

To General administrative expenses	4,80,200		
To Selling Expenses	2,50,000		
To Preliminary expenses written off	70,000		
To Net profit	2,19,800		
	64,30,000		64,30,000

In the Cost Accounts:

(i) Factory expenses have been allocated to production at 20% of Prime Cost.

(ii) General administrative expenses absorbed at 10% of factory cost.

(iii) Selling expenses charged at Rs.10 per unit sold.

Calculate the amount of Prime cost.

(a) 26,80,000 (b) 17,80,000 (c) 44,60,000 (d) 53,52,000

47. Calculate the amount of Cost of Production.

(a) 26,80,000 (b) 17,80,000 (c) 44,60,000 (d) 53,52,000

48. Calculate the Value of Closing Stock.

(a) 2,05,846 (b) 2,05,800 (c) 2,05,850 (d) 2,05,866

49. Calculate the amount Cost of Sales.

(a) 51,46,154 (b) 11,18,646 (c) 61,81,354 (d) 18,92,000

50. Calculate the amount Cost of Sales.

(a) 51,154 (b) 18,646 (c) 81,354 (d) 18,000

51. Differences in Financial and Cost Accounts is caused due to

- (a) Interest on loans or bank mortgages.  
 (b) Expenses and discounts on issue of shares, debentures etc.  
 (c) Preliminary expenses written off.  
 (d) All of the above.

52. Answer questions from 52 to 55 based on below data.

A manufacturing company disclosed a net profit ₹10,20,000 as per their cost accounts for the year ended 31st March, 2027. The financial accounts however disclosed a net profit of ₹ 6,94,000 for the same period. The following information was revealed as a result of scrutiny of the figures of both the sets of accounts.

	(₹)
(i) Factory Overheads under-absorbed	80,000
(ii) Administration Overheads over-absorbed	1,20,000
(iii) Depreciation charged in Financial Accounts	6,50,000
(iv) Depreciation charged in Cost Accounts	5,50,000
(v) Interest on investments not included in Cost Accounts	1,92,000
(vi) Income-tax provided	1,08,000
(vii) Interest on loan funds in Financial Accounts	4,90,000
(viii) Transfer fees (credit in financial books)	48,000
(ix) Stores adjustment (credit in financial books)	28,000
(x) Dividend received	64,000

If the statement of reconciliation is begun with adjustments to the profit as per cost accounts, the items to be added are

- (a) Administration Overheads over-absorbed  
 (b) Interest on investments  
 (c) Transfer fees  
 (d) All of the above

53. If the statement of reconciliation is begun with adjustments to the profit as per cost accounts, the items to be less are

- (a) Factory Overheads under-absorbed
- (b) Interest on investments
- (c) Transfer fees
- (d) None of the above

54. If the statement of reconciliation is begun with adjustments to the profit as per Financial accounts, the items to be less are

- (a) Factory Overheads under-absorbed
- (b) Stores adjustment
- (c) Dividend received
- (d) Both (b) & (c)

55. If the statement of reconciliation is begun with adjustments to the profit as per Financial accounts, the items to be added are

- (a) Factory Overheads under-absorbed
- (b) Interest on loan funds
- (c) Dividend received
- (d) Both (a) & (b)

56. Answer questions from 56 to 60 based on below data

The following figures have been taken from the financial accounts of a manufacturing firm for the year ended 31st March, 2027

	Rs.
Direct material consumption	20,00,000
Direct wages	12,00,000
Factory overheads	6,40,000
Administrative overheads	2,80,000
Selling and distribution overheads	3,84,000
Bad debts	32,000
Preliminary expenses written off	16,000
Legal charges	4,000
Dividend received	40,000
Interest on fixed deposit	8,000
Sales - 48,000 units	48,00,000
Closing stock:	
- Finished stock - 4,000 units	3,20,000
- Work-in-process	96,000

The cost accounts for the same period reveal that the Direct Material consumption was Rs. 22,40,000; Factory overhead is recovered at 20% on prime cost; Administration overhead is recovered @ Rs. 4.8 per unit of production; and Selling and Distribution overheads are recovered at Rs. 6.40 per unit sold.

Calculate the value of closing stock as per costing profit and loss account.

- (a) 2,49,600
- (b) 3,10,154
- (c) 2,06,154
- (d) 5,06,154

57. Calculate the amount of administrative overheads as per costing profit and loss account.

- (a) 2,49,600
- (b) 3,10,154
- (c) 2,06,154
- (d) 5,06,154

58. Calculate the amount of Selling & distribution overheads as per costing profit and loss account.

- (a) 2,49,600
- (b) 5,21,354
- (c) 3,07,200
- (d) 5,06,154

59. Calculate the amount of Net profit as per costing profit and loss account.

- (a) 2,49,600                      (b) 5,21,354                      (c) 3,07,200                      (d) 5,06,154

60. Calculate the amount of Net profit as per Financial profit and loss account.

- (a) 7,08,000                      (b) 3,20,000                      (c) 6,40,000                      (d) 3,84,000



## ANSWERS

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



### 8. UNIT AND BATCH COSTING

1. Different businesses in order to determine cost of their product or service offering follow
  - (a) Different methods of Costing
  - (b) Uniform Costing
  - (c) Different techniques of costing
  - (d) None of the above
2. In order to determine cost of the product or service, following are used
  - (a) Techniques of costing like Marginal, Standard etc.
  - (b) Methods of Costing
  - (c) Comparatives
  - (d) All of the above
3. Unit Costing is applicable where
  - (a) Product produced are unique and no 2 products are same
  - (b) Dissimilar articles are produced as per customer specification
  - (c) homogeneous articles are produced on large scale
  - (d) Products made require different raw materials
4. In case product produced or jobs undertaken are of diverse nature, the system of costing to be used should be
  - (a) Process costing
  - (b) Operating costing
  - (c) Job costing
  - (d) None of the above
5. Job Costing is
  - (a) Applicable to all industries regardless of the products or services provided
  - (b) Technique of costing
  - (c) Suitable where similar products are produced on mass scale
  - (d) Method of costing used for non- standard and non- repetitive products
6. The production planning department prepares a list of materials and stores required for the completion of a specific job order, this list is known as
  - (a) Bin card
  - (b) Bill of material
  - (c) Material requisition slip
  - (d) None of the above
7. Batch costing is a type of
  - (a) Process costing
  - (b) Job Costing
  - (c) Differential costing
  - (d) Direct costing
8. Batch costing is similar to that under job costing except with the difference that a
  - (a) Job becomes a cost unit
  - (b) Batch becomes the cost unit instead of a job
  - (c) Process becomes a cost unit
  - (d) None of the above
9. The main points of distinction between job and contract costing includes
  - (a) Length of time to complete
  - (b) Big jobs
  - (c) Activities to be done outside the factory area
  - (d) All of the above

