000	25,000
Total cost	60,000	2,40,000

Find fixed cost for year 2027.

- (a) 1,20,000 (b) 1,10,000 (c) 1,18,000 (d) 1,30,000

49. Find variable cost per unit using the data of above question no. 48.

- (a) 3 (b) 4 (c) 5 (d) 6

50.

Number of units produced	50,000 units	60,000 Units
Repairs and maintenance cost	9,00,000 rupees	9,40,000 rupees

Find fixed Repairs and maintenance cost.

- (a) 5,00,000 (b) 6,00,000 (c) 7,00,000 (d) 8,00,000

51. Find variable Repairs and maintenance cost per unit using the data of above question no. 50.

- (a) 3 (b) 4 (c) 5 (d) 6

52. Find total Repairs and maintenance cost if 78,000 units are produced from the data of question no. 50.

- (a) 10,00,000 (b) 10,12,000 (c) 10,20,000 (d) 10,10,000

53. Answer questions on the following data from 53 to 56.

PARTICULARS	Jan- March (2027)	April-Dec (2027)
Number of units produced	8,000	20,000
Selling and distribution cost	2,80,000	8,00,000

Find Fixed S&D cost for the year 2027.

- (a) 5,00,000 (b) 6,00,000 (c) 7,00,000 (d) 8,00,000

54. Find variable S&D cost per unit.

- (a) 7 (b) 8 (c) 9 (d) 10

55. Find Total S&D cost if 32,500 units are produced in a year.

- (a) 10,00,000 (b) 11,12,000 (c) 11,25,000 (d) 12,10,000

56. Find Total S&D cost if 15,800 units are produced in a year.

- (a) 5,52,000 (b) 5,50,000 (c) 5,58,000 (d) 5,60,000

57.

PARTICULARS	Lowest volume	Highest volume
Total cost	20,00,000	35,00,000
Total sales	1,00,00,000	3,00,00,000

Find fixed cost for the period.

- (a) 12,00,000 (b) 12,12,000 (c) 12,25,000 (d) 12,50,000

58.

PARTICULARS	Lowest volume	Highest volume
Total cost	10,000	16,000
Total sales	80,000	2,00,000

Find Fixed cost for the period.

- (a) 5,000 (b) 6,000 (c) 7,000 (d) 8,000

59.

Number of units produced	80,000	1,20,000
Salesman salary	20,00,000	23,58,000

Find fixed salesman salary for the period.

- (a) 12,80,000 (b) 12,82,000 (c) 12,84,000 (d) 12,85,000

60. Find variable salesman salary per unit using the data of above question no. 59.

- (a) 8.90 (b) 8.95 (c) 8.70 (d) 8.75

ANSWERS

41	B	51	B
42	C	52	B
43	A	53	D
44	A	54	D
45	B	55	C
46	C	56	C
47	C	57	D
48	A	58	B
49	D	59	C
50	C	60	B

2. MATERIAL COST

1. Direct material can be classified as
(a) Fixed cost (b) Variable cost (c) Semi-variable cost (d) Prime Cost
2. In most of the industries, the most important element of cost is
(a) Material (b) Labour (c) Overheads (d) Administration Cost
3. Which of the following is considered to be the normal loss of materials?
(a) Loss due to accidents
(b) Pilferage
(c) Loss due to breaking the bulk
(d) Loss due to careless handling of materials.
4. In which of following methods of pricing, costs lag behind the current economic values?
(a) Last-in-first out price
(b) First-in-first out price
(c) Replacement price
(d) Weighted average price
5. Continuous stock taking is a part of
(a) Annual stock taking (b) Perpetual inventory (c) ABC analysis (d) Bin Cards
6. In which of the following methods, issues of materials are priced at pre- determined rate?
(a) Inflated price method
(b) Standard price method
(c) Replacement price method
(d) Market price method.
7. When material prices fluctuate widely, the method of pricing that gives absurd results is
(a) Simple average price
(b) Weighted average price
(c) Moving average price
(d) Inflated price.
8. When prices fluctuate widely, the method that will smooth out the effect of fluctuations is
(a) Simple average
(b) Weighted average
(c) FIFO
(d) LIFO
9. Under the FSN system of inventory control, inventory is classified on the basis of:
(a) Volume of material consumption
(d) Frequency of usage of items of inventory
(c) Criticality of the item of inventory for production
(d) Value of items of inventory

10. Form used for making a formal request to the purchasing department to purchase materials is a - :

- (a) Material Transfer Note
- (b) Purchase Requisition Note
- (c) Bill of Materials
- (d) Material Requisition Note

11. At which of the following level fresh order should be placed for replenishment of stock:

- (a) Minimum stock level
- (b) Maximum stock level
- (c) Re-order level
- (d) Danger stock level

12. This system of inventory classification, classify inventory on the basis of its criticality for the production function and final product.

- (a) Fast, Slow and Non-moving (FSN)
- (b) ABC Analysis
- (c) Vital, Essential and Desired (VED)
- (d) High, Medium and Low (HML)

13. While calculation of Economic Order Quantity (EOQ), Annual requirement (A), represents

- (a) Annual demand for the products to be sold.
- (b) Annual demand for the materials to be consumed.
- (c) Annual requirement for capital.
- (d) Annual requirement for storage space.

14. Identify the correct sequence of material procurement amongst the followings

- (a) Request for proposal (RFP), Purchase Order, Bill of Material, Goods Received Note (GRN)
- (b) Material Requisition Note (MRN), Request for proposal (RFP), Purchase Order, Goods Received Note (GRN)
- (c) Notice Inviting Tender (NIT), Purchase Requisition, Purchase Order, Goods Received Note (GRN)
- (d) Purchase Requisition, Notice Inviting Tender (NIT), Purchase Order, Bill of Materials.

15. Which of the following method of inventory valuation is considered suitable during inflationary period or period of rising prices:

- (a) Standard cost method
- (b) Cost price method
- (c) FIFO method
- (d) LIFO method

16. Which of the following is Not added with cost of material:

- (a) Road/ toll tax
- (b) GST on which ITC is available.
- (c) Custom duty.
- (d) All of the above.

17. This system of inventory classification, classify inventory on the basis of the cost of an individual item.

- (a) Fast, Slow and Non-moving (FSN)
- (b) ABC Analysis
- (c) Vital, Essential and Desired (VED)
- (d) High, Medium and Low (HML)

18. While setting the quantity to be re-ordered, consideration is given to:

- (a) maintenance of minimum level of stock
- (b) maintenance of maximum level of stock
- (c) maintenance of average stock level.
- (d) maintenance of minimum carrying cost.

19. Which of the following not true about "Store Ledger":

- (a) Entries are made when transaction takes place.
- (b) It is maintained in cost accounting department.
- (c) Transactions may be summarized and then posted.
- (d) It is always posted after the transaction.

20. According to JIT inventory management approach material should only be purchased when it is actually:

- (a) Requisitioned by the user department
- (b) Requisitioned by the stores department
- (c) Made available by the vendor
- (d) Required for production

ANSWERS

1	B	11	C
2	A	12	C
3	C	13	B
4	B	14	B
5	B	15	D
6	B	16	B
7	A	17	D
8	B	18	A
9	B	19	A
10	B	20	D

21. Which of the following is not an assumption for the calculation of economic order quantity:

- (a) Ordering cost per order and carrying cost per unit per annum are known.
- (b) Cost per unit of the material is to be derived.
- (c) Anticipated usage of material in units is known.
- (d) The quantity of material ordered is received immediately.

22. The document which specifies the standard quantities and qualities of materials required for producing a product is known as:. The document which specifies the standard quantities and qualities of materials required for producing a product is known as:

- (a) Purchased Order
- (b) Bill of Material
- (c) Material Requisition
- (d) Purchase Requisition

23. Which of the following statement is true:

- (a) Cost of container is added to cost of material if it is non-returnable.
- (b) Cost of container is added to cost of material if it is returnable.
- (c) Cost of container is not added to cost of material, it is capitalised.
- (d) All the above statement are incorrect

24. JIT inventory management is also known as

- (a) Demand Push system of production.
- (b) Supply Push system of production.
- (c) Demand Pull system of production.
- (d) Supply Push system of production.

25. Material control requirements may be summarized as:

- (a) Proper co-ordination of all departments involved viz., finance, purchasing, receiving, inspection, storage, accounting and payment.
- (b) Determining purchase procedure to see that purchases are made, after making suitable enquiries, at the most favourable terms to the firm.
- (c) Use of standard forms for placing the order, noting receipt of goods, authorising issue of the materials etc.
- (d) All of the above

26. Material control involves efficient functioning of the following operations:

- (a) Purchasing of materials
- (b) Receiving of materials
- (c) Inspection of materials
- (d) All of the above

27. Bill of Materials is also known as _____

- (a) Materials Specification List
- (b) Materials List
- (c) Both (a) & (b)
- (d) None

28. _____ detailed list specifying the standard quantities and qualities of materials and components required for producing a product or carrying out of any job.
- (a) Materials Specification List (b) Material Procurement (c) Material Control (d) Material usage
29. Material Requisition Note is also known as _____.
- (a) Material Requisition Slip (b) Materials Specification List (c) Materials List (d) None
30. _____ is a voucher of authority used to get materials issued from store.
- (a) Material Requisition Slip (b) Materials Specification List (c) Materials List (d) None
31. _____ is a form used for making a formal request to the purchasing department to purchase materials.
- (a) Demand Requisition (b) Purchase requisition (c) Supply Note (d) None
32. Goods Received Note is also known as _____.
- (a) Receiving Report (b) Material Inward Note (c) Both (a) & (b) (d) None
33. The Copy of Goods Received Note is distributed to
- (a) Purchase department
(b) Store or order indenting department
(c) Receiving department
(d) Accounting department.
(e) All of the above
34. Ascertainment of cost of material purchased is called _____.
- (a) Valuation of materials receipts
(b) Checking and Passing of Bills
(c) Receipt and Inspection of Materials
(d) None of the above
35. _____ is deducted from the purchase price if it is not shown as deduction in the invoice.
- (a) Trade discount (b) Cash Discount (c) Quantity discount (d) Both (a) & (c)
36. _____ is a penalty imposed by the transporter for delay in uploading or offloading of materials.
- (a) Demurrage (b) Penalty (c) Fine (d) None
37. _____ charges/fines are imposed for noncompliance of rule or law by any statutory authority.
- (a) Detention (b) Demurrage (c) Penalty (d) None
38. Duties of Store Keeper can be defined as:
- (a) General control over store
(b) Initiate purchase requisition
(c) Stock verification and reconciliation
(d) All of the above

39. The record of stores may be maintained in the form of

- (a) Bin Cards (b) Stock Control Cards (c) Store Ledger (d) All of the above

40. The advantages of Bin cards include

- (a) People handling materials are not ordinarily suitable for the clerical work involved in writing Bin Cards.
(b) Control over stock can be more effective, as comparison of the actual quantity in hand at any time with the book balance is possible.
(c) The cards are liable to be smeared with dirt and grease because of proximity to material and also because of handling materials.
(d) All of the above

ANSWERS

21	B	31	B
22	B	32	C
23	A	33	E
24	C	34	A
25	D	35	D
26	D	36	A
27	C	37	A
28	A	38	D
29	A	39	D
30	A	40	B

41. A _____ is maintained to record both quantity and cost of materials received, issued and those in stock.

- (a) Stores Ledger (b) Bin Cards (c) Stock control cards (d) None

42. Advantages of Stock Control Cards includes:

- (a) Records are kept in a more compact manner so that reference to them is facilitated
(b) Records can be kept in a neat and clean way by men solely engaged in clerical work so that a division of workers between record keeping and actual material handling is possible
(c) On the spot comparison of the physical stock of an item with its book balance is not facilitated.
(d) Both (a) & (b)

43. _____ is known as the function of ensuring that sufficient goods are retained in stock to meet all requirements without carrying unnecessarily large stocks.

- (a) Inventory control (b) Material Control (c) Stores Control (d) None

44. The objective of _____ is to make a balance between sufficient stock and over-stock

- (a) Material Control (b) Inventory control (c) Stores Control (d) None

45. _____ is the level at which fresh order should be placed for replenishment of stock.

- (a) Minimum Stock Level (b) Re-order Stock Level (c) Maximum Stock level (d) None

46. Re-order Stock Level (ROL) is calculated as

- (a) Minimum Consumption \times Minimum Re-order Period
(b) Minimum Consumption \times Maximum Re-order Period
(c) Maximum Consumption \times Maximum Re-order Period
(d) Maximum Consumption \times Minimum Re-order Period

47. Re-order period is also known as _____.

- (a) Lead Time (b) Usage Time (c) Control time (d) None

48. _____ is the size of an order for which total of ordering and carrying cost are minimum.

- (a) Reorder Quantity (b) Economic Order Quantity (c) Both (a) & (b) (d) None

49. _____ is the quantity of materials for which purchase requisition is made by the store department.

- (a) Reorder Quantity (b) Economic Order Quantity (c) Both (a) & (b) (d) None

50. The calculation of economic order of material to be purchased considers following assumptions:

- (a) Ordering cost per order and carrying cost per unit per annum are known and they are fixed.
(b) Anticipated usage of material in units is not known.
(c) Cost per unit of the material is constant and is not known as well.
(d) All of the above.

51. The EOQ in the following case shall be:

Consumption of materials per annum : 10,000 kg.

Order placing cost per order : ₹ 50

Cost per kg. of raw materials : ₹ 2

Storage costs : 8% on average inventory.