10. Economic batch quantity is that size of the batch of production where

- (a) Average cost is minimum
- (b) Set-up cost of machine is minimum
- (c) Carrying cost is minimum
- (d) Both (b) and (c)

11. Batch costing is similar to that under job costing except with the difference that a

- (a) Job becomes a cost unit.
- (b) Batch becomes the cost unit instead of a job
- (c) Process becomes a cost unit
- (d) None of the above

12. Different businesses in order to determine cost of their product or service offering follow

- (a) Different methods of Costing
- (b) Uniform Costing
- (c) Different techniques of costing
- (d) None of the above

13. Job Costing is

- (a) Applicable to all industries regardless of the products or services provided
- (b) Technique of costing
- (c) Suitable where similar products are produced on mass scale
- (d) Method of costing used for non- standard and non- repetitive products

14. The main points of distinction between job and contract costing includes

- (a) Length of time to complete.
- (b) Big jobs
- (c) Activities to be done outside the factory area
- (d) All of the above

15. In order to determine cost of the product or service, following are used

- (a) Techniques of costing like Marginal, Standard etc.
- (b) Methods of Costing
- (c) Comparatives
- (d) All of the above

16. The production planning department prepares a list of materials and stores required for the completion of a specific job order, this list is known as

- (a) Bin card
- (b) Bill of material
- (c) Material requisition slip
- (d) None of the above

17. Batch costing is a type of

- (a) Process costing                      (b) Job Costing                      (c) Differential costing                      (d) Direct costing

18. In case product produced or jobs undertaken are of diverse nature, the system of costing to be used should be

- (a) Process costing                      (b) Operating costing                      (c) Job costing                      (d) None of the above

19. Economic batch quantity is that size of the batch of production where

- (a) Average cost is minimum  
(b) Set-up cost of machine is minimum  
(c) Carrying cost is minimum  
(d) Both (b) and (c)

20. Unit Costing is applicable where

- (a) Product produced are unique and no 2 products are same  
(b) Dissimilar articles are produced as per customer specification  
(c) homogeneous articles are produced on large scale  
(d) Products made require different raw materials



## ANSWERS

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

21. \_\_\_\_\_ is that method of costing where the output produced is identical and each unit of output requires identical cost.  
(a) Batch Costing (b) Unit Costing (c) Standard Costing (d) Marginal Costing
22. Unit costing is synonymously known as \_\_\_\_\_.  
(a) single costing  
(b) output costing  
(c) Both (a) & (b)  
(d) None of the above
23. Under \_\_\_\_\_ method, costs are collected and analysed element wise and then total cost per unit is ascertained by dividing the total cost with the number of units produced.  
(a) Batch Costing (b) Unit Costing (c) Standard Costing (d) Marginal Costing
24. Unit Cost can be calculated as  
(a) Total Cost of Production / No. of units produced  
(b) No. of units produced/ Total Cost of Production  
(c) Both (a) & (b)  
(d) None of the above
25. Cost of materials issued for production are collected from \_\_\_\_\_.  
(a) Cost accounts numbers  
(b) Material Requisition notes  
(c) Bin Cards  
(d) Job time cards or sheets
26. All direct employee (labour) cost is collected from \_\_\_\_\_.  
(a) Cost accounts numbers  
(b) Material Requisition notes  
(c) Bin Cards  
(d) Job time cards or sheets
27. \_\_\_\_\_ is a type of specific order costing where articles are manufactured in predetermined lots, known as batch.  
(a) Batch Costing (b) Unit Costing (c) Standard Costing (d) Marginal Costing
28. Under \_\_\_\_\_ costing method, the cost object for cost determination is a batch for production rather output as seen in unit costing method.  
(a) Batch Costing (b) Unit Costing (c) Standard Costing (d) Marginal Costing
29. \_\_\_\_\_ is the size of a batch where total cost of set-up and holding costs are at minimum.  
(a) Economic order quantity  
(b) Economic batch quantity  
(c) Reorder Batch level  
(d) Reorder Batch Quantity
30. Economic batch quantity can be calculated as  
(a)  $\sqrt{\frac{2DS}{C}}$  (b)  $\sqrt{\frac{2AO}{C}}$  (c)  $\sqrt{\frac{2CO}{C}}$  (d)  $\sqrt{\frac{2CS}{C}}$

31. Monthly demand for a product - 500 units

Setting-up cost per batch - ₹ 60

Cost of manufacturing per unit - ₹ 20

Rate of interest - 10% p.a.

DETERMINE economic batch quantity.

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

32. ShivaTeja Ltd. is committed to supply 48,000 bearings per annum to Sushil Ltd. on a steady daily basis. It is estimated that it costs ₹ 1 as inventory holding cost per bearing per month and that the set up cost per run of bearing manufacture is ₹ 3,200. Find EBQ.

- (a) 5000 units                      (b) 5050 units                      (c) 5060 units                      (d) 6050 units

33. FIND OUT the minimum inventory holding cost from the above question.

- (a) ₹ 30,360                      (b) ₹ 30,300                      (c) ₹ 30,000                      (d) ₹ 30,400

34. A Company has an annual demand from a single customer for 50,000 litres of a paint product. The total demand can be made up of a range of colour to be produced in a continuous production run after which a set-up of the machinery will be required to accommodate the colour change. The total output of each colour will be stored and then delivered to the customer as single load immediately before production of the next colour commences. The Set-up costs are ₹ 100 per set up. The Service is supplied by an outside company as required. The Holding costs are incurred on rented storage space which costs ₹ 50 per sq. meter per annum. Each square meter can hold 250 Litres suitably stacked. Find out the EBQ.

- (a) 7,071 Litres                      (b) 7,000 Litres                      (c) 7,100 litres                      (d) 7,050 Litres

35. The total production cost under batch production comprises of \_\_\_\_\_ main costs.

- (a) one                      (b) two                      (c) three                      (d) Four

36. Amit Motors Ltd. manufactures pistons used in car engines. As per the study conducted by the Auto Parts Manufacturers Association, there will be a demand of 80 million pistons in the coming year. Amit Motors Ltd. is expected to have a market share of 1.15% of the total market demand of the pistons in the coming year. It is estimated that it costs Rs.1.50 as inventory holding cost per piston per month and that the set-up cost per run of piston manufacture is Rs. 3,500.

Calculate the optimum run size for piston manufacturing.

- (a) 18,900 units                      (b) 18,915 units                      (c) 18,920 units                      (d) 18,930 units

37. Assuming that the company has a policy of manufacturing 40,000 pistons per run, CALCULATE the extra costs company would be incurring as compared to the optimum run suggested in above question.

- (a) 80,500                      (b) 1,71,500                      (c) 98,765                      (d) 41,735

38. Inventory carrying cost in the above question can be classified as

- (a) Variable cost  
(b) Fixed cost  
(c) Either (a) or (b)  
(d) None of the above



39. STT LLP. manufactures glass bottles for SB Ltd., a pharmaceutical company, which is ayurvedic medicines business. STT can produce 2,00,000 bottles in a month. Set-up cost of each production run is ₹ 5,200 and the cost of holding one bottle for a year is ₹1.50. As per an estimate SB Ltd. can order as much as 19,00,000 bottles in a year spreading evenly throughout the year. At present the STT manufactures 1,60,000 bottles in a batch. Compute the Economic Batch Quantity for bottle production.

- (a) 1,14,775 bottles                      (b) 1,82,400 bottles                      (c) 1,14,000 bottles                      (d) 1,15,772 bottles

40. Compute the annual cost saving to STT by adopting the EBQ of a production.

- (a) 14,481.25                      (b) 6,081.25                      (c) 8,081.25                      (d) 7,918.75

## ANSWERS

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

9. JOB COSTING

1. In case product produced or jobs undertaken are of diverse nature, the system of costing to be used should be  
(a) Process costing (b) Operating costing (c) Job costing (d) None of the above
2. The production planning department prepares a list of materials and stores required for the completion of a specific job order, this list is known as  
(a) Bin card (b) Bill of Material (c) Material requisition slip (d) None of the above
3. Job costing is similar to that under Batch costing except with the difference that a  
(a) Job becomes a cost unit  
(b) Batch becomes the cost unit instead of a job  
(c) Process becomes a cost unit  
(d) None of the above
4. In job costing which of the following documents are used to record the issue of direct material to a job  
(a) Goods received note (b) Material requisition (c) Purchase order (d) Purchase requisition
5. The most suitable cost system where the products differ in type of materials and work performed is  
(a) Job Costing (b) Process Costing (c) Operating Costing (d) None of these
6. Which of the following statements is true  
(a) Job cost sheet may be used for estimating profit of jobs  
(b) Job costing cannot be used in conjunction with marginal costing  
(c) A production order is an order received from a customer for particular jobs  
(d) None of these
7. Which of the following statements is true  
(a) Job cost sheet may be prepared for facilitating routing and scheduling of the job  
(b) Job costing can be suitably used for concerns producing uniformly any specific product  
(c) Job costing cannot be used in companies using standard costing  
(d) Neither (a) nor (b) nor (c)
8. In case product produced or jobs undertaken are of diverse nature, the system of costing to be used should be  
(a) Process costing (b) Operating costing (c) Job costing (d) None of the above
9. Which of the following statements is true  
(a) Job cost sheet may be prepared for facilitating routing and scheduling of the job  
(b) Job costing can be suitably used for concerns producing uniformly any specific product  
(c) Job costing cannot be used in companies using standard costing  
(d) Neither (a) nor (b) nor (c)
10. Job costing is similar to that under Batch costing except with the difference that a  
(a) Job becomes a cost unit  
(b) Batch becomes the cost unit instead of a job  
(c) Process becomes a cost unit  
(d) None of the above.



11. The production planning department prepares a list of materials and stores required for the completion of a specific job order, this list is known as

- (a) Bin card                      (b) Bill of material                      (c) Material requisition slip                      (d) None of the above

12. Which of the following statements is/are correct?

1. A materials requisition note is used to record the issue of direct material to a specific job.
2. A typical job cost will contain actual costs for material, labour and production overheads, and non -production overheads are often added as a percentage of total production cost
3. The job costing method can be applied in costing batches

- (a) (1) only  
(b) (1) and (2) only  
(c) (1) and (3) only  
(d) (2) and (3) only

13. Non-production overheads might be added to the cost of the job

- (a) As a percentage of the prime cost of the job  
(b) As a percentage of the production cost of the job  
(c) Either A or B  
(d) None

14. The most suitable cost system where the products differ in type of materials and work performed is

- (a) Job Costing                      (b) Process Costing                      (c) Operating Costing                      (d) None of these

15. Which of the following statements is true

- (a) Job cost sheet may be used for estimating profit of jobs  
(b) Job costing cannot be used in conjunction with marginal costing  
(c) A production order is an order received from a customer for particular jobs  
(d) None of these.

16. In job costing which of the following documents are used to record the issue of direct material to a job

- (a) Goods received note                      (b) Material requisition                      (c) Purchase order                      (d) Purchase requisition

17. \_\_\_\_\_ is defined as the category of basic costing methods which is applicable where the work consists of separate contracts, jobs or batches, each of which is authorised by specific order or contract.

- (a) Job Costing                      (b) Process Costing                      (c) Operating Costing                      (d) Contract Costing

18. According to \_\_\_\_\_ method, costs are collected and accumulated according to jobs, contracts, products or work orders.

- (a) Job Costing                      (b) Process Costing                      (c) Operating Costing                      (d) Contract Costing

19. The basic object and purpose of all costing is to

- (a) Analysis and ascertainment of cost of each unit of production  
(b) Control and regulate cost  
(c) Determine the profitability  
(d) All of the above

20. \_\_\_\_\_ is a cost sheet, where the quantity of materials issued, hours spent by different class of employees, amount of other expenses and share of overheads are recorded.