- (a) 1500 kgs (b) 2500 Kgs (c) 2000 kgs (d) 3000 kgs

52. COMPUTE E.O.Q. for the following:

Annual Demand = 5,000 units

Unit price = ₹Rs 20.00

Order cost = ₹ Rs16.00

Storage rate = 2% per annum

Interest rate = 12% per annum

Obsolescence rate = 6% per annum

(a) 250 Units

(b) 200 Units

(c) 300 units

(d) 150 Units

53. Minimum Stock Level is calculated as

(a) Re-order Stock Level - (Average Consumption Rate × Average Re-order Period)

(b) Re-order Stock Level - (Min Consumption Rate × Min Re-order Period)

(c) Re-order Stock Level - (Max Consumption Rate × Max Re-order Period)

(d) Minimum Consumption × Minimum Re-order Period

54. Maximum Stock Level is calculated as

(a) Re-order Level + Re-order Quantity - (Maximum Consumption Rate × Maximum Re-order Period)

(b) Maximum Consumption × Maximum Re-order Period

(c) Re-order Level + Re-order Quantity - (Minimum Consumption Rate × Minimum Re-order Period)

(d) Re-order Level + Re-order Quantity - (Average Consumption Rate × Average Re-order Period)

55. Average Stock Level is calculated as

(a) Minimum Stock Level + 1/2 Re-order Quantity

(b) (Maximum Stock Level + Minimum Stock Level)/ 2

(c) Both (a) & (b)

(d) None

56. _____ is the level at which normal issues of the raw material inventory are stopped and emergency issues are only made.

(a) Abnormal level

(b) Danger level

(c) Emergency level

(d) Alert level

57. Danger Level is calculated as

(a) Average Consumption* × Lead time for emergency purchase

(b) Minimum Stock Level + 1/2 Re-order Quantity

(c) Minimum consumption * Lead time for emergency purchase

(d) Both (a) & (c)

58. Some quantity of stock kept for contingency to be used in case of sudden order is known as _____.

(a) Buffer stock

(b) Emergency Stock

(c) Abnormal Stock

(d) Danger Stock

59. Normal usage 50 per week each

Maximum usage 75 per week each

Minimum usage 25 per week each

Re-order quantity A: 300

;

B: 500

Re-order period A: 4 to 6 weeks

;

B: 2 to 4 weeks

CALCULATE the Re-ordering level for each component.

(a) A:450 units; B:300 units

(b) A:300 units; B:450 units

(c) A:200 units; B:150 units

(d) A:150 units; B:200 units

60. Calculate the Minimum level for component A & B using the data of question 59.

(a) A:450 units; B:300 units

(b) A:300 units; B:450 units

(c) A:200 units; B:150 units

(d) A:150 units; B:200 units

ANSWERS

41	A	51	B
42	D	52	B
43	A	53	A
44	B	54	C
45	B	55	C
46	C	56	B
47	A	57	A
48	B	58	A
49	A	59	A
50	A	60	C

61. _____ system exercises discriminating control over different items of inventory on the basis of the investment involved.
(a) ABC Analysis (b) Fast, Slow and Non-Moving (FSN)
(c) Vital, Essential and Desirable (VED) (d) High, Medium and Low (HML)
62. The advantages of ABC analysis are
(a) Continuity in production
(b) Less attention required
(c) Systematic working
(d) All of the above
63. Under _____ system, inventories are controlled by classifying them on the basis of frequency of usage.
(a) ABC Analysis (b) Fast, Slow and Non-Moving (FSN)
(c) Vital, Essential and Desirable (VED) (d) High, Medium and Low (HML)
64. Under _____ system of inventory analysis, inventories are classified on the basis of its criticality for the production function and final product.
(a) ABC Analysis (b) Fast, Slow and Non-Moving (FSN)
(c) Vital, Essential and Desirable (VED) (d) High, Medium and Low (HML)
65. Under _____ system, inventory is classified on the basis of the cost of an individual item
(a) ABC Analysis (b) Fast, Slow and Non-Moving (FSN)
(c) Vital, Essential and Desirable (VED) (d) High, Medium and Low (HML)
66. Inventory Turnover Ratio is calculated as
(a) Cost of average held stock during the period/ Cost of materials consumed during the period
(b) Cost of materials consumed during the period/ Cost of average held stock during the period
(c) $\frac{1}{2}$ (opening stock + closing stock)
(d) All of the above.
67. Opening stock 90,000
Purchases during the year 2,70,000
Closing stock 1,10,000
CALCULATE Inventory turnover ratio.
(a) 2 (b) 2.5 (c) 3 (d) 1.5
68. The Average no. of days of Inventory holding is calculated as
(a) $\frac{365 \text{ days}}{\text{Inventory Turnover Ratio}}$
(b) $\frac{12 \text{ months}}{\text{Inventory Turnover Ratio}}$
(c) Both (a) & (b)
(d) None
69. Opening stock 1.04.2020 - 10,000
Purchase during the year - 52,000
Closing stock 31.03.2021 - 6,000
Calculate the inventory turnover ratio and average number of days for holding inventory.
(a) 6.5 times, 55 days (b) 6.5 times, 146 days (c) 7 times, 52 days (d) 7 times, 146 days

70. When the surplus material is returned to the storeroom, it should be accompanied by a document known as

- (a) Shop Credit Note (b) Stores Debit Note (c) Both (a) & (b) (d) None

71. _____ method is considered suitable in times of falling price and _____ method is used during inflationary period or period of rising prices.

- (a) FIFO and LIFO (b) LIFO and FIFO (c) FIFO and weighted average (d) LIFO and simple

72. 1st April- 200 units @ ₹10 each;

5th April - 150 units @ ₹12 each;

14th April - 210 units @ ₹12 each;

21st April - 50 units @ ₹15 each;

28th April - 140 units @ ₹ 11 each.

Calculate issue price under simple average method.

- (a) 11 (b) 12 (c) 13 (d) 14

73. Calculate issue price under weighted average method using the data of question 72.

- (a) ₹ 11 (b) ₹ 12 (c) ₹ 11.48 (d) ₹ 12.50

74. Market Price Methods includes

- (a) Replacement Price Method (b) Realisable Price Method
(c) Standard Price Method (d) Only (a) & (b)

75. Standard cost is usually fixed after taking into consideration the following factors:

(i) Current prices

(ii) Anticipated market trends

(iii) Discount available and transport charges

- (a) Only (i) (b) (i) & (ii) (c) (ii) & (iii) (d) (i),(ii),(iii)

76. _____ refers to the loss in the value of an asset due to technological advancements.

- (a) Obsolescence (b) Outdated (c) Updated (d) Old

77. Navnath & Company buys its annual requirement of 36,000 units in 6 instalments. Each unit costs ₹ 1 and the ordering cost is ₹25. The inventory carrying cost is estimated at 20% of unit value. CALCULATE the Economic Order Quantity?

- (a) 1500 Units (b) 3000 Units (c) 2000 Units (d) 3500 Units

78. Details of lead time: Average- 10 days,

Maximum- 15 days,

Minimum- 5 days, for emergency purchases- 4 days.

Rate of consumption: Average: 1,500 units per day,

Maximum: 2,000 units per day

Calculate the Reordering level.

- (a) 35,000 Units (b) 30,000 Units (c) 32,500 Units (d) 31,000 Units

79. Calculate Danger Level and minimum level using the above data.

- (a) 6000 , 15000 (b) 15000 , 6000 (c) 6000, 14000 (d) 7000 , 14000

80. VR. Ltd. produces a product which has a monthly demand of 4,000 units. The product requires a component X which is purchased at ₹ 20. For every finished product, one unit of component is required. The ordering cost is ₹ 120 per order and the holding cost is 10% p.a. Calculate EOQ.

(a) 45000 Units

(b) 48000 Units

(c) 50000 Units

(d) 52000 Units

ANSWERS

61	A	71	A
62	D	72	B
63	B	73	C
64	C	74	D
65	D	75	D
66	B	76	A
67	B	77	B
68	C	78	B
69	C	79	A
70	C	80	C

81. Answer the questions based on below data from 81 to 83.

Class	% of Total no. of items	% of Total Value
A	10	70
B	20	20
C	70	10
Total	100	100

Calculate the average value per item of Class A, if the store has 6,000 items of consumption and a yearly consumption of Rs. 12,00,000.

- (a) Rs. 1,200 (b) Rs. 1,400 (c) Rs. 200 (d) Rs. 300

82. Calculate the average value per item of Class B.

- (a) Rs. 1,200 (b) Rs. 1,400 (c) Rs. 200 (d) Rs. 300

83. 82. Calculate the average value per item of Class B.

- (a) Rs. 12.50 (b) Rs. 28.50 (c) Rs. 28.57 (d) Rs. 30.20

84. Answer questions from 84 to 88 from the below information.

VR Enterprises requires a special raw material 'ROM'. The following particulars were collected for the year 2027-

- a. Monthly requirement for ROM is 250 units
- b. Cost of placing order Rs. 100
- c. Annual carrying cost per unit Rs. 15
- d. Normal usage 50 units per week
- e. Minimum usage 25 units per week
- f. Maximum usage 75 units per week
- g. Re-order period 4 to 6 weeks.

Compute Re-order Quantity.

- (a) 100 Units (b) 200 Units (c) 300 Units (d) 400 Units

85. Calculate Re-order Level.

- (a) 150 Units (b) 250 Units (c) 350 Units (d) 450 Units

86. Calculate Minimum Level.

- (a) 100 Units (b) 200 Units (c) 300 Units (d) 400 Units

87. Calculate Maximum Level.

- (a) 550 Units (b) 350 Units (c) 650 Units (d) 150 Units

88. Calculate Average Stock Level.

- (a) 300 Units (b) 350 Units (c) 375 Units (d) Both (a) & (c)

89. Answer the questions based on below data from 89 to 91.

The following data relating to inventory costs have been established for Sushil Ltd.

- i. Order must be placed in multiples of 100 units.
- ii. Requirement for the year are 3,00,000 units.
- iii. The purchase price per unit is 3.
- iv. Carrying cost is 25% of the purchase price of goods.

- v. Cost per order placed is 20.
 vi. Desired safety stock is 10,000 units, this amount is on hand initially.
 vii. Three days are required for delivery.

Calculate EOQ

- (a) 1000 Units (b) 2000 Units (c) 3000 Units (d) 4000 Units

90. How many orders should the company place each year?

- (a) 15 (b) 45 (c) 75 (d) 95

91. At what inventory level should an order be placed?

- (a) 11,000 Units (b) 12,000 Units (c) 13,000 Units (d) 14,000 Units

92. About 50 items are required every day for a machine. A fixed cost of ₹ 50 per order is incurred for placing an order. The Inventory carrying cost per item amounts to ₹ 0.02 per day. The lead period is 32 days. Compute EOQ.

- (a) 500 items (b) 350 items (c) 600 items (d) 150 items

93. Calculate Reorder level using the data of question no. 92.

- (a) 1400 items (b) 1500 items (c) 1600 items (d) 1700 items

94. Answer questions from 94 to 96 based on the below data:

Prashant Ltd. produces a product which has a monthly demand of 2,000 units. The product requires a component X which is purchased at 120. For every finished product, two units of component is required. The ordering cost is ₹120 per order and the holding cost is 10% p.a. Calculate Economic order quantity.

- (a) 2400 Units (b) 2500 Units (c) 2600 Units (d) 2700 Units

95. The minimum lot size to be supplied is 4,000 units, what is the extra cost, the company has to incur?

- (a) ₹ 650 (b) ₹ 640 (c) ₹ 600 (d) ₹ 680

94. What is the minimum carrying cost, the company has to incur?

- (a) ₹ 2400 (b) ₹ 2500 (c) ₹ 2600 (d) ₹ 2700

95. The following data are available in respect of material X for the year ended 31 March, 2028.

Particulars	₹
Opening stock	90,000
Purchases during the year	2,70,000
Closing	1,10,000

Calculate Inventory turnover ratio

- (a) 1.50 times (b) 2 times (c) 2.50 times (d) 3 times

96. Calculate the number of days for which the average inventory is held in the above question.

- (a) 36 days (b) 72 days (c) 146 days (d) 200 days

97. Total requirement of raw material = 12,000 units p.a. ; Purchase Cost p.u. = 10

Carrying Cost p.u = 2% of purchase cost. Find - Economic order quantity, if ordering cost per order is 75.

- (a) 1000 Units (b) 2000 Units (c) 3000 Units (d) 4000 Units

98. Actual (Inventory) requirement of raw material = 25,000 units

Order Cost per order = ₹ 300

Carrying cost per unit = 1% per month

Purchase cost per unit = 2

Find EOQ.

- (a) 7,900 units (b) 7,906 units (c) 7901 units (d) 7990 units

99. Find total inventory management cost if order size is 5,000 units & seller gives discount of 3% in the above data of question no. 98.

- (a) ₹ 50,500 (b) ₹ 50,580 (c) ₹ 50,582 (d) ₹ 50,590

100. A publishing house purchases 72,000 rims of a special type of paper per annum at cost ₹ 90 per rim. Ordering Cost per order is ₹ 500 and the carrying cost is 5% per year of the inventory cost.

Calculate the Economic Order Quantity (EOQ).

- (a) 1000 Units (b) 2000 Units (c) 3000 Units (d) 4000 Units

ANSWERS

81	B	91	C
82	C	92	A
83	C	93	B
84	B	94	A
85	D	95	C
86	B	96	C
87	A	97	C
88	D	98	B
89	D	99	C
90	C	100	D

101. Answer questions from 101 to 104 based on below data

PARTICULARS	MINIMUM	AVERAGE	MAXIMUM
Usage rate (kgs/day)	10	12	14
Lead Time (days)	2	3	4

ROQ = 300 units. Calculate ROL.

- (a) 50 kgs (b) 56 kgs (c) 58 kgs (d) 60 kgs

102. Calculate Maximum level

- (a) 330 kgs (b) 336 kgs (c) 338 kgs (d) 360 kgs

103. Calculate Minimum level

- (a) 20 kgs (b) 30 kgs (c) 40 kgs (d) 60 kgs

104. Calculate Average level.

- (a) 170 kgs (b) 175 kgs (c) 178 kgs (d) Both (a) & (c)

105. Answer questions from 105 to 107 based on below data:

Annual requirement = 20,000 units

Ordering cost per order = Rs. 100

Purchase cost per unit = Rs. 1,000

Carrying cost p.u.p.a. = 10%

Calculate EOQ.