- (a) Job Cost Card      (b) Bill of material      (c) Material requisition slip      (d) None of the above

## ANSWERS

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



21. \_\_\_\_\_ work is the quantity of production that has been totally rejected and cannot be rectified.  
(a) Spoiled (b) Damaged (c) Destroyed (d) Defective
22. \_\_\_\_\_ work refers to production that is not as perfect as the saleable product but is capable of being rectified.  
(a) Spoiled (b) Damaged (c) Destroyed (d) Defective
23. Where a percentage of defective work is allowed in a particular batch as it cannot be avoided  
(a) the cost of rectification will be charged to the whole job and spread over the entire output of the batch  
(b) the cost of rectification shall be written off as a loss  
(c) cost of rectification will be charged to the department and will not be considered as cost of manufacture of the batch.  
(d) the cost of rectifying to the extent provided for by the management will be treated as a normal cost and charged to the batch.
24. Where defect is due to the Inspection Department wrongly accepting incoming material of poor quality.  
(a) the cost of rectification will be charged to the whole job and spread over the entire output of the batch  
(b) the cost of rectification shall be written off as a loss  
(c) cost of rectification will be charged to the department and will not be considered as cost of manufacture of the batch.  
(d) the cost of rectifying to the extent provided for by the management will be treated as a normal cost and charged to the batch.
25. The advantages of Job costing are  
(a) Profitability of each job can be derived.  
(b) As lot of clerical process is involved the chances of error is more.  
(c) Budgetary control and Standard Costing can be applied in job costing  
(d) Both (a) & (c)
26. Under \_\_\_\_\_, a Job is carried out or a product is produced by specific orders.  
(a) Job costing (b) Process Costing (c) Contract Costing (d) Batch Costing
27. Under \_\_\_\_\_, Costs are calculated at the end of the cost period.  
(a) Job costing (b) Process Costing (c) Contract Costing (d) Batch Costing
28. Under \_\_\_\_\_, Costs are compiled on time basis i.e., for production of a given accounting period for each process or department.  
(a) Job costing (b) Process Costing (c) Contract Costing (d) Batch Costing
29. Defects in work arise in the following circumstances  
(a) Where a percentage of defective work is allowed in a particular batch as it cannot be avoided  
(b) Where defect is due to bad workmanship  
(c) Where defect is due to the Inspection Department wrongly accepting incoming material of poor quality  
(d) All of the above

30. Format of Job Cost Sheet contains

- (a) Description (b) Blue Print No. (c) Material No. (d) All of the above

31. The manufacturing cost of a work order is 1,00,000; 8% of the production against the order spoiled and the rejection is estimated to have a realisable value of Rs. 2,000 only. The normal rate of spoilage is 2%.

Find the net normal loss.

- (a) Rs.2,000 (b) Rs. 1,500 (c) Rs. 4,500 (d) Rs. 4,000

32. Find the net abnormal loss in the above question.

- (a) Rs.2,000 (b) Rs. 1,500 (c) Rs. 4,500 (d) Rs. 4,000

33. Compute estimated profit on a contract (which has been 90% complete) from the following particulars:

Total expenditure to date	22,50,000
Estimated further expenditure to complete the contract (including contingencies)	2,50,000
Contract price	32,50,000
Work certified	27,50,000
Work uncertified	1,75,000
Cash received	21,25,000
(a) Rs. 5,00,000 (b) Rs. 7,00,000 (c) Rs. 7,50,000 (d) Rs. 8,50,000	

34. Calculate the notional profit for the period in the above question.

- (a) Rs. 5,00,000 (b) Rs. 6,00,000 (c) Rs. 6,50,000 (d) Rs. 6,75,000

35. The following data relate to the manufacture of a standard product during the 4-week ended 28th February 2027:

Raw Materials Consumed	₹4,00,000
Direct Wages	₹2,40,000
Machine Hours Worked	3,200 hours
Machine Hour Rate	₹40
Office Overheads	10% of works cost
Selling Overheads	Rs. 20 per unit
Units produced and sold	10,000 at ₹120 each

Find out the cost per unit for the 4- week ended 28th February 2027.

- (a) 104.40 (b) 104.48 (c) 104.60 (d) 105

36. Find out the profit for the 4- week ended 28th February 2027 in the above question.

- (a) 1,55,000 (b) 1,55,200 (c) 1,55,800 (d) 1,56,000

37. Find the cost of sales in the above question.

- (a) 10,55,000 (b) 10,44,200 (c) 10,44,800 (d) 10,46,000

38. Degree of completion of work in percentage can be calculated as

- (a) Contract price \* degree of completion in %
- (b) (work certified / contract price) \* 100
- (c) value of work certified/ degree of completion
- (d) None of the above

39. Work certified can be calculated as

- (a) Contract price \* degree of completion in %
- (b) (work certified / contract price) \* 100
- (c) value of work certified/ degree of completion
- (d) None of the above

40. Retention money may be calculated as

- (a) Contract price \* degree of completion in %
- (b) (work certified / contract price) \* 100
- (c) value of work certified/ degree of completion
- (d) None of the above



## ANSWERS

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

41. Contract price can be calculated as

- (a) Contract price \* degree of completion in %
- (b) (work certified / contract price) \* 100
- (c) value of work certified/ degree of completion
- (d) None of the above

42. Progress payment made by contractee can be calculated as

- (a) Contract price \* degree of completion in %
- (b) Value of work certified – progress payment made by contractee
- (c) Value of work certified – retention money
- (d) None of the above

43. Retention money can be calculated as

- (a) Contract price \* degree of completion in %
- (b) Value of work certified – progress payment made by contractee
- (c) Value of work certified – retention money
- (d) None of the above

44. In case of \_\_\_\_\_ contracts, the risk of loss lies with the contractor.

- (a) Fixed price
- (b) Cost plus
- (c) Escalation
- (d) Both (a) & (b)

45. In case of \_\_\_\_\_ contracts, there is no risk of loss with the contractor.

- (a) Fixed price
- (b) Cost plus
- (c) Escalation
- (d) Both (a) & (b)

46. Escalation clause is added in \_\_\_\_\_ contract.

- a) Fixed price
- (b) Cost plus
- (c) Escalation
- (d) Both (a) & (b)

47. Notional profit for the period maybe calculated as

- (a) Value of work certified – cost of work certified
- (b) Value of work certified – progress payment made by contractee
- (c) Value of work certified – retention money
- (d) None of the above

48. Cost of work uncertified =

- (a) Cost of work certified – net expenditure till date
- (b) Net expenditure till date - Cost of work certified
- (c) Either (a) & (b)
- (d) None of the above

49. \_\_\_\_\_ is usually refunded after completion of contract to the satisfaction of contractee.