- (a) 200 units (b) 300 units (c) 400 units (d) 600 units

106. Calculate total inventory management cost.

- (a) 2,00,00,000 (b) 2,00,20,000 (c) 2,20,20,000 (d) 2,00,00,200

107. Calculate total of ordering and carrying cost if company follows EOQ.

- (a) 20,000 (b) 30,000 (c) 50,000 (d) 50,200

108. Annual demand = 5,000 units

Ordering cost per order = Rs. 16

Unit price = Rs. 20

Storage rate = 2% p.a.

Interest rate = 12% p.a.

Obsolescence rate = 6% p.a.

Calculate EOQ.

- (a) 200 units (b) 300 units (c) 400 units (d) 600 units

109. Amit Limited produces Product 'P'. It uses annually 60,000 units of a Material 'Rex' costing 10 per unit. Other relevant information are:

Cost of Placing an Order 800 per order

Carrying Cost 15% per annum of average inventory

Re-order Period 10 days

Safety Stock 600 units

The company operates 300 days in a year. Calculate EOQ.

- (a) 6000 units (b) 7000 units (c) 8000 units (d) 9000 units

110. Calculate Maximum Stock

- (a) 8600 units (b) 7050 units (c) 6600 units (d) 9050 units

ANSWERS

101	B
102	B
103	A
104	D
105	A
106	B
107	A
108	A
109	C
110	A

3. Employee Cost

1. 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

2. Cost of idle time due to non- availability of raw material is-

- (a) Charged to overhead costs
- (b) Charged to respective jobs
- (c) Charged to costing profit and loss account
- (d) None of the above

3. Time and motion study is conducted by-

- (a) Time keeping department
- (b) Personnel department
- (c) Payroll department
- (d) Engineering department

4. Identify, which one of the following, does not account for increasing labour productivity-

- (a) Job satisfaction
- (b) Motivating workers
- (c) High labour turnover
- (d) Proper supervision and control

5. Labour turnover is measured by-

- (a) Number of persons replaced/ average number of workers
- (b) Numbers of persons separated / number of workers at the beginning of the year
- (c) $(\text{Number of persons replaced} + \text{number of persons separated}) / (\text{number of persons at the beginning} + \text{the number of persons at the end of the year})$
- (d) None of the above

6. Time booking refers to a method wherein _____ of an employee is recorded.

- (a) Attendance
- (b) Food expenses
- (c) Health status
- (d) Time spent on a particular job

7. Employee Cost includes-

- (a) Wages and salaries
- (b) Allowances and incentives
- (c) Payment for overtime
- (d) All of the above

8. If the time saved is less than 50% of the standard time, then the wages under Rowan and Halsey premium plan on comparison gives-

- (a) More wages to workers under Rowan plan than Halsey plan
- (b) More wages to workers under Halsey plan than Rowan plan
- (c) Equal wages under two plans
- (d) None of the above

9. Standard time of a job is 60 hours and guaranteed time rate is ₹0.30 per hour. What is the amount of wages under Rowan plan if job is completed in 48 hours?
(a) ₹ 16.20 (b) ₹ 17.28 (c) ₹ 18.00 (d) ₹ 14.40
10. Important factors for control of employee cost can be-
(a) Time and Motion Study
(b) Control over idle time and overtime
(c) Control over employee turnover
(d) All of the above
11. Out of the following methods attendance is marked by recognizing an employee based on physical and behavioural traits-
(a) Punch Card Attendance method
(b) Bio- Metric Attendance system
(c) Attendance Register method
(d) Token Method
12. If overtime is required for meeting urgent orders, the overtime premium should be charged as-
(a) Respective job (b) Overhead cost (c) Costing P& L A/c (d) None of above
13. If overtime is resorted to make up a shortfall in production due to wrong estimation of sales department, the overtime premium paid is charged to:
(a) The production department as overhead cost.
(b) All the departments on the basis of labour hours.
(c) The sales department as overhead cost.
(d) Costing profit and loss account.
14. Idle time which arises due to loss of time between factory gate and the place of work is:
(a) Normal idle time and is treated as part of cost of production.
(b) Abnormal idle time and is treated as item of profit & loss a/c.
(c) Normal idle time and is not treated as part of cost of production
(d) Normal idle time and is treated as item of profit & loss a/c.
15. Idle time which arises due to time interval between one job and another is
(a) Normal idle time and is treated as part of cost of production.
(b) Abnormal idle time and is treated as item of profit & loss a/c.
(c) Normal idle time and is not treated as part of cost of production.
(d) Normal idle time and is treated as item of profit & loss a/c
16. Idle time which arises due to setting up time for the machine is:
(a) Normal idle time and is treated as part of cost of production.
(b) Abnormal idle time and is treated as item of profit & loss a/c.
(c) Normal idle time and is not treated as part of cost of production.
(d) Normal idle time and is treated as item of profit & loss a/c.

17. If overtime is resorted at the desire of the customer, the overtime premium paid is charged to:

- (a) The concerned department as overhead cost.
- (b) The job (customer order) directly.
- (c) All the departments on the basis of labour hours.
- (d) Costing profit and loss account.

18. Idle time which arises due to non-availability of raw materials, strikes, lockouts, poor supervision, fire, flood etc. is:

- (a) Normal idle time and is treated as part of cost of production.
- (b) Abnormal idle time and is treated as item of profit & loss a/c.
- (c) Normal idle time and is not treated as part of cost of production.
- (d) Normal idle time and is treated as item of profit & loss a/c.

19. Which of the following is not an avoidable cause of labour turnover

- (a) Dissatisfaction with Job
- (b) Lack of training facilities
- (c) Low wages and allowances
- (d) Disability, making a worker unfit for work

20. If the time saved is less than 50% of the standard time, then the wages under Rowan and Halsey premium plan on comparison gives

- (a) More wages to workers under Rowan plan than Halsey plan
- (b) More wages to workers under Halsey plan than Rowan plan
- (c) Equal wages under two plans
- (d) None of the above

ANSWERS

1	C	11	B
2	C	12	A
3	D	13	C
4	C	14	A
5	A	15	A
6	D	16	A
7	D	17	B
8	A	18	B
9	B	19	D
10	D	20	A

21. If overtime is resorted to meet the sudden demand on account of an earthquake, the overtime premium paid is charged to:

- (a) The production department as overhead cost.
- (b) All the departments on the basis of labour hours.
- (c) The sales department as overhead cost.
- (d) Costing profit and loss account.

22. Idle time which arises due to power failure, break- down of machines is:

- (a) Normal idle time and is treated as part of cost of production.
- (b) Abnormal idle time and is treated as item of profit & loss a/c.
- (c) Normal idle time and is not treated as part of cost of production.
- (d) Normal idle time and is treated as item of profit & loss a/c.

23. Employee cost includes

- (i) Wages and salary
- (ii) Allowances and incentives
- (iii) Payment for overtimes
- (iv) Employer's contribution to Provident fund and other welfare funds

- (a) Only (i)
- (b) (i),(ii) & (iv)
- (c) (ii) , (iii)
- (d) (i), (ii), (iii), (iv)

24. Benefits paid or payable to the employees which can be attributed to a cost object in an economically feasible manner is known as

- (a) Indirect Employee Costs
- (b) Direct Employee Costs
- (c) Explicit Employee Costs
- (d) Both (b) & (c)

25. Benefits paid or payable to the employees, which cannot be directly attributable to a particular cost object in an economically feasible manner

- (a) Indirect Employee Costs
- (b) Direct Employee Costs
- (c) Implicit Employee Costs
- (d) Both (a) & (c)

26. The functions of Personnel Department is

- (a) To ensures that the persons recruited possess the requisite qualification and skills required for the job.
- (b) To prepares plans and specifications for each job.
- (c) To maintain the attendance records
- (d) To providing training and guidance to the employees.

27. The function of payroll department includes

- (a) The preparation of payroll of the employees.
- (b) It disburses salary and wage payments.
- (c) Both (a) & (b)
- (d) None of the above

28. _____ refers to break up of time on various jobs.

- (a) Time Booking
- (b) Time Keeping
- (c) Attendance
- (d) Time Recording

29. _____ implies a record of total time spent by the employees in a factory.

- (a) Time Booking
- (b) Time Keeping
- (c) Attendance
- (d) Time Recording

30. The objectives of timekeeping are

- (a) For the preparation of payrolls
- (b) For calculating overtime
- (c) For ascertaining and controlling employee cost
- (d) All of the above

31. Manual method of time keeping includes

- (a) Attendance Register method
- (b) Metal Disc/ Token method
- (c) Punch Card Attendance
- (d) Both (a) & (b)

32. Under _____ method, an attendance register is kept to record the arrival and departure time of an employee.

- (a) Attendance Register method
- (b) Metal Disc
- (c) Punch Card Attendance
- (d) Token method

33. Under _____ system attendance is marked by recognizing an employee on the basis of physical and behavioural traits.

- (a) Bio-metric attendance
- (b) Metal Disc
- (c) Punch Card Attendance
- (d) Token method

34. The time during which no production is carried-out because the worker remains idle but are paid is known as

- (a) Idle Time
- (b) Normal Time
- (c) Abnormal Time
- (d) None of the above

35. Work done beyond normal working hours is known as _____.

- (a) Extra Work
- (b) Overtime Work
- (c) Abnormal Work
- (d) Special Work

36. Overtime Payment can be calculated as

- (a) Wages paid for overtime at normal rate
- (b) Wages paid for overtime at normal rate * 2
- (c) Wages paid for overtime at normal rate + Premium (extra) payment for overtime work
- (d) Premium (extra) payment for overtime work * 2

37. CALCULATE the earnings of Anushka from the following particulars

Basic Wages - 10,000

Dearness Allowance - 50%

Contribution to provident Fund (on basic wages) - 8%

Contribution to Employee's State Insurance (on basic wages) - 2%

Overtime (Hours) - 10

The normal working hours for the month are 200. Overtime is paid at double the total of normal wages and dearness allowance.

- (a) 15000 rupees (b) 15500 rupees (c) 16000 rupees (d) 16500 Rupees

38. Under _____ system, the workers are paid on time basis i.e. hour, day, week, or month.

- (a) Straight Time Rate System
(b) Straight Piece Rate System
(c) Premium Bonus Method
(d) Group bonus scheme

39. Under _____ system, each operation, job or unit of production is termed a piece.

- (a) Straight Time Rate System
(b) Straight Piece Rate System
(c) Premium Bonus Method
(d) Group bonus scheme

40. Earnings under Halsey Premium plan is calculated as

- (a) Wages = Time taken \times Rate per hour + (Time Saved / Time Allowed) \times Time taken \times Rate per hour
(b) Wages = Time Worked (Hours/ Days/ Months) \times Rate for the time
(c) Wages = Time taken \times Time rate + 50% of time saved \times Time rate
(d) Wages = Number of units produced \times Rate per unit

ANSWERS

21	D	31	D
22	B	32	A
23	D	33	A
24	B	34	A
25	A	35	B
26	A	36	C
27	C	37	B
28	A	38	A
29	B	39	B
30	D	40	C

41. Earnings under Straight Time Rate System is calculated as

- (a) Wages = Time taken \times Rate per hour + (Time Saved / Time Allowed) \times Time taken \times Rate per hour
- (b) Wages = Time Worked (Hours/ Days/ Months) \times Rate for the time
- (c) Wages = Time taken \times Time rate + 50% of time saved \times Time rate
- (d) Wages = Number of units produced \times Rate per unit

42. Earnings under Straight Piece Rate System is calculated as

- (a) Wages = (Time taken \times Rate per hour) + [(Time Saved / Time Allowed) \times Time taken \times Rate per hour]
- (b) Wages = Time Worked (Hours/ Days/ Months) \times Rate for the time
- (c) Wages = Time taken \times Time rate + 50% of time saved \times Time rate
- (d) Wages = Number of units produced \times Rate per unit

43. Earnings under Rowan Premium Plan System is calculated as

- (a) Wages = (Time taken \times Rate per hour) + [(Time Saved / Time Allowed) \times Time taken \times Rate per hour]
- (b) Wages = Time Worked (Hours/ Days/ Months) \times Rate for the time
- (c) Wages = Time taken \times Time rate + 50% of time saved \times Time rate
- (d) Wages = Number of units produced \times Rate per unit

44. CALCULATE the earnings of a worker under Rowan System.

Time rate (per Hour) ` 60.

Time allowed 8 hours.

Time taken 6 hours.

Time saved 2 hours.

- (a) 500
- (b) 450
- (c) 350
- (d) 400

45. CALCULATE the earnings of a worker under Halsey System using the data of above question.

- (a) 500
- (b) 450
- (c) 350
- (d) 420

46. A skilled worker in XYZ Ltd. is paid a guaranteed wage rate of ` 30 per hour. The standard time per unit for a particular product is 4 hours. Mr. P, a machine man, has been paid wages under the Rowan Incentive Plan and he had earned an effective hourly rate of ` 37.50 on the manufacture of that particular product. STATE what could have been his total earnings , had he been put on Halsey Incentive Scheme (50%)?

- (a) 100
- (b) 105
- (c) 200
- (d) 250

47. CALCULATE the Employee hour rate from the following data:

Basic pay ` 10,000 p.m.

D.A. ` 3,000 p.m.

Fringe benefits ` 1,000 p.m.

Number of working days in a year 300. 20 days are availed off as holidays on full pay in a year. Assume a day of 8 hours.

- (a) 70
- (b) 75
- (c) 80
- (d) 95

48. Efficiency in % or Employee Productivity is calculated as

- (a) $(\text{Time allowed as per standard} / \text{Time Taken}) \times 100$
- (b) $(\text{Time Taken} / \text{Time allowed as per standard}) \times 100$
- (c) Either (a) or (b)
- (d) None

49. The factors which must be taken into consideration for increasing employee productivity are

- (a) Employing only those workers who possess the right type of skill.
- (b) Placing a right type of person to a right job.
- (c) Training young and old workers by providing them the right types of opportunities.
- (d) All of the above

50. _____ in an organisation is the rate of change in the composition of employee force during a specified period measured against a suitable index.

- (a) Employee turnover
- (b) labour turnover
- (c) Both (a) & (b)
- (d) None

51. Labour turnover under Replacement method is calculated as

- (a) $(\text{No. of employees Replaced during the period} / \text{Average no. of employees during the period on roll}) \times 100$
- (b) $(\text{No. of employees Separated during the period} / \text{Average no. of employees during the period on roll}) \times 100$
- (c) $[(\text{No. of employees Separated} + \text{No. of employees Replaced during the period}) / \text{Average number of employees during the period on roll}] \times 100$
- (d) None of the above

52. Labour turnover under Separation method is calculated as

- (a) $(\text{No. of employees Replaced during the period} / \text{Average no. of employees during the period on roll}) \times 100$
- (b) $(\text{No. of employees Separated during the period} / \text{Average no. of employees during the period on roll}) \times 100$
- (c) $[(\text{No. of employees Separated} + \text{No. of employees Replaced during the period}) / \text{Average number of employees during the period on roll}] \times 100$
- (d) None of the above

53. Labour turnover under Flux method is calculated as

- (a) $(\text{No. of employees Replaced during the period} / \text{Average no. of employees during the period on roll}) \times 100$
- (b) $(\text{No. of employees Separated during the period} / \text{Average no. of employees during the period on roll}) \times 100$
- (c) $[(\text{No. of employees Separated} + \text{No. of employees Replaced during the period}) / \text{Average number of employees during the period on roll}] \times 100$
- (d) None of the above

54. Equivalent annual employee turnover rate may be calculated as

- (a) $(\text{Employee Turnover rate for the period} / \text{Number of days in the period}) \times 365$
- (b) $(\text{Number of days in the period} / \text{Employee Turnover rate for the period}) \times 365$
- (c) $(\text{No. of employees Replaced during the period} / \text{Average no. of employees during the period on roll}) \times 100$
- (d) $(\text{No. of employees Separated during the period} / \text{Average no. of employees during the period on roll}) \times 100$

55. The Accountant of Y Ltd. has computed employee turnover rates for the quarter ended 31st March, 2027 as 10%, 5% and 3% respectively under 'Flux method', 'Replacement method' and 'Separation method' respectively. If the number of workers replaced during that quarter is 30, FIND OUT the number of workers recruited and joined for the quarter.

- (a) 42 (b) 18 (c) 600 (d) 12

56. FIND OUT the number of workers left and discharged during the quarter using the data of above question.

- (a) 42 (b) 18 (c) 600 (d) 12

57. FIND OUT the Equivalent employee turnover rate for the year under Flux method using the above data.

- (a) 20% (b) 12% (c) 40% (d) 15%

58. Cost incurred for prevention of employee turnover includes the following

- (a) Cost of medical benefit provided to the employees
(b) Cost incurred on employees' welfare like pension etc.
(c) Cost on other benefits with an objective to retain employees
(d) All of the above

59. _____ is the amount of extra payment paid to an employee for extra work.

- (a) Extra Payment (b) Overtime Premium (c) Special Wages (d) Abnormal Wages

60. Employee turnover including accessions can be calculated as

- (a) $(\text{No. of Separation} + \text{No. of Replacements} + \text{No. of new joinings} / \text{Average no. of employees during the period on roll}) \times 100$
(b) $(\text{Number of separations} + \text{number of accessions} / \text{Average number of employees}) \times 100$
(c) Both (a) & (b)
(d) None

ANSWERS

41	B	51	A
42	D	52	B
43	A	53	C
44	B	54	A
45	D	55	A
46	B	56	B
47	B	57	C
48	A	58	D
49	D	59	B
50	C	60	C

61. Answer the questions from 61 to 64 based on below details.

Calculate the wages payable to 3 workers A, B & C under different methods of remuneration.

Time rate = Rs. 30 per hour

Std time allowed for one piece is 20 mins

Production made by workers in a day of 8 hrs is

A- 30 units, B- 24 units, C- 20 units

Calculate wages of A using Time rate system.

- (a) Rs. 200 (b) Rs. 240 (c) Rs. 280 (d) Rs. 300

62. Calculate wages of A using Piece rate system.

- (a) Rs. 200 (b) Rs. 240 (c) Rs. 280 (d) Rs. 300

63. Calculate wages of C using Halsey's premium plan system.

- (a) Rs. 200 (b) Rs. 240 (c) Rs. 280 (d) Rs. 300

64. Calculate wages of B using Rowan's premium plan system.

- (a) Rs. 200 (b) Rs. 240 (c) Rs. 280 (d) Rs. 300

65. Answer questions from 65 to 67 using the below data:

In a company, labour records disclosed the following:

No. of employees on 1.04.2027= 1,800

No. of employees on 31.03.2028= 2,200

No. of employees left during the year= 200

No. of employees joined during the year= 600

Out of those joined during the year, 150 were appointed in the place of those, who left the organisation.

Calculate the labour turnover ratio under separation method.

- (a) 7.50% (b) 10% (c) 20% (d) 40%

66. Calculate the labour turnover ratio under replacement method.

- (a) 7.50% (b) 10% (c) 20% (d) 40%

67. Calculate the labour turnover ratio under flux method.

- (a) 7.50% (b) 10% (c) 20% (d) 40%

68. The Cost accountant of ABC Ltd has computed labour turnover rates for the quarter ended 31st March 2027 as 10%, 5% and 3% respectively under Flux method, Replacement method, and separation method respectively. If the number of workers replaced during the quarter is 30, find out the number of workers recruited and joined.

- (a) 18 (b) 42 (c) 60 (d) 82

69. Find the number of workers left and discharged in the above data.

- (a) 18 (b) 42 (c) 60 (d) 82

70. Standard time p.u. = 20 mins

Actual time taken by worker to produce 200 units = 3000 mins. Find efficiency ratio.

- (a) 100% (b) 125% (c) 133.33% (d) 200%

71. Standard time p.u. of output = 2 hours

Actual time taken by worker to produce 20000 units = 8000 hrs. Find efficiency ratio.

- (a) 100% (b) 125% (c) 133.33% (d) 200%

72. Standard time p.u. of output = 10 mins

Actual output in 2000 hrs = 20000 units. Find efficiency ratio.

- (a) 100% (b) 125% (c) 133.33% (d) 200%

73. Answer questions 73 to 76 using the below data.

Standard time for 1 unit of output = 30 mins

Wage rate per hour = Rs. 600

WORKERS	HOURS WORKED	ACTUAL OUTPUT
A	12 hours	30 units
B	14 hours	40 units
C	9 hours	12 units

Find total wages of worker A using Time rate scheme.

- (a) Rs. 7200 (b) Rs. 8400 (c) Rs. 5400 (d) Rs. 9200

74. Find total wages of worker A using Piece rate scheme.

- (a) Rs. 7200 (b) Rs. 8400 (c) Rs. 5400 (d) Rs. 9000

75. Find total wages of worker C using Halsey's premium plan scheme.

- (a) Rs. 7200 (b) Rs. 8400 (c) Rs. 5400 (d) Rs. 9000

76. Find total wages of worker B using Rowan's premium plan scheme.

- (a) Rs. 8640 (b) Rs. 8460 (c) Rs. 5460 (d) Rs. 9460

77. Standard output in 1 hour = 5 units

Actual output in 28 hours = 280 units

Basic wage rate = Rs. 200 per hour

Find effective wage rate per hour as per Halsey's premium plan.

- (a) Rs. 200 (b) Rs. 300 (c) Rs. 500 (d) Rs. 585

78. Find effective wage rate per hour as per Rowan's premium plan.

- (a) Rs. 200 (b) Rs. 300 (c) Rs. 500 (d) Rs. 585

79. Find the total wages under Halsey's premium plan.

- (a) Rs. 7200 (b) Rs. 8400 (c) Rs. 5400 (d) Rs. 9000

80. Find the total wages under Rowan's premium plan.

- (a) Rs. 7200 (b) Rs. 8400 (c) Rs. 5400 (d) Rs. 9000

ANSWERS

61	B	71	C
62	D	72	B
63	B	73	A
64	B	74	D
65	B	75	C
66	A	76	A
67	D	77	B
68	B	78	B
69	A	79	B
70	C	80	B

81. Standard Time for a job is 80 hours. The hourly rate of guaranteed wage is Rs. 100 per hour. Because of saving in time, Mr. A gets an hourly rate of total wage at 125 per hour under Rowan's Scheme. For the same saving in time, calculate hourly rate of wages under Halsey's scheme.

- (a) Rs. 110 (b) Rs. 116.6667 (c) Rs. 133.33 (d) Rs. 150

82. A skilled worker is paid a guaranteed wage rate of Rs. 120 per hour. The standard time allowed for a job is 6 hours. He took 5 hours to complete the job. He is paid wages under Rowan Incentive Plan. Calculate his effective hourly rate of earnings under Rowan Incentive Plan.

- (a) Rs. 120 (b) Rs. 140 (c) Rs. 160 (d) Rs. 180

83. Answer the question based on the data of above question 82.

If the worker is placed under Halsey incentive scheme (50%) and he wants to maintain the same effective hourly rate of earnings, calculate the time in which he should complete the job.

- (a) 2 Hrs (b) 3.50 Hrs (c) 4.50 Hrs (d) 5 Hrs

84. The Accountant of the company had computed Labour Turnover Rates for the quarter ended 30th September as 14%, 8%, and 6% under Flux, Replacement and Separation Methods respectively. If the number of workers replaced during the said quarter of the year is 36.

Find Number of workers recruited and joined.

- (a) 36 workers (b) 40 workers (c) 27 workers (d) 50 workers

85. Find Number of workers left and discharged in the above data.

- (a) 36 workers (b) 40 workers (c) 27 workers (d) 50 workers

86. Answer questions from 86 to 89 using the below data.

Following information is given of a newly setup organization for the year ended on 31st March, 2027.

Number of workers replaced during the period	50
Number of workers left and discharged during the period	25
Average number of workers on the roll during the period	500

Calculate the Employee Turnover Rates using Separation Method.

- (a) 5% (b) 10% (c) 15% (d) 20%

87. Calculate the Employee Turnover Rates using Flux Method.

- (a) 5% (b) 10% (c) 15% (d) 20%

88. Calculate equivalent employee turnover rate by separation method.

- (a) 20% (b) 30% (c) 60% (d) 90%

89. Calculate equivalent employee turnover rate by flux method.

- (a) 20% (b) 30% (c) 60% (d) 90%

90. Answer questions 90 to 93 based on following scenario.

The management of Sunshine Ltd. wants to have an idea of the profit lost/ foregone as a result of labour turnover last year. Last year sales accounted to 66,00,000 and the P/V Ratio was 20%. The total number of actual hours worked by the direct labour force was 3.45 lakhs. As a result of the delays by the Personnel Department in filling vacancies due to labour turnover, 75,000 potentially productive hours were lost. The actual direct labour hours included 30,000 hours attributable to training new recruits, out of which half of the hours were unproductive. The costs incurred consequent on labour turnover revealed on analysis the following:

Particulars	RS.
Settlement cost due to leaving	27,420
Recruitment costs	18,725
Selection costs	12,750
Training costs	16,105

Assuming that the potential production lost due to labour turnover could have been sold at prevailing prices, ascertain the productive labour hours during last year.

- (a) 3,45,000 hrs (b) 3,15,000 hrs (c) 3,30,000 hrs (d) 3,10,000 hrs

91. Calculate the contribution per labour hour worked.

- (a) Rs. 2 (b) Rs. 3 (c) Rs. 4 (d) Rs. 5

92. Calculate the total contribution foregone on unproductive hours spent on training.

- (a) Rs. 50000 (b) Rs. 60000 (c) Rs. 75000 (d) Rs. 80000

93. Calculate the total profit foregone during last year due to labour turnover.

- (a) Rs. 3,35,000 (b) Rs. 4,35,000 (c) Rs. 5,00,000 (d) Rs. 5,50,000

94. Answer questions 94 to 97 using the below data

Two workmen, Vishnu and Shiva, produce the same product using the same material. Their normal wage rate is also the same. Vishnu, is paid bonus according to the Rowan system, while Shiva is paid bonus according to the Halsey system. The time allowed to make the product is 100 hours. Vishnu takes 60 hours while Shiva takes 80 hours to complete the product. The factory overhead rate is 10 per man hour actually worked. The factory cost for the product for Vishnu is ₹7,280 and for Shiva it is ₹ 7,600.

You are required to find the normal rate of wages.

- (a) Rs. 10 (b) Rs. 20 (c) Rs. 30 (d) Rs. 40

95. Calculate the cost of materials.

- (a) Rs. 4000 (b) Rs. 6000 (c) Rs. 5000 (d) Rs. 7000

96. Find the factory cost of the products as made by Vishnu.

- (a) Rs. 7000 (b) Rs. 7200 (c) Rs. 7280 (d) Rs. 7820

97. Find the factory cost of the products as made by Shiva.

- (a) Rs. 7000 (b) Rs. 7200 (c) Rs. 7400 (d) Rs. 7600

98. Standard time p.u.= 2 hrs

Actual time taken to produce 30 units = 40 hrs

Basic wage rate = Rs. 100 per hour

Calculate total wages payable as per Time rate scheme.