- (a) Escalation money
- (b) Retention money
- (c) Both (a) & (b)
- (d) None of the above

50. Revised Contract price =

- (a) Original Contract price + admissible escalation claim amount
- (b) Original Contract price + Retention money
- (c) Both (a) & (b)
- (d) None of the above



ANSWERS

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

10. PROCESS COSTING

1. The type of process loss that should not be allowed to affect the cost of good units is  
(a) Abnormal loss      (b) Normal loss      (c) Seasonal loss      (d) Standard loss
2. 200 units were introduced in a process in which 20 units is the normal loss. If the actual output is 150 units, then there is  
(a) No abnormal loss      (b) No abnormal gain  
(c) Abnormal loss of 30 units      (d) Abnormal gain of 30 units
3. 100 units are processed at a total cost of ₹ 160, normal loss is 10%, & scrap units are sold @ ₹ 0.25 each. If the output is 80 units, then the value of abnormal loss is  
(a) ₹ 2.50      (b) ₹ 16      (c) ₹ 17.50      (d) ₹ 17.75
4. When average method is used in process costing, the opening inventory costs are  
(a) Subtracted from the new costs  
(b) Added to the new costs  
(c) Kept separate from the costs of the new period  
(d) Averaged with other costs to arrive at total cost
5. Spoilage that occurs under inefficient operating conditions and is ordinarily controllable is called  
(a) Normal spoilage      (b) Abnormal spoilage      (c) Normal defectives      (d) None of the above
6. The cost of normal process loss is  
(a) Absorbed by good units produced and amount realised by the sale of loss units should be debited to the process account  
(b) Debited to costing profit and loss account  
(c) Absorbed by good units produced  
(d) Debited to costing profit and loss account and amount realised by the sale of loss units should be credited to the process account.
7. The value of abnormal loss is equal to  
(a) Total cost of materials  
(b) Total process cost less realizable value of normal loss  
(c) Total process cost less cost of scrap  
(d) Total process cost less realizable value of normal loss less value of transferred out goods
8. Inter-process profit is calculated, because  
(a) a process is a cost centres  
(b) each process has to report profit  
(c) the efficiency of the process is measured  
(d) the wages of employees are linked to the process profitability.
9. Under Weighted Average (Average) Method  
(a) The cost to complete the opening WIP is ignored.  
(b) The cost to complete the opening WIP and other completed units are calculated separately  
(c) The cost of opening work-in-process and cost of the current period are aggregated and the aggregate cost is divided by output in terms of completed units  
(d) Closing stock of work in process is valued at current cost.

10. A process account is debited by abnormal gain, the value is determined as

- (a) Equal to the value of normal loss
- (b) Cost of good units less realizable value of normal loss
- (c) Cost of good units less realizable value of actual loss
- (d) Equal to the value of good units less closing stock

11. Lean Labs develops 55mm film using a four-step process that moves progressively through four departments. The company specializes in overnight service and has the largest drug store chain as its primary customer. Currently, direct labor, direct materials, and overhead are accumulated by departments. The cost accumulation system that best describes the system Lean Labs is using is

- (a) Operation costing
- (b) Activity-based costing
- (c) Job-order costing
- (d) Process costing.

12. When compared with normal spoilage, abnormal spoilage

- (a) Arises more frequently from factors that are inherent in the manufacturing process
- (b) Is given the same accounting treatment as normal spoilage
- (c) Is generally thought to be more controllable by purchase department than production department
- (d) Is not typically influenced by the "tightness" of production standards.

13. Assume 550 units were worked on during a period in which a total of 500 good units were completed. Normal spoilage consisted of 30 units; abnormal spoilage, 20 units. Total production costs were ₹ 2,200. The company accounts for abnormal spoilage separately on the income statement as loss due to abnormal spoilage. Normal spoilage is not accounted for separately. What is the cost of the good units produced?

- (a) ₹ 2,080
- (b) ₹ 2,115
- (c) ₹ 2,200
- (d) ₹ 2,332

14. VR Limited uses process costing systems and inspects its goods post manufacturing. An engineer noticed on May 31st the following:

Good units completed	: 15,000
Normal spoilage (units)	: 300
Abnormal spoilage (units)	: 100

Unit costs were: Material ₹ 2.50 and conversion costs (Labour & overheads) ₹ 6.00.

The number of units that company would transfer to its finished goods stock and the related cost of these units are

- (a) 15,000 units transferred at a cost of ₹ 127,500
- (b) 15,000 units transferred at a cost of ₹ 130,050
- (c) 15,000 units transferred at a cost of ₹ 135,000
- (d) 15,300 units transferred at a cost of ₹ 130,050

15. In process, conversion cost means

- (a) Cost of direct materials, direct labour, direct expenses
- (b) Direct labour, direct expenses, indirect material, indirect labour, indirect expenses
- (c) Prime cost plus factory overheads
- (d) All costs up to the product reaching the consumer, less direct material costs

16. In a process 30000 units are introduced during a period. 5% of input is normal loss. Closing work-in-process 60% complete is 3000 units. 26500 completed units are transferred to next process. Unit scrapped are 60% complete.

Equivalent production for the period is

- (a) 30000 units
- (b) 28900 units
- (c) 29200 units
- (d) 27300 units



17. ABC Ltd manufactures chemical 'X' that passes through three different process before being converted into final product. The output of each process is transferred to next process and there is no opening and closing stock of WIP. Process loss is 10% of total inputs in each process. Following are the details of abnormal loss in each process.