- (a) Rs. 2000 (b) Rs. 4000 (c) Rs. 6000 (d) Rs. 8000

99. Calculate total wages payable as per Piece rate scheme using the above data.

- (a) Rs. 2000 (b) Rs. 4000 (c) Rs. 6000 (d) Rs. 8000

100. Calculate total wages payable as per Halsey's premium plan scheme.

- (a) Rs. 1000 (b) Rs. 4000 (c) Rs. 6000 (d) Rs. 5000

ANSWERS

81	B	91	C
82	B	92	B
83	C	93	B
84	A	94	B
85	C	95	C
86	A	96	C
87	C	97	D
88	B	98	B
89	D	99	C
90	C	100	D

4. OVERHEADS

1. "Fixed overhead costs are not affected in monetary terms during a given period by a change in output". But this statement holds good provided
(a) Increase in output is not substantial
(b) Increase in output is substantial
(c) Both (a) and (b)
(d) None of the above
2. _____ capacity is defined as actually utilised capacity of a plant
(a) Theoretical (b) Installed (c) Practical (d) Normal
3. The allotment of whole items of cost to cost centres or cost units is called
(a) Overhead absorption (b) Cost apportionment (c) Cost allocation (d) None of the above
4. Primary packing cost is a part of
(a) Direct material cost (b) Production Cost (c) Selling overheads (d) Distribution overheads
5. Director's remuneration and expenses form part of
(a) Production overhead (b) Administration overhead (c) Selling overhead (d) Distribution overhead
6. Which of the following is not the classification of overhead based on its functionality?
(a) Factory Overhead (b) Administrative Overhead (c) Fixed Overhead (d) Selling Overhead
7. Bad debt is an example of
(a) Distribution overhead (b) Production overhead
(c) Selling overhead (d) Administration overhead
8. Normal capacity of a plant refers to the difference between
(a) Maximum capacity and practical capacity
(b) Practical capacity and normal capacity
(c) Practical capacity and estimated idle capacity as revealed by long term sales trend.
(d) Maximum capacity and actual capacity
9. The difference between actual factory overhead and absorbed factory overhead will be usually at the minimum level, provided pre- determined overhead rate is based on
(a) Maximum capacity (b) Direct labour hours (c) Machine hours (d) Normal
10. Which of the following overhead cost may not be apportioned on the basis of direct wages?
(a) Worker's Holiday Pay (b) Perquisites to worker (c) ESI contribution (d) Managerial Salaries
11. When the amount of under-or-over-absorption is significant, it should be disposed of by
(a) Defer it to the next accounting year
(b) Calculate supplementary rates and charge it to Cost of goods sold, WIP, Finished Goods
(c) Transfer it to costing profit and loss A/c
(d) None of above
12. _____ capacity is defined as actually utilised capacity of a plant.
(a) Theoretical (b) Installed (c) Practical (d) Normal

13. Which of the following is not the classification of overhead based on its functionality?

- (a) Factory Overhead (b) Administrative Overhead (c) Fixed Overhead (d) Selling Overhead

14. Research expenses will form part of

- (a) Factory overheads
(b) Office and administration overheads
(c) Selling and distribution expenses
(d) Can be part of anyone depending upon the fact and circumstances in each case.

15. Director's remuneration and expenses form part of

- (a) Production overhead (b) Administration overhead (c) Selling overhead (d) Distribution overhead

16. Normal capacity of a plant refers to the difference between

- (a) Maximum capacity and practical capacity
(b) Practical capacity and normal capacity
(c) Practical capacity and estimated idle capacity as revealed by long term sales trend.
(d) Maximum capacity and actual capacity

17. Charging to a cost centre those overheads that result solely for the existence of that cost Centre is known as

- (a) Apportionment (b) Allocation (c) Absorption (d) Allotment

18. Bad debt is an example of

- (a) Distribution overhead (b) Production overhead
(c) Selling overhead (d) Administration overhead

19. The allotment of whole items of cost to cost centres or cost units is called:

- (a) Overhead absorption (b) Cost apportionment (c) Cost allocation (d) None of the above

20. Fixed overhead costs are not affected in monetary terms during a given period by a change in output". But this statement holds good provided:

- (a) Increase in output is not substantial
(b) Increase in output is substantial
(c) Both (a) and (b)
(d) None of the above

ANSWERS

1	A	11	B
2	C	12	C
3	C	13	C
4	B	14	D
5	B	15	B
6	C	16	C
7	C	17	B
8	C	18	C
9	D	19	C
10	D	20	A

21. The difference between actual factory overhead and absorbed factory overhead will be usually at the minimum level, provided pre- determined overhead rate is based on

- (a) Maximum capacity (b) Direct labour hours (c) Machine hours (d) Normal capacity

22. Primary packing cost is a part of

- (a) Direct material cost (b) Production Cost (c) Selling overheads (d) Distribution overheads

23. The accountant for Brilliant Tools Ltd applies overhead based on machine hours. The budgeted overhead and machine hours for the year are 130,000 and 8,000, respectively. The actual overhead and machine hours incurred were 137,500 and 10,000. The cost of goods sold and inventory data compiled for the year is as follows:- Direct Material 25,000 Cost of Goods Sold 225,000 Units: WIP 50,000 and Finished Goods 75,000 What is the amount of over/underapplied overhead for the year?

- (a) Overapplied by 25,000
(b) Underapplied by 25,000
(c) Overapplied by 32,500
(d) Underapplied by 32,500

24. _____ refers to the maximum capacity of producing goods or services.

- (a) Rated Capacity (b) Normal Capacity (c) Practical capacity (d) Actual Capacity

25. Which of the following overhead cost may not be apportioned on the basis of direct wages?

- (a) Workers Holiday Pay (b) Perquisites to worker (c) ESI contribution (d) Managerial Salaries

26. Stock keeping expenses is an example of _____.

- (a) Office and Administrative Overheads
(b) Manufacturing or Production Overhead
(c) Selling and Distribution Overheads
(d) Packing and Quality Overheads

27. Lease rental in case of operating lease is an example of _____.

- (a) Office and Administrative Overheads
(b) Manufacturing or Production Overhead
(c) Selling and Distribution Overheads
(d) Packing and Quality Overheads

28. Depreciation of building and plant and equipment is an example of _____.

- (a) Office and Administrative Overheads
(b) Manufacturing or Production Overhead
(c) Fixed Overheads
(d) Variable Overheads

29. Materials which do not normally form part of the finished product (cost object) are known as _____.

- (a) Direct Materials (b) Indirect materials (c) Hidden Materials (d) Imputed Cost

30. Costs which can be controlled by the implementation of appropriate managerial influence and proper policies
(a) Uncontrollable Costs (b) Controllable Costs (c) Manageable Costs (d) Indirect Costs
31. The sources available for the collection of factory overheads may include
(a) Invoices (b) Stores requisition (c) Wage analysis book (d) Journal entries
(e) All of the above
32. _____ is the process or operation or activity and _____ is the incurrence of cost.
(a) Effect, Cause (b) Result, Cause (c) Cause, Effect (d) Cause, Affect
33. Cost _____ implies "the allotment of proportions of items of cost to cost centres or departments.
(a) Apportionment (b) Allocation (c) Reapportionment (d) Distribution
34. Cost _____ refers to the direct assignment of cost to a cost object which can be traced directly.
(a) Apportionment (b) Allocation (c) Reapportionment (d) Distribution
35. _____ are those departments which do not directly take part in the production of goods or providing services.
(a) Service departments (b) Production departments
(c) Sales Departments (d) Cash Departments
36. The process of assigning service department overheads to production departments is called _____.
(a) Reassignment (b) Apportionment (c) Reapportionment (d) Both (a) & (c)
37. The variable manufacturing overheads shall be absorbed on the basis of _____ and the fixed manufacturing overhead shall be absorbed on the basis of _____.
(a) Actual production, Normal capacity (b) Normal capacity, Actual production
(c) Actual production, Abnormal Capacity (d) Normal capacity, Standard production
38. General overheads can be apportioned on the basis of
(a) Direct labour hour (b) Direct wages (c) Machine hours (d) All of the above
39. The re-apportionment of the service department cost to the production department is known as _____ distribution.
(a) Primary (b) Secondary (c) Third (d) Last
40. Methods for Re-apportionment include
(a) Direct re-distribution method
(b) Step method of secondary distribution or non-reciprocal method
(c) Reciprocal Service method
(d) All of the above

ANSWERS

21	D	31	E
22	B	32	C
23	A	33	A
24	A	34	B
25	D	35	A
26	B	36	D
27	A	37	A
28	C	38	D
29	B	39	B
30	B	40	D

41. Under _____ method, costs are apportioned over the production departments only, ignoring the services rendered by one service department to the other.

- (a) Step method or nonreciprocal method
- (b) Simultaneous Equation method
- (c) Repeated distribution method
- (d) Direct Re-Distribution Method

42. Under which method, the cost of the service department that serves the largest number of services to the other service department(s) and production department(s) is distributed first. Then, the cost of service department serving the next largest number of departments is apportioned and the process continues till the cost of last service department is apportioned where The cost of last service department is apportioned among production departments only.

- (a) Step method or nonreciprocal method
- (b) Simultaneous Equation method
- (c) Repeated distribution method
- (d) Direct Re-Distribution Method

43. According to _____ method firstly, the costs of service departments are ascertained. These costs are then re-distributed to production departments on the basis of given percentages.

- (a) Step method or nonreciprocal method
- (b) Simultaneous Equation method
- (c) Repeated distribution method
- (d) Direct Re-Distribution Method

44. Methods of Absorption of Overheads include

- (a) Percentage of direct materials
- (b) Percentage of prime cost
- (c) Percentage of direct labour cost
- (d) All of the above

45. Under _____ method, the cost of direct material consumed is the base for calculating the amount of overhead absorbed

- (a) Percentage of direct materials
- (b) Percentage of prime cost
- (c) Percentage of direct labour cost
- (d) Labour hour rate

46. Overhead rate under Percentage of direct materials method is calculated as

- (a) $(\text{Total Production Overheads of a Department} / \text{Budgeted Direct Material cost of all products}) \times 100$
- (b) $(\text{Total Production Overheads of a Department} / \text{Prime cost}) \times 100$
- (c) $(\text{Budgeted Direct Material cost of all products} / \text{Total Production Overheads of a Department}) \times 100$
- (d) $(\text{Prime cost} / \text{Total Production Overheads of a Department}) \times 100$

47. Overhead rate under Percentage of prime cost method is calculated as

- (a) $(\text{Total Production Overheads of a Department} / \text{Budgeted Direct Material cost of all products}) \times 100$
- (b) $(\text{Total Production Overheads of a Department} / \text{Prime cost}) \times 100$
- (c) $(\text{Budgeted Direct Material cost of all products} / \text{Total Production Overheads of a Department}) \times 100$
- (d) $(\text{Prime cost} / \text{Total Production Overheads of a Department}) \times 100$

48. Overhead rate under Percentage of Direct Labour cost method is calculated as

- (a) $(\text{Total Production Overheads of a Department} / \text{Budgeted Direct Material cost of all products}) \times 100$
- (b) $(\text{Total Production Overheads of a Department} / \text{Prime cost}) \times 100$
- (c) $(\text{Budgeted Direct Material cost of all products} / \text{Total Production Overheads of a Department}) \times 100$
- (d) $(\text{Total Production Overheads of a Department} / \text{Direct Labour cost}) \times 100$

49. Overhead rate under Percentage of Direct Labour hour method is calculated as

- (a) $(\text{Total Production Overheads of a Department} / \text{Budgeted Direct Material cost of all products}) \times 100$
- (b) $(\text{Total Production Overheads of a Department} / \text{Prime cost}) \times 100$
- (c) $(\text{Total Production Overheads of a Department} / \text{Direct Labour Hour}) \times 100$
- (d) $(\text{Total Production Overheads of a Department} / \text{Direct Labour cost}) \times 100$

50. Overhead rate under Rate per unit of output method is calculated as

- (a) $\text{Amount of overheads} / \text{Number of units}$
- (b) $(\text{Total Production Overheads of a Department} / \text{Number of units}) \times 100$
- (c) $(\text{Amount of overheads} / \text{Direct Labour Hour}) \times 100$
- (d) $(\text{Amount of overheads} / \text{Direct Labour cost}) \times 100$

51. _____ refers to the computation of one single overhead rate for the whole factory.

- (a) Departmental Overhead Rate
- (b) Blanket Overhead rate
- (c) Common Overhead rate
- (d) Uniform Overhead rate

52. _____ refers to the computation of one single overhead rate for a particular production unit or department.

- (a) Departmental Overhead Rate
- (b) Blanket Overhead rate
- (c) Common Overhead rate
- (d) Uniform Overhead rate

53. _____ refers to the maximum capacity of producing goods or providing services.

- (a) Practical Capacity
- (b) Installed capacity
- (c) Normal capacity
- (d) Idle capacity

54. _____ is defined as actually utilised capacity of a plant.

- (a) Practical Capacity
- (b) Installed capacity
- (c) Normal capacity
- (d) Idle capacity

55. _____ is also known as theoretical capacity.

- (a) Practical Capacity
- (b) Installed capacity
- (c) Normal capacity
- (d) Idle capacity

56. Practical Capacity is also known as _____ capacity.

- (a) Non-Operating Capacity
- (b) Installed capacity
- (c) Operating capacity
- (d) Idle capacity

57. _____ is the volume of production or services achieved or achievable on an average over a period under normal circumstances.

- (a) Practical Capacity
- (b) Installed capacity
- (c) Normal capacity
- (d) Idle capacity

58. _____ is that part of the capacity of a plant, machine or equipment which cannot be effectively utilised in production.

- (a) Practical Capacity
- (b) Installed capacity
- (c) Normal capacity
- (d) Idle capacity

59. _____ is the difference between Installed capacity and Normal capacity.

- a) Idle Capacity (b) Normal Idle capacity (c) Abnormal capacity (d) Actual capacity

60. _____ is the difference between Normal capacity and Actual capacity utilization where the actual capacity is lower than the normal capacity.

- a) Idle Capacity (b) Normal Idle capacity (c) Abnormal capacity (d) Actual capacity

ANSWERS

41	D	51	B
42	A	52	A
43	B	53	B
44	D	54	A
45	A	55	B
46	A	56	C
47	B	57	C
48	D	58	D
49	C	59	B
50	A	60	C

61. Director's remuneration and expenses form a part of
- (a) Production overheads
 - (b) Administration overheads
 - (c) Selling overheads
 - (d) Distribution overheads
62. Salary of foreman should be classified as
- (a) Fixed overheads
 - (b) Variable overheads
 - (c) Semi-variable or semi-fixed overheads
 - (d) None of the above
63. Absorption of overheads means
- (a) Charging of overheads to cost centres
 - (b) Charging of overheads to cost unit
 - (c) Charging of overheads to cost centres & cost units
 - (d) None of the above
64. Which of the following is a service department
- (a) Refining department
 - (b) Machining department
 - Receiving department
 - (d) Finishing department
65. Which method of absorption of factory overheads do you suggest in a concern which produces only one uniform item of product
- (a) Percentage of direct wages basis
 - (b) Direct labour hour rate
 - (c) Machine hour rate
 - (d) Rate per unit of output
66. When the amount of under or over absorption of overheads is significant, it should be disposed off by
- (a) Transferring to costing profit and loss account
 - (b) The use of supplementary rate
 - (c) Carrying over as a deferred charge to next accounting year
 - (d) Any of the above
67. Maximum possible productive capacity of a plant when no operating time is lost is its
- (a) Practical capacity
 - (b) Normal capacity
 - (c) Theoretical capacity
 - (d) Capacity based on sales expectancy

68. When the amount of overheads absorbed is less than the amount of overheads incurred, it is called

- (a) Over absorption of overheads
- (b) Under absorption of overhead
- (c) Carry forward of overheads
- (d) None of the above

69. Which method of absorption of factory overheads do you suggest in a concern which produces five different variety of products, all requiring different machine hours

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

70. Factory overheads should generally be absorbed on the basis of

- (a) Relationship to cost incurred
- (b) Direct labour hour rate
- (c) Machine hour rate
- (d) Rate per unit of output

71. What is the basis for distribution of indirect material cost to various departments

- (a) Direct allocation
- (b) Cost of direct material consumed
- (c) Machine hours worked
- (d) Any of the above

72. What is the basis for distribution of electricity cost to various departments

- (a) Direct allocation
- (b) Labour hours worked
- (c) Machine hours worked
- (d) Number of light points

73. Which of the following is not a method of re-apportionment of overheads

- (a) Direct redistribution method
- (b) Step ladder method
- (c) Simultaneous equation method
- (d) Percentage of labour cost method

74. Which of the following is not a method of absorption of overheads

- (a) Repeated distribution method
- (b) Direct labour hour rate
- (c) Machine hour rate
- (d) Rate per unit of output

75. Overhead absorption rate is 15 per machine hour and the actual machine hours worked period are 2,500. Actual overheads incurred during the same period are 13,500. There is

- (a) Over absorption of overheads by ₹1,000
- (b) Under absorption of overheads by ₹1,000
- (c) Under absorption of overheads by 12,500
- (d) None of the above

76. _____ is most commonly used for calculation of OH recovery Rates

- (a) Practical capacity
- (b) Normal capacity
- (c) Theoretical capacity
- (d) Idle Capacity

77. Overheads may be defined as specific unit. Including services which cannot conveniently be charged

- (a) Direct Costs
- (b) Indirect Costs
- (c) Both of these
- (d) None of these

78. Which of the following are the reasons for classification of OH into Fixed and Variable?

- (a) Control over Expenses
- (b) Budgeting and Estimates
- (c) Decision Making
- (d) All of the above

79. Which of the following are the methods of re-apportionment of OH in case of Reciprocal Services?

- (a) Simultaneous Equation Method
- (b) Repeated Distribution Method
- (c) Trial and Error Method
- (d) All of the above

80. Which of the following are the methods of re-apportionment of OH in case of Non-reciprocal Services?

- (a) Simultaneous Equation Method
- (b) Step Ladder Method
- (c) Trial and Error Method
- (d) Repeated Distribution Method

ANSWERS

61	B	71	B
62	A	72	D
63	C	73	D
64	C	74	A
65	D	75	B
66	B	76	B
67	C	77	B
68	B	78	D
69	C	79	D
70	B	80	A

81. which of the flowing are the methods of re apportionment of OH in case there is no service department?

- (a) Simultaneous Equation Method
- (b) Step Ladder Method
- (c) Trial and Error Method
- (d) Direct Redistribution Method

82. Which of the following are the methods of accounting of under / over absorption of OH?

- (a) Use of Supplementary Rate
- (b) write off to Costing P & L A/c
- (c) Carry Forward of OH
- (d) All of the above

83. _____ methods of accounting of Administrative OH is followed if it is presumed that administration is not a separate function but only a supportive function to production and sales.

- (a) Apportioning OH between Production and Sales department
- (b) Charged to Costing P & L A/c
- (c) Separately added to Cost of Production
- (d) All of the above

84. _____ is a method for controlling Selling & Distribution OH

- (a) Trend Analysis
- (b) Budgetary Control
- (c) Standard Costing
- (d) All of the above

85. _____ is a fee paid to the owner of patent for use of technical know-how.

- (a) Royalties
- (b) Depreciation
- (c) Fringe Benefits
- (d) None of the above

86. _____ is the diminution in the intrinsic value of an asset due to use and / or lapse of time.

- (a) Royalties
- (b) Depreciation
- (c) Fringe Benefits
- (d) None of the above

87. If royalty is paid on a product on per unit basis, then it will form a part of

- (a) Direct Material
- (b) Indirect Material
- (c) Prime Cost
- (d) None of the above

88. _____ are the additional benefits or facilities provided to the workers apart from their monetary salary and other allowances.

- (a) Royalties
- (b) Depreciation
- (c) Fringe Benefits
- (d) None of the above

89. Training expenses of factory workers are treated as a part of

- (a) Cost of Goods Sold
- (b) Cost of Production
- (c) Prime Cost
- (d) None of the above

90. Expenses related to transportation of finished goods may be treated as

- (a) Prime Cost
- (b) Administrative OH
- (c) Selling & Distribution OH
- (d) None of the above

91. If night shifts are run due to abnormal circumstances, the additional expenditure should be charges to

- a) Costing P & LA/c
- (b) Administrative OH
- (c) Selling & Distribution OH
- (d) Production OH

92. Answer questions from 92 to 100 based on below case scenario.

M/s. Anushka & Co. manufactures product A at the rate of 80 pieces per hour. The company has been producing and selling 1,60,000 units annually during the period 2020 to 2026. However, during the year 2027 the company was able to produce 1,46,000 units only. The company's annual fixed overheads for 2027 amounted to 5,84,000. The company worked on single shift only at 8 hours per day and 6 days a week. The company has declared 13 holidays (other than weekly holidays) during the year 2027. The quarterly preventive maintenance and repairs work involved 77 hours.

Calculate Maximum capacity.

- (a) 2,920 Hours
- (b) 2,092 Hours
- (c) 2,000 Hours
- (d) 1,825 Hours

93. Calculate Practical capacity.

- (a) 2,920 Hours
- (b) 2,092 Hours
- (c) 2,000 Hours
- (d) 1,825 Hours

94. Calculate Normal capacity.

- (a) 2,920 Hours
- (b) 2,092 Hours
- (c) 2,000 Hours
- (d) 1,825 Hours

95. Calculate Actual capacity.

- (a) 1,825 Hours
- (b) 1,850 Hours
- (c) 175 Hours
- (d) 1,900 Hours

96. Calculate Idle capacity.

- (a) 1,825 Hours (b) 1,850 Hours (c) 175 Hours (d) 1,900 Hours

97. Calculate Overhead recovery rate of Theoretical capacity.

- (a) Rs. 200 per hr (b) Rs. 320 per hr (c) Rs. 292 per hr (d) Rs. 279.1587 per hr

98. Calculate Overhead recovery rate of Practical capacity.

- (a) Rs. 200 per hr (b) Rs. 320 per hr (c) Rs. 292 per hr (d) Rs. 279.1587 per hr

99. Calculate Overhead recovery rate of Normal capacity.

- (a) Rs. 200 per hr (b) Rs. 320 per hr (c) Rs. 292 per hr (d) Rs. 279.1587 per hr

100. Calculate Overhead recovery rate of Actual capacity.

- (a) Rs. 200 per hr (b) Rs. 320 per hr (c) Rs. 292 per hr (d) Rs. 279.1587 per hr

ANSWERS

81	D	91	A
82	D	92	A
83	A	93	B
84	D	94	C
85	A	95	A
86	B	96	C
87	C	97	A
88	C	98	D
89	B	99	C
90	C	100	B

1. A cost driver is
 - (a) An item of production overheads
 - (b) A common cost which is shared over cost centres
 - (c) Any cost relating to transport
 - (d) An activity which generates costs

2. In activity based costing, costs are accumulated by activity using:
 - (a) Cost drivers
 - (b) Cost objects
 - (c) Cost pools
 - (d) Cost benefit analysis

3. A cost driver
 - (a) Is a force behind the overhead cost
 - (b) Is an allocation base
 - (c) Is a transaction that is a significant determinant of cost
 - (d) All of the above

4. Which of the following is not a correct match
 - a) Production Scheduling - Number of Production runs
 - b) Despatching - Number of dispatch orders
 - c) Goods receiving - Goods received orders
 - d) Inspection - Machine hours

5. Transactions undertaken by support department personnel are the appropriate cost drivers. Find the one which is not appropriate
 - (a) The number of purchase, supplies and customers' orders drives the cost associated with new material inventory, work-in-progress and finished goods inventory
 - (b) The number of production runs undertaken drives production scheduling, inspection and material handling
 - (c) The quality of raw material issued drives the cost of receiving department costs
 - (d) The number of packing orders drives the packing costs

6. Steps in ABC include
 - (a) Identification of activities and their respective costs
 - (b) Identification of cost driver of each activity and computation of an allocation rate per activity
 - (c) Allocation of overhead cost to products/ services based on the activities involved
 - (d) All of the above

7. Which of the following is not a benefit of ABC?
 - (a) Accurate cost allocation
 - (b) Improved decision making
 - (c) Better control on activity and costs
 - (d) Reduction of prime cost

8. The steps involved for installation of ABC in a manufacturing company include the following except
 - (a) Borrowing fund
 - (b) Feasibility study
 - (c) Building up necessary IT infrastructure and training of line employees
 - (d) Strategy and value chain analysis

9. Which of the following statements are true

(1) Activity based Management involves activity analysis and performance measurement.

(2) Activity based costing serves as a major source of information in ABM.

(a) (1) True;(2) False

(b) (1) True;(2) True

(c) (1) False; (2) True

(d) (1) False; (2) False

10. The key elements of Activity based budgeting are

(a) Type of activity to be performed

(b) Quantity of activity to be performed

(c) Cost of activity to be performed

(d) All of the above

11. Which of the following is not a benefit of ABC?

(a) Accurate cost allocation

(b) Improved decision making

(c) Better control on activity and costs

(d) Reduction of prime cost

12. Transactions undertaken by support department personnel are the appropriate cost drivers. Find the one which is not appropriate

(a) The number of purchase, supplies and customers orders drives the cost associated with new material inventory, work- in-progress and finished goods inventory

(b) The number of production runs undertaken drives production scheduling, inspection and material handling

(c) The quality of raw material issued drives the cost of receiving department costs

(d) The number of packing orders drives the packing costs

13. In Activity based costing, costs are accumulated by activity using

(a) Cost drivers

(b) Cost objects

(c) Cost pools

(d) Cost benefit analysis

14. ABC analysis is an inventory control technique in which

(a) Inventory levels are maintained.

(b) Inventory is classified into A, B and C category with A being the highest quantity, lowest value.

(c) Inventory is classified into A, B and C Category with A being the lowest quantity, highest value.

(d) Either b or c.

15. The steps involved for installation of ABC in a 0-5 manufacturing company include the following except

(a) Borrowing fund

(b) Feasibility study

(c) Building up necessary IT infrastructure and training of line employees

(d) Strategy and value chain analysis

16. Steps in ABC include

(a) Identification of activities and their respective costs

(b) Identification of cost driver of each activity and computation of an allocation rate per activity

(c) Allocation of overhead cost to products/ services based on the activities involved

(d) All of the above

17. The key elements of activity based budgeting are

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

18. A cost driver is

- (a) An item of production overheads
- (b) A common cost which is shared over cost centres
- (c) Any cost relating to transport
- (d) An activity which generates costs

19. The steps involved for installation of ABC in a manufacturing company include the following except

- (a) Borrowing fund
- (b) Feasibility study
- (c) Building up necessary IT infrastructure and training of line employees
- (d) Strategy and value chain analysis

20. A cost driver

- (a) Is a force behind the overhead cost
- (b) Is an allocation base
- (c) Is a transaction that is a significant determinant of cost
- (d) All of the above

ANSWERS

1	D	11	D
2	C	12	C
3	D	13	C
4	D	14	C
5	C	15	A
6	D	16	D
7	D	17	D
8	A	18	D
9	B	19	A
10	D	20	D

21. ABC is particularly needed by organisations for product costing in the following situations

- (a) High amount of overhead
- (b) Wide range of product
- (c) Stiff competition
- (d) All of the above

22. _____ is an accounting methodology that assigns costs to activities rather than products or services.

- (a) Overheads absorption
- (b) Activity Based Costing
- (c) Marginal Costing
- (d) Standard Costing

23. _____ is a factor that causes a change in the cost of an activity.

- (a) Cost Pool
- (b) Cost Driver
- (c) Activity
- (d) Object

24. _____ is a measure of the quantity of resources consumed by an activity.

- (a) Cost Pool
- (b) Cost Driver
- (c) Resource Cost Drive
- (d) Activity Cost Driver

25. _____ is a measure of the frequency and intensity of demand, placed on activities by cost objects.

- (a) Cost Pool
- (b) Cost Driver
- (c) Resource Cost Drive
- (d) Activity Cost Driver

26. _____ represents a group of various individual cost items.