Process I: 3000 units

Process II: 2300 units

Process III: 2400 units

Final output of process III is 80580 units. Inputs introduced in Process III will be

- (a) 100000 units                      (b) 110000 units                      (c) 120000 units                      (d) 115860 units

18. Boiler house costing is an example of \_\_\_\_\_ costing

- (a) Contract                      (b) Process                      (c) Service                      (d) All of above

19. The following information is given: Input of raw material 20,000 units @ 8 per unit Direct Wages 1,20,000 Production Overhead 75,500 Actual output transferred to next process 19,250 units Normal Loss 5% of inputs, Sale of scrap 8 per unit. Calculate the amount to be transferred to costing profit and loss account

- (a) 4,572.25 Cr side  
(b) 4,572.25 Dr side  
(c) 2,572.25 Dr side  
(d) 2,572.25 Cr side

20. The following information is given to you

Input of raw material is 30,000 units, output 28,750 units. If the normal loss is 5% of input, then

- (a) Normal loss of 1550 units  
(b) Abnormal loss of 250 units  
(c) Abnormal gain of 250 units  
(d) Either abnormal loss of 250 units or abnormal gain of 250 units

## ANSWERS

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

21. In electricity supply company uses cost unit as

- (a) Kilo watt hour (b) per household (c) voltage (d) None of these

22. ABC Ltd manufactures chemical 'Y' that passes through three different process before being converted into final product. The output of each process is transferred to next process and there is no opening and closing stock of WIP. Process loss is 5% of total inputs in each process. Following are the details of abnormal loss/gain in each process.

Process I: 50 units Abnormal gain

Process II: 135 units Abnormal loss

Process III: 125 units Abnormal loss

Final output of process III is 29800 units. Inputs introduced in Process III will be

- (a) 35500 units (b) 34818 units (c) 34515 units (d) 35000 units

23. In a process 10000 units are introduced during 2022-23. 10% of input is normal loss. Closing work-in-progress 80% complete is 1800 units. 7000 completed units are transferred to next process. Equivalent no of units for closing WIP will be

- (a) 1440 units (b) 360 units (c) 8440 units (d) 7000 units

24. In process costing, each producing department is a

- (a) Cost centre (b) Cost unit (c) Investment centre (d) Revenue centre

25. In a process 20,000 units are introduced during a period. 5% of input is normal loss. Closing work-in-process 40% complete is 2000 units. 16,500 completed units are transferred to next process. Unit scrapped are 60% complete. Equivalent production for the period is

- (a) 20,000 units (b) 17,300 units (c) 18,200 units (d) 17,600 units

26. In a particular process 28000 units are introduced during a period. 5% of input is normal loss. Closing work in progress 60% complete is 2600 units. 24000 completed units are transferred to next process. Equivalent production for the period is

- (a) 25040 units (b) 28000 units (c) 25560 units (d) 24000 units

27. In XYZ Ltd. 12,000 units of raw material were introduced in Process-A. The actual output and normal loss of respective processes are as follows: Process Output Normal loss A 10500 10% B 8800 15% C 7200 20% Abnormal Gain in Process C will be

- (a) 140 Units (b) 150 Units (c) 160 Units (d) 155 Units

28. What will be the impact of normal loss on the overall per unit cost?

- (a) Per unit cost will decrease  
(b) Per unit cost remain unchanged  
(c) Per unit cost will increase  
(d) Normal loss has no relation to unit cost



29. The hospital is opened for 365 days and consist of 40 beds and 10 more beds can be hired if required. It was estimated that for 165 days in a year 30 beds were occupied; for 120 days 38 beds were occupied. The hospital hired extra 800 beds @ 200 per bed. Calculate the number of patient beds

- (a) 9,510 (b) 10,310 (c) 10,130 (d) 13,510

30. The following information is available in respect of Process I: Raw material purchased and introduced 10,000 units @ 5 per unit Raw Material received from store 4000 units @ 6 per unit Direct Labour 40,000 Overheads 28,000 Output of Process is 13,500 units, Normal wastage 5% of inputs Scrap value of wastage 4 per unit. The value of Abnormal Gain is

- (a) 2062.68 (b) 2135.34 (c) 2103.70 (d) 2093.2

31. Process cost is very much applicable in

- (a) Construction Industry  
(b) Telecommunication Industry  
(c) Pharmaceutical Industry  
(d) None of above

32. The following information is given: Input of raw material 35,000 units, Process cost 278000, Actual output transferred to next process 30,200 units, Normal Loss 10% of inputs, Sale of scrap 3 per unit. Calculate the amount to be transferred to costing profit and loss account

- (a) 7,139.68 Cr side  
(b) 7,139.68 Dr side  
(c) 11,039.68 Dr side  
(d) 11,039.68 Cr side

33. \_\_\_\_\_ is a method of costing used in industries where the material has to pass through two or more processes

- (a) Process Costing (b) Job Costing (c) Contract Costing (d) Unit costing

34. \_\_\_\_\_ is defined as a method of Cost Accounting whereby costs are charged to processes or operations and averaged over units produced.

- (a) Process Costing (b) Job Costing (c) Contract Costing (d) Unit costing

35. The Cost of each process comprises the cost of

- (a) Materials (b) Employee Cost (c) Direct expenses (d) All of the above

36. \_\_\_\_\_ is defined as the loss of material arising during the course of a processing operation and is equal to the difference between the input quantity of the material and its output.

- (a) Normal Loss (b) Abnormal Loss (c) Process loss (d) Unit Loss

37. Normal Process Loss is also known as normal wastage.

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

38. \_\_\_\_\_ is defined as the loss of material which is inherent in the nature of work.

- (a) Normal Loss                      (b) Abnormal Loss                      (c) Process loss                      (d) Unit Loss

39. A product passes through Process- I and Process- II. Materials issued to Process- I amounted to ₹ 40,000, Wages ₹ 30,000 and manufacturing overheads were ₹ 27,000. Normal loss anticipated was 5% of input. 4,750 units of output were produced and transferred-out from Process-I. There were no opening stocks. Input raw material issued to Process-I were 5,000 units. Scrap has no realisable value. Find Value of Normal loss (in rupees).

- (a) 4750                      (b) 5000                      (c) 250                      (d) 0

40. A product passes through Process- I and Process- II. Materials issued to Process- I amounted to ₹ 40,000, Wages ₹ 30,000 and manufacturing overheads were ₹ 27,000. Normal loss anticipated was 5% of input. 4,750 units of output were produced and transferred-out from Process-I. There were no opening stocks. Input raw material issued to Process-I were 5,000 units. Scrap has realisable value of ₹ 2 per unit. Find Value of Normal loss (in rupees).