- (a) Cost Pool
- (b) Cost Driver
- (c) Activity
- (d) Object

27. Cost Driver for Research and Development can be

- (a) Number of research projects
- (b) Personnel hours on a project
- (c) Both (a) & (b)
- (d) None of the above

28. Cost Driver for Design of products, services and procedures can be

- (a) Number of products in design
- (b) Number of parts per product
- (c) Number of engineering hours
- (d) All of the above

29. In _____ overheads are first related to cost centres (Production & Service Centres) and then to cost objects.
- (a) Traditional absorption costing
 - (b) Activity Based Costing
 - (c) Marginal Costing
 - (d) Standard Costing
30. Maintenance of buildings and Plant security can be considered under which category of activity?
- (a) Unit level activities
 - (b) Batch level activities
 - (c) Product level activities
 - (d) Facilities level activities
31. Activity cost driver rate can be calculated as
- (a) Total cost of activity / Activity driver
 - (b) Activity driver / Total cost of activity
 - (c) Total cost of entity / Total production
 - (d) None of the above
32. The advantages of using Activity Based Costing are
- (a) Overhead allocation is done on logical basis.
 - (b) It is more expensive, particularly in comparison with traditional costing system.
 - (c) It may not be applied to organizations with limited products.
 - (d) Selection of the most suitable cost driver may not be easy/ may be difficult or complicated.
33. Practical stages required in the ABC implementation are
- (a) Staff Training
 - (b) Determine the activity cost drivers
 - (c) Relate the overheads to the activities
 - (d) Calculate activity cost driver rates for each activity
34. The use of ABC as a costing tool to manage costs at activity level is known as _____.
- (a) Marginal Costing
 - (b) Activity Based Costing (ABC)
 - (c) Activity Based Cost Management (ABM)
 - (d) Standard Costing
35. The various types of analysis involved in ABM are
- (a) Cost Driver Analysis
 - (b) Value-Added Activities
 - (c) Non-Value-Added Activities
 - (d) All of the above
36. _____ involves the identification of appropriate measures to report the performance of activity centres.
- (a) Cost Driver Analysis
 - (b) Value-Added Activities
 - (c) Non-Value-Added Activities
 - (d) Performance Analysis

37. Activity based management can be used

- (a) Activity Definition
- (b) Process Specification
- (c) Cost Reduction
- (d) Activity Driver Selection

38. The _____ activities are those activities which are indispensable in order to complete the process.

- (a) Value-added
- (b) Non-Value added
- (c) Performance
- (d) Standard

39. _____ activity represents work that is not valued by the external or internal customer.

- (a) Value-added
- (b) Non-Value added
- (c) Performance
- (d) Standard

40. _____ is a process of planning and controlling the expected activities for the organisation to derive a cost-effective budget that meets forecast workload and agreed strategic goals.

- (a) Activity-based budgeting
- (b) Activity Based Costing (ABC)
- (c) Activity Based Cost Management (ABM)
- (d) Standard Costing

ANSWERS

21	D	31	D
22	B	32	A
23	B	33	A
24	C	34	C
25	D	35	D
26	A	36	D
27	C	37	C
28	D	38	A
29	A	39	B
30	D	40	A

Number of Statements	3,00,000	50,000	1,50,000
Telephone Minutes Required	3,50,000	90,000	1,60,000

Calculate activity driver rate for Providing ATM Service activity.

- (a) 0.50 (b) 0.40 (c) 1.60 (d) 0.60

48. Calculate activity driver rate for Customer Inquiries activity.

- (a) 0.50 (b) 0.40 (c) 1.60 (d) 0.60

49. Calculate activity driver rate for Issuing Statements activity.

- (a) 0.50 (b) 0.40 (c) 1.60 (d) 0.60

50. Calculate activity driver rate for Computer Processing activity.

- (a) 0.50 (b) 0.40 (c) 1.60 (d) 0.60

51. Calculate the cost of Providing ATM Service of Checking Accounts department.

- (a) 10,000 (b) 90,000 (c) 8,00,000 (d) 2,40,000

52. Calculate the cost of Issuing Statements of Gold Visa department.

- (a) 10,000 (b) 90,000 (c) 8,00,000 (d) 2,40,000

53. Answer questions from 53 to 55 based on below details.

Shiva Ltd. manufactures three types of products namely P, Q and R. The data relating to a period are as under:

Particulars	P	Q	R
Machine hours per unit	10	18	14
Direct Labour hours per unit @ Rs. 20	4	12	8
Direct Material per unit (Rs.)	90	80	120
Production (units)	3,000	5,000	20,000

Currently the company uses traditional costing method and absorbs all production overheads on the basis of machine hours. The machine hour rate of overheads is Rs. 6 per hour.

Calculate the cost per unit of product P using traditional method of absorbing all production overheads on the basis of machine hours.

- (a) 220 (b) 230 (c) 240 (d) 250

54. Calculate the cost per unit of product Q using traditional method of absorbing all production overheads on the basis of machine hours.

- (a) 420 (b) 425 (c) 428 (d) 450

55. Calculate the cost per unit of product R using traditional method of absorbing all production overheads on the basis of machine hours.

- (a) 361 (b) 362 (c) 363 (d) 364

56. Answer questions from 56 to 60 based on below case study.

AK Ltd. is a manufacturer of a range of goods. The cost structure of its different products is as follows:

Particulars	A	B	C
Direct Materials (Rs. /u)	100	80	80
Direct Labour @Rs.10/ hour (Rs. /u)	30	40	50
Production Overheads (Rs. /u)	30	40	50

Total Cost (Rs. /u)	160	160	180
Quantity Produced (Units)	20,000	40,000	60,000

AK Ltd. was absorbing overheads on the basis of direct labour hours. A newly appointed management accountant has suggested that the company should introduce ABC system and has identified cost drivers and cost pools as follows:

Activity Cost	Pool Cost Driver	Associated Cost (Rs.)
Stores Receiving	Purchase Requisitions	5,92,000
Inspection	Number of Production Runs	17,88,000
Dispatch	Orders Executed	4,20,000
Machine Setup	Number of Setups	24,00,000

The following information is also supplied:

Details	Product A	Product B	Product C
No. of Setups	360	390	450
No. of Orders Executed	180	270	300
No. of Production Runs	750	1,050	1,200
No. of Purchase Requisitions	300	450	500

Calculate the amount of Stores Receiving apportioned to Product A.

- (a) 1,42,080 (b) 6,25,800 (c) 1,68,000 (d) 7,80,000

57. Calculate the amount of Dispatch apportioned to Product C.

- (a) 1,42,080 (b) 6,25,800 (c) 1,68,000 (d) 7,80,000

58. Calculate the amount of Inspection apportioned to Product B.

- (a) 1,42,080 (b) 6,25,800 (c) 1,68,000 (d) 7,80,000

59. Calculate the amount of Machine Setup apportioned to Product B.

- (a) 1,42,080 (b) 6,25,800 (c) 1,68,000 (d) 7,80,000

60. Calculate the amount of Machine Setup apportioned to Product A.

- (a) 7,20,000 (c) 7,80,000 (c) 9,00,000 (d) None

ANSWERS

41	A	51	B
42	B	52	D
43	D	53	B
44	C	54	C
45	D	55	D
46	B	56	A
47	A	57	C
48	D	58	B
49	C	59	D
50	B	60	A

1. A _____ is a document which provides a detailed cost information.
(a) Cost Sheet (b) Cost Statement (c) Both (a) & (b) (d) None of the above
2. The costs as classified on the basis of functions are grouped into the following cost heads in a cost sheet
(a) Prime Cost
(b) Cost of Production
(c) Cost of Goods Sold
(d) Cost of Sales
(e) All of the above
3. _____ represents the total of direct materials costs, direct employee (labour) costs and direct expenses.
(a) Prime Cost
(b) Cost of Production
(c) Cost of Goods Sold
(d) Cost of Sales
4. _____ is the cost of direct material consumed.
(a) Direct Material Cost
(b) Direct Employees
(c) Direct Expenses
(d) Cost of Production
5. _____ is the total of payment made to the employees who are engaged in the production of goods and provision of services.
(a) Direct Employee Cost
(b) Direct Material Cost
(c) Direct Expenses
(d) Cost of Production
6. _____ is the total of prime cost and factory related costs and overheads.
(a) Direct Material Cost
(b) Direct Employees
(c) Direct Expenses
(d) Cost of Production
7. _____ is also known as works/ production/ manufacturing overheads.
(a) Prime Cost
(b) Cost of Production
(c) Cost of Goods Sold
(d) Factory Overheads
8. Factory Overheads includes the following indirect costs
(a) Consumable stores and spares
(b) Depreciation of plant and machinery, factory building etc.
(c) Lease rent of production assets
(d) All of the above

9. The realised or realisable value of scrap or waste is also known as _____.
- (a) Credit for recoveries
(b) Research & Development cost
(c) Administrative Overheads
(d) Quality Control Cost
10. Packing material which is essential to hold and preserve the product for its use by the customer
- (a) Packing Cost (primary)
(b) Research & Development cost
(c) Administrative Overheads
(d) Quality Control Cost
11. _____ is the total cost of a product incurred to make the product available to the customer or consumer.
- (a) Cost of sales
(b) Prime Cost
(c) Cost of Production
(d) Cost of Goods Sold
12. Generally, for the purpose of cost sheet preparation, costs are classified on the basis of
- (a) Functions (b) Variability (c) Relevance (d) Nature
13. Which of the following does not form part of prime cost
- (a) Cost of packing
(b) Cost of transportation paid to bring materials to factory
(c) GST paid on raw materials (input credit cannot be claimed)
(d) Overtime premium paid to workers.
14. A Ltd. received an order, for which it purchased a special frame for manufacturing, it is a part of
- (a) Direct Materials (b) Direct expenses (c) Factory Overheads (d) Administration Overheads
15. Salary paid to plant supervisor is a part of
- (a) Direct expenses (b) Factory overheads (c) Quality control cost (d) Administration cost
16. Depreciation of director's laptop is treated as a part of
- (a) Administration Overheads (b) Factory Overheads
(c) Direct Expenses (d) Research & Development cost.
17. A manufacture has set-up a lab for testing of products for compliance with standards, salary of this lab staffs are part of
- (a) Works overheads (b) Quality Control Cost (c) Direct Expenses (d) Research & Development Cost.
18. Audit fees paid to auditors is part of
- (a) Administration Cost (b) Production cost (c) Selling & Distribution cost (d) None
19. Salary paid to factory store staff is part of
- (a) Factory overheads (b) Production Cost (c) Direct Employee cost (d) Direct Material Cost.
20. Canteen expenses for factory workers are part of
- (a) Factory overhead (b) Administration Cost (c) Marketing cost (d) None of the above.

ANSWERS

1	C	11	A
2	E	12	A
3	A	13	A
4	A	14	B
5	A	15	B
6	D	16	A
7	D	17	B
8	D	18	A
9	A	19	A
10	A	20	A

21. A company pays royalty to State Government on the basis of production, it is treated as

- (a) Direct Material Cost
- (b) Factory Overheads
- (c) Direct Expenses
- (d) Administration cost

22. Depreciation of director's laptop is treated as

- (a) Administration overheads
- (b) Factory overheads
- (c) Direct expenses
- (d) Research & Development cost

23. A manufacture has set-up a lab for testing of products for compliance with standards, salary of this lab staffs are part of

- (a) Works overheads
- (b) Quality Control Cost
- (c) Direct Expenses
- (d) Research & Development Cost

24. Which of the following is not indirect costs?

- (a) Research and development cost, Primary packing cost, Admin overhead related to production
- (b) Cost of making a design, pattern for a specific job
- (c) Factory supervisor salary, Depreciation on Plant and Machinery
- (d) Stores and spares consumed, repairs and maintenance of plant and machinery

25. A company pays royalty to state government on the basis of production , it is treated as

- (a) Administration Overheads
- (b) Factory Overheads
- (c) Direct Expenses
- (d) Research & Development cost

26. The following details are given to you

Raw materials consumed - 2,40,000

Factory overheads - $\frac{3}{4}$ of direct wages

Quality control cost and research and development cost - 20% of factory cost

Cost of production - 7,50,000

The amount of direct wages will be:

- (a) 2,50,000
- (b) 2,20,000
- (c) 2,00,000
- (d) 3,00,000

27. Postage and telegram is an example of

- (a) Prime Cost
- (b) Production Overheads
- (c) Selling and Distribution Overheads
- (d) Office and Administration Overheads

28. Which of the following does not form part of prime cost

- (a) Cost of packing
- (b) Cost of transportation paid to bring materials to factor
- (c) GST paid on raw materials (input credit cannot be claimed)
- (d) Overtime premium paid to workers.

29. A Ltd. received an order, for which it purchased a special frame for manufacturing, it is a part of:

- (a) Direct Materials
- (b) Direct expenses
- (c) Factory Overheads
- (d) Administration Overheads

30. Material consumed is 8,00,000, Opening stock of raw material is 2,00,000 and Closing stock of raw material is 175,000. What is the cost of raw material purchased?

- (a) 11,75,000
- (b) 7,75,000
- (c) 8,25,000
- (d) 4,25,000

31. Salary paid to plant supervisor is a part of

- (a) Direct expenses
- (b) Factory overheads
- (c) Quality control cost
- (d) Administration cost

32. Salary paid to factory store staff is part of

- (a) Factory overheads
- (b) Production Cost
- (c) Direct Employee cost
- (d) Direct Material Cost.