- (a) 250                      (b) 500                      (c) 750                      (d) 1000

## ANSWERS

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



41. Abnormal Process Loss is also known as abnormal wastage  
(a) True (b) False (c) Partially true (d) Partially false
42. \_\_\_\_\_ is defined as the loss in excess of the pre-determined loss.  
(a) Normal Loss (b) Abnormal Loss (c) Process Loss (d) Unit Loss
43. The total cost of abnormal process loss is debited to \_\_\_\_\_.  
(a) Costing profit and loss Account  
(b) Process Account  
(c) Abnormal Loss Account  
(d) None of the above
44. When the actual production exceeds the expected figures, the difference between actual and expected loss or actual and expected production is known as \_\_\_\_\_.  
(a) Abnormal gain (b) Abnormal yield (c) Both (a) & (b) (d) None of above
45. \_\_\_\_\_ means converting the incomplete production units into their equivalent completed units.  
(a) Equivalent units (b) Equal Units (c) Equality Units (d) None of above
46. Equivalent units can be calculated as  
(a) Actual number of units in the process of manufacture  $\times$  Percentage of Work complete.  
(b) Actual number of units in the process of manufacture / Percentage of Work complete.  
(c) Both (a) & (b)  
(d) Neither (a) nor (b)
47. Steps in process costing includes  
(a) Analysis of physical flow of production units  
(b) Calculation of equivalent units for each cost elements  
(c) Determination of total cost for each cost element  
(d) All of the above
48. Mainly method(s) for valuation of work-in-process is/are  
(a) First-in-First Out (FIFO) method  
(b) Weighted Average (Average) method  
(c) Last-in-Last Out (LIFO) Method  
(d) Both (a) & (b)  
(e) Both (a) & (c)
49. Under \_\_\_\_\_ method the units completed and transferred are taken from both opening work-in-process (WIP) and freshly introduced materials/inputs.  
(a) First-in-First Out (FIFO) method  
(b) Weighted Average (Average) method  
(c) Last-in-Last Out (LIFO) Method  
(d) Simple Average Method

50. Under \_\_\_\_\_ method, the cost of opening work-in-process and cost of the current period are aggregated and the aggregate cost is divided by output in terms of completed units.

- (a) First-in-First Out (FIFO) method
- (b) Weighted Average (Average) method
- (c) Last-in-Last Out (LIFO) Method
- (d) Simple Average Method

51. The difference between cost and the transfer price is known as \_\_\_\_\_.

- (a) Inter-job Profits
- (b) Inter-process Profits
- (c) Inter-Company Profits
- (d) Inter-Departmental Profit

52. The advantages of inter-process profit are

- (1) Comparison between the cost of output and its market price at the stage of completion is facilitated
- (2) Each process is made to stand by itself as to the profitability
- (3) The use of inter-process profits involves complication

- (a) Only (1)
- (b) (1) & (2)
- (c) (2) & (3)
- (d) Only (3)

53. Operation Costing method is also known as \_\_\_\_\_ system.

- (a) Hybrid Process Costing
- (b) Hybrid Price Costing
- (c) Hybrid Product Costing
- (d) None of the above

54. Under \_\_\_\_\_, conversion costs are applied to products using a predetermined application rate.

- (a) Operation costing
- (b) Inter-process Costing
- (c) Job Costing
- (d) Unit Costing

55. The main difference between FIFO method and average method is that units of opening work in process and their cost are taken in \_\_\_\_\_ under average method.

- (a) Zero
- (b) Full
- (c) Half
- (d) Quarter

56. Industries where operation costing is applied are

- (a) Ready-made garments
- (b) Jewellery making
- (c) both (a) & (b)
- (d) None of the above

57. The advantages of using inter-process profit, in the case of process type industries are

- (a) The use of inter-process profits involves complication.
- (b) Comparison between the cost of output and its market price at the stage of completion is facilitated.
- (c) Each process is made to stand by itself as to the profitability.
- (d) Both (b) & (c)

58. The cost of normal process loss in practice is

- (a) absorbed by good units produced under the process
- (b) credited to the process account from which it arises
- (c) debited to costing profit and loss account.
- (d) None of the above.

59. The cost of an abnormal process loss is

- (a) absorbed by good units produced under the process
- (b) credited to the process account from which it arises
- (c) debited to costing profit and loss account.
- (d) Both (b) & (c)

60. Treatment of Abnormal Gain in Cost Accounts is

- (a) The process account under which abnormal gain arises is debited with the abnormal gain and credited to abnormal gain account which will be closed by transferring to the Costing Profit and Loss account.
- (b) The process account under which abnormal gain arises is credited with the abnormal gain and debited to abnormal gain account which will be closed by transferring to the Costing Profit and Loss account.
- (c) Either (a) or (b)
- (d) None of the above



## ANSWERS

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

11. JOINT AND BY PRODUCTS COSTING

1. In sugar manufacturing industries molasses is also produced along with sugar. Molasses may be of smaller value as compared with the value of sugar and is known as

- (a) Common product (b) By- product (c) Joint product (d) None of them

2. Method of apportioning joint costs on the basis of output of each joint product at the point of split off is

- (a) Sales value method (b) Physical unit method  
(c) Average cost method (d) Marginal cost and contribution method

3. In the Net realisable value method, for apportioning joint costs over the joint products, the basis of apportionment would be

- (a) Selling price per unit of each of the joint products  
(b) Selling price multiplied by units sold of each of the joint products  
(c) Sales value of each joint product less further processing costs of individual products  
(d) Both (b) and (c)

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

- (a) Determine the opportunity cost  
(b) Determine the replacement cost  
(c) Determine profit or loss on each product line  
(d) None of the above

5. Under net realizable value method of apportioning joint costs to joint products, the selling & distribution cost is

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

6. Which of the following is a co-product

- (a) Diesel and Petrol in an oil refinery  
(b) Edible oils and oil cakes  
(c) Curd and butter in a dairy  
(d) Mustard oil and Sunflower oil in an oil processing company.