33. Cost of production + Opening stock of finished goods - closing stock of finished goods equals to

- (a) Prime cost
- (b) Cost of goods sold
- (c) Sales
- (d) Cost of sales

34. The production cost incurred for one unit of finished goods was 80. Direct materials were $\frac{1}{4}$ of the total cost, and direct labour was 45% of the combined total of direct labour and factory overhead. The cost for direct materials, direct labour and factory overhead will be:

- (a) 20, 27 and 33 respectively
- (b) 20, 33 and 27 respectively
- (c) 20, 36 and 24 respectively
- (d) 20, 24 and 36 respectively

35. Canteen expenses for factory workers are part of

- (a) Factory overhead (b) Administration Cost (c) Marketing cost (d) None of the above

36. Answer questions 36 to 40 using the below data:

The following data relates to the manufacture of a standard product during the month April, 2027:

Particulars	Amount
Raw materials	₹ 1,80,000
Direct wages	₹ 90,000
Machine hours worked (hours)	10,000
Machine hour rate (per hour)	₹ 8
Administration overheads	₹ 35,000
Selling overheads (per unit)	₹ 5
Units produced	4,000
Units sold	3,600
Selling price per unit	₹ 125

Find Prime Cost

- (a) 2,00,000 (b) 2,50,000 (c) 2,70,000 (d) None of the above

37. Find cost of production of 4000 units

- (a) 3,00,000 (b) 3,50,000 (c) 3,80,000 (d) None of the above

38. Find Cost of sales

- (a) 3,60,000 (b) 3,64,000 (c) 3,64,500 (d) 3,46,500

39. Find the value of closing stock of finished goods.

- (a) 38,000 (b) 38,500 (c) 39,500 (d) 40,500

40. Find the profit / (loss) for the month of April.

- (a) 85,000 (b) 85,500 (c) 86,500 (d) None of the above

ANSWERS

21	C	31	B
22	A	32	A
23	B	33	B
24	B	34	A
25	C	35	A
26	B	36	C
27	D	37	D
28	A	38	C
29	B	39	B
30	B	40	B

41. Answer questions from 41 to 50 based on the below data.

The books of Reddy Manufacturing Company present the following data for the month of April, 2027.

Direct labour cost – Rs. 17,500 being 175% of works overheads.

Cost of goods sold excluding administrative expenses Rs. 56,000.

Inventory accounts showed the following opening and closing balances.

	April 1	April 30
Raw material	8000	10600
WIP	10500	14500
Finished goods	17600	19000

Other data are

	Amt
Selling expenses	3500
General and administration expenses	2500
Sales for the month	75000

Calculate Cost of production.

- (a) 54,000 (b) 57,400 (c) 61,400 (d) 33,900

42. Calculate Net Factory cost.

- (a) 54,000 (b) 57,400 (c) 61,400 (d) 33,900

43. Calculate Gross factory cost.

- (a) 54,000 (b) 57,400 (c) 61,400 (d) 33,900

44. Calculate Prime cost.

- (a) 51,400 (b) 33,900 (c) 61,400 (d) 33,900

45. Calculate the value of direct material.

- (a) 54,000 (b) 57,400 (c) 61,400 (d) 33,900

46. Calculate the value of direct labour cost.

- (a) 14,000 (b) 17,400 (c) 10,000 (d) 33,900

47. Calculate the value of purchases made during the month.

- (a) 34,000 (b) 31,400 (c) 36,500 (d) 31,900

48. Calculate the Cost of sales for the month.

- (a) 64,000 (b) 62,400 (c) 62,000 (d) 61,700

49. Calculate the Profit/ (loss) for the month.

- (a) 10,000 (b) (12,000) (c) 17,000 (d) 13,000

50. Dividend declared is included in the cost sheet of the company.

- (a) True (b) False (c) Partially true (d) Partially false

ANSWERS

41	B
42	B
43	C
44	A
45	D
46	C
47	C
48	C
49	D
50	B

1. Under the Non-integrated accounting system
 - (a) Same ledger is maintained for cost and financial accounts by accountants
 - (b) Separate ledgers are maintained for cost and financial accounts
 - (c) (a) and (b) both
 - (d) None of the above
2. Notional costs
 - (a) May be included in Integrated accounts
 - (b) May be included in Non- integrated accounts
 - (c) Cannot be included in Non-integrated accounts
 - (d) None of the above
3. Under Non-integrated accounting system, the account made to complete double entry is
 - (a) Stores ledger control account
 - (b) Work in progress control account
 - (c) Finished goods control account
 - (d) General ledger adjustment account
4. Integrated systems of accounts are maintained
 - (a) In separate books of accounts for costing and financial accounting purposes
 - (b) In same books of accounts
 - (c) Both (a) & (b)
 - (d) None of the above
5. Under Non-integrated system of accounting, purchase of raw material is debited to which account
 - (a) Material control account / stores ledger control account
 - (b) General ledger adjustment account
 - (c) Purchase account
 - (d) None of the above
6. Under Non-integrated accounts, if materials worth ` 1,500 are purchased for a special job, then which account will be debited
 - (a) Special job account / work in process account
 - (b) Material control account
 - (c) Cost control account
 - (d) None of the above
7. Which account is to be debited if materials worth ` 500 are returned to vendor under Non-integrated accounts
 - (a) Cost ledger control account
 - (b) Finished goods control account
 - (c) WIP control account
 - (d) None of the above
8. Which of the following items is included in cost accounts?
 - (a) Notional rent
 - (b) Donations
 - (c) Transfer to general reserve
 - (d) Rent receivable

9. When costing loss is ` 5,600, administrative overhead under-absorbed being ` 600, the loss as per financial accounts should be
(a) ` 5,600 (b) ` 6,200 (c) ` 5,000 (d) None of the above
10. Which of the following items should be added to costing profit to arrive at financial profit?
(a) Over-absorption of works overhead
(b) Interest paid on debentures
(c) Income tax paid
(d) All of the above
11. Under Non-integrated accounts, if materials worth Rs. 1,500 are purchased for a special job, then which account will be debited
(a) Special job account / Work in Process account
(b) Material Control account
(c) Cost Control account
(d) None of the above
12. Under Non-integrated system of accounting, purchase of raw material is debited to which account
(a) Material control account / Stores ledger control account
(b) General ledger adjustment account
(c) Purchase account
(d) None of the above
13. Which account is to be debited if materials worth 500 are returned to vendor under Non- integrated accounts
(a) Cost ledger control account
(b) Finished goods control account
(c) WIP control account
(d) None of the above
14. Which of the following items should be added to costing profit to arrive at financial profit?
(a) Over-absorption of works overhead
(b) Interest paid on debentures
(c) Income tax paid
(d) All of the above
15. Under the Non-integrated accounting system
(a) Same ledger is maintained for cost and financial accounts by accountants
(b) Separate ledgers are maintained for cost and financial accounts
(c) Both (a) and (b)
(d) None of the above
16. Under Non-integrated accounting system, the account made to complete double entry is
(a) Stores ledger control account
(b) Work in progress control account
(c) Finished goods control account
(d) General ledger adjustment account

17. Which of the following items is included in cost accounts?

- (a) Notional rent
- (b) Donations
- (c) Transfer to general reserve
- (d) Rent receivable

18. Integrated systems of accounts are maintained

- (a) In separate books of accounts for costing and financial accounting purposes
- (b) In same books of accounts
- (c) Both (a) & (b)
- (d) None of the above

19. Under Non-integrated accounts, if materials worth 1,500 are purchased for a special job, then which account will be debited

- (a) Special job account / Work in Process account
- (b) Material Control account
- (c) Cost Control account
- (d) None of the above

20. Notional costs

- (a) May be included in Integrated accounts
- (b) May be included in Non- integrated accounts
- (c) Cannot be included in Non-integrated accounts
- (d) None of the above

ANSWERS

1	B	11	A
2	B	12	A
3	D	13	A
4	B	14	A
5	A	15	B
6	A	16	D
7	A	17	A
8	A	18	B
9	B	19	A
10	A	20	B

21. Where cost and financial accounting records are integrated, the system so evolved is known as _____.

- (a) Integrated system
- (b) Integral accounting system
- (c) Both (a) & (b)
- (d) None of the above

22. In case where cost and financial transactions are kept separately, the system is called as _____.

- (a) Non-Integrated Accounting system
- (b) Cost Control System
- (c) Integral accounting system
- (d) Both (a) & (b)

23. _____ is a system of accounting under which separate ledgers are maintained for both cost and financial accounts.

- (a) Non-Integrated Accounting system
- (b) Cost Control System
- (c) Integral accounting system
- (d) Cost ledger accounting system

24. Items of accounts which are excluded are represented by an account known as _____.

- (a) Cost ledger control account
- (b) Cost Control System
- (c) Integral accounting system
- (d) Cost ledger accounting system

25. _____ is the principle ledger of the cost department in which impersonal accounts are recorded.

- (a) Cost ledger
- (b) Cost Control System
- (c) Integral accounting system
- (d) Cost ledger accounting system

26. _____ contains an account for each item of stores.

- (a) Cost ledger
- (b) Stores ledger
- (c) Integral accounting system
- (d) Cost ledger accounting system

27. Cost Ledger Control Account is also known as _____.

- (a) General Ledger Adjustment Account
- (b) Cost Control System
- (c) Integral accounting system
- (d) Cost ledger accounting system

28. _____ account is debited for the purchase of material and credited for issue of materials from the stores.
- (a) Stores Ledger Control Account
 - (b) General Ledger Adjustment Account
 - (c) Cost ledger accounting system
 - (d) Cost Control System
29. _____ account is debited with the value of goods transferred from Work-in-process Control Account and administration costs recovered.
- (a) Stores Ledger Control Account
 - (b) General Ledger Adjustment Account
 - (c) Finished Goods Control Accounts
 - (d) Selling and Distribution Overhead Control Account
30. _____ account is debited with the cost of finished goods transferred from Finished Goods Control Account for sale.
- (a) Stores Ledger Control Account
 - (b) Cost of Sales Account
 - (c) Finished Goods Control Accounts
 - (d) Selling and Distribution Overhead Control Account
31. The advantages of Integrated Accounts are
- (a) No need for Reconciliation
 - (b) Less efforts
 - (c) Less time consuming
 - (d) Economical process
 - (e) All of the above
32. The reconciliation of the balances of two sets of accounts is possible by preparing a _____.
- (a) Memorandum Reconciliation Account
 - (b) Cost ledger accounting system
 - (c) Cost Control System
 - (d) Profit & Loss Account
33. Items included in Financial Accounts only are
- (a) Purely Financial Expenses
 - (b) Purely Financial Income
 - (c) Notional expenses
 - (d) Both (a) & (b)
34. Item included in Cost Accounts only are
- (a) Purely Financial Expenses
 - (b) Purely Financial Income
 - (c) Notional expenses
 - (d) Both (a) & (b)

35. Charges in lieu of rent where premises are owned are

- (a) Purely Financial Expenses
- (b) Purely Financial Income
- (c) Notional expenses
- (d) Both (a) & (b)

36. Under _____ system of management accounting, the variances in costs from the set standards are reported at its happenings without waiting for books closing.

- (a) Single plan
- (b) Partial plan
- (c) Multiple plan
- (d) None of the above

37. Analysis of variances is done from the original documents like invoices, labour sheets, etc., and this method of analysis is known as _____ .

- (a) Analysis at originality
- (b) Analysis at beginning
- (c) Analysis at source
- (d) Analysis at base

38. _____ are recorded at the time of receipt of the material.

- (a) Material price variances
- (b) Material quantity variances
- (c) Material cost variances
- (d) None of the above

39. _____ are recorded as far as possible when excess materials are used.

- (a) Material price variances
- (b) Material quantity variances
- (c) Material cost variances
- (d) None of the above

40. In the _____ system of management accounting, variances are analysed at the end of period.

- (a) Single plan
- (b) Partial plan
- (c) Multiple plan
- (d) None of the above

ANSWERS

21	C	31	E
22	D	32	A
23	D	33	D
24	A	34	C
25	A	35	C
26	B	36	A
27	A	37	A
28	A	38	A
29	C	39	B
30	B	40	B

41. Answer the questions from 41 to 45 using the below data.

A manufacturing company disclosed a net loss of Rs.3,47,000 as per their cost accounts for the year ended March 31,2028. The financial accounts however disclosed a net loss of Rs. 5,10,000 for the same period. The following information was revealed because of scrutiny of the figures of both the sets of accounts:

(i) Factory Overheads under-absorbed	40,000
(ii) Administration Overheads over-absorbed	60,000
(iii) Depreciation charged in Financial Accounts	3,25,000
(iv) Depreciation charged in Cost Accounts	2,75,000
(v) Interest on investments not included in Cost Accounts	96,000
(vi) Income-tax provided	54,000
(vii) Interest on loan funds in Financial Accounts	2,45,000
(viii) Transfer fees (credit in financial books)	24,000
(ix) Stores adjustment (credit in financial books)	14,000
(x) Dividend received	32,000

Find the item to be debited in the Memorandum Reconciliation account.

- (a) Factory overheads under absorbed in Cost Accounts
- (b) Transfer fees in Financial books
- (c) Dividend received in financial books
- (d) Interest on investment not included in Cost Accounts

42. Find the item to be debited in the Memorandum Reconciliation account.

- (a) Depreciation under charged in Cost Accounts
- (b) Transfer fees in Financial books
- (c) Dividend received in financial books
- (d) Interest on investment not included in Cost Accounts

43. Find the item to be credited in the Memorandum Reconciliation account.

- (a) Depreciation under charged in Cost Accounts
- (b) Income- Tax not provided in Cost Accounts
- (c) Interest on Loan Funds in Financial Accounts
- (d) None of the above

44. Find the item to be credited in the Memorandum Reconciliation account.

- (a) Administration overheads over Recovered in cost accounts
- (b) Stores adjustment (Credit in financial books)
- (c) Both (a) & (b)
- (d) None of the above

45. Find the item to be credited in the Memorandum Reconciliation account.

- (a) Dividend received in financial books
- (b) Transfer fees in Financial books
- (c) Both (a) & (b)
- (d) None of the above

46. Answer questions from 46 to 50 using the below data.

The Trading and Profit and Loss Account of a company for the year ended 31-03-2020 is as under:

Particulars	Rs.	Particulars	Rs.
To Materials	26,80,000	By Sales (50,000 units)	62,00,000
To Wages	17,80,000	By Closing stock (2,000 units)	1,50,000
To Factory expenses	9,50,000	By Dividend received	80,000