7. Which of the following is an example of by-product

- (a) Diesel and Petrol in an oil refinery  
(b) Edible oils and oil cakes  
(c) Curd and butter in a dairy  
(d) Mustard seeds and mustard oil

8. Which of following method can be used when the joint products are of unequal quantity and used for captive consumption
- (a) Technical estimates, using market value of similar goods
  - (b) Net Realisable value method
  - (c) Physical Units method
  - (d) Market value at split-off method
9. Which of the following statement is not correct in relation to Co-products
- (a) Co-products may also have joint products
  - (b) Costing for co-products are done according to process costing method
  - (c) Co-products do not have any by-products
  - (d) Co-products are treated as a separate cost object for costing purpose
10. When a by-product does not have any realisable value, the cost of by product is
- (a) Transferred to Costing Profit & Loss A/c
  - (b) By-product cost is borne by the good units
  - (c) By-product cost is ignored
  - (d) By-product cost is determined taking value of similar goods
11. VR Ltd manufactures two products from a joint milling process. The two products developed are Mine support (MS) and Commercial building (CB). A standard production run incurs joint costs of ₹ 1,00,000 and results in 60,000 units of MS and 90,000 units of CB. Each MS sells for ₹ 200 per unit, and each CB sells for ₹ 450 per unit. Assuming no further processing work is done after the split-off point, the amount of joint cost allocated to Commercial building (CB) on a physical quantity allocation basis would be
- (a) ₹ 60,000
  - (b) ₹ 180,000
  - (c) ₹ 225,000
  - (d) ₹ 120,000.
12. Amit Company manufactures two hair care lotions, Mimi and Mini, out of a joint process. The joint (common) costs incurred are ₹ 6,30,000 for a standard production run that generates 1,80,000 gallons of Mimi and 1,20,000 gallons of Mini. Mimi sells for ₹ 240 per gallon, and Mini sells for ₹ 390 per gallon. If additional processing costs beyond the split-off point are ₹ 140 per gallon for Mimi and ₹ 90 per gallon for Mini, the amount of joint cost of each production run allocated to Mimi on a physical-quantity basis is
- (a) ₹ 340,000
  - (b) ₹ 378,000
  - (c) ₹ 232,000
  - (d) ₹ 580,000
13. For the purpose of allocating joint costs to joint products, the sales price at point of sale, reduced by cost to complete after split-off, is assumed to be equal to the
- (a) Joint costs
  - (b) Sales price less a normal profit margin at point of sale
  - (c) Net sales value at split off
  - (d) Total costs
14. Method of apportioning joint costs on the basis of output of each joint product at the point of split off is
- (a) Sales value method
  - (b) Physical unit method
  - (c) Average cost method
  - (d) Marginal cost and contribution method



15. In sugar manufacturing industries molasses is also produced along with sugar. Molasses may be of smaller value as compared with the value of sugar and is known as

- (a) Common product                      (b) By- product                      (c) Joint product                      (d) None of them

16. For the purpose of allocating joint costs to joint products, the sales price at point of sale, reduced by cost to complete after split-off, is assumed to be equal to the

- (a) Joint costs  
(b) Sales price less a normal profit margin at point of sale  
(c) Net sales value at split off  
(d) Total costs

17. Which of the following is an example of by-product

- (a) Diesel and Petrol in an oil refinery  
(b) Edible oils and oil cakes  
(c) Curd and butter in a dairy  
(d) Mustard seeds and mustard oil

18. When a company produces two different products through a common production process, the factor that determines whether the two products are joint products or one main product and one by-product is the

- (a) Management policy about individual products  
(b) Relative sales value of individual products  
(c) Potential marketability for individual products  
(d) Amount of work done in the production of individual products

19. When a company produces two different products through a common production process, the factor that determines whether the two products are joint products or one main product and one by-product is the

- (a) Management policy about individual products  
(b) Relative sales value of individual products  
(c) Potential marketability for individual products  
(d) Amount of work done in the production of individual products

20. Which of following method can be used when the joint products are of unequal quantity and used for captive consumption

- (a) Technical estimates, using market value of similar goods  
(b) Net Realisable value method  
(c) Physical Units method  
(d) Market value at split-off method.

## ANSWERS

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

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

- (a) Determine the opportunity cost
- (b) Determine the replacement cost
- (c) Determine profit or loss on each product line
- (d) None of the above

22. Under net realizable value method of apportioning joint costs to joint products, the selling & distribution cost is

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

23. In case of joint products, the main objective of accounting of the cost is to apportion the joint costs incurred up to the split off point. For cost apportionment one company has chosen Physical Quantity Method. Three joint products Xx, Yy and Zz are produced in the same process. Up to the point of split off the total production of A, B and C is 60,000 kg, out of which Xx produces 30,000 kg and joint costs are Rs. 3,60,000. Joint costs allocated to product A is

- (a) Rs. 1,20,000
- (b) Rs. 60,000
- (c) Rs. 1,80,000
- (d) None of the these

24. When a company produces two different products through a common production process, the factor that determines whether the two products are joint products or one main product and one by-product is the

- (a) Management policy about individual products
- (b) Relative sales value of individual products
- (c) Potential marketability for individual products
- (d) Amount of work done in the production of individual products

25. Anushka Ltd manufactures two products from a joint milling process. The two products developed are AS and AR. A standard production run incurs joint costs of 1,00,000 and results in 60,000 units of AS and 90,000 units of AR. Each AS sells for 200 per unit, and each AR sells for ₹ 450 per unit.

Assuming no further processing work is done after the split-off point, the amount of joint cost allocated to AR on a physical quantity allocation basis would be

- (a) ₹60,000
- (b) ₹180,000
- (c) ₹ 225,000
- (d) ₹ 120,000

26. Vinod Company manufactures two body lotions, Ivy and Ovy, out of a joint process. The joint (common) costs incurred are 6,30,000 for a standard production run that generates 1,80,000 gallons of Ivy and 1,20,000 gallons of Ovy. Ivy sells for 240 per gallon, and Ovy sells for 390 per gallon.

If additional processing costs beyond the split-off point are 140 per gallon for Ivy and 90 per gallon for Ovy, the amount of joint cost of each production run allocated to Ivy on a physical-quantity basis is

- (a) ₹340,000
- (b) 378,000
- (c) ₹232,000
- (d) 580,000



27. A budget which is prepared in a manner so as to give the budgeted cost for any level of activity is known as  
(a) Master budget (b) Zero base budget (c) Functional budget (d) Flexible budget
28. Which of the following statement is not correct in relation to Co-products  
(a) Co-products may also have joint products  
(b) Costing for co-products are done according to process costing method  
(c) Co-products do not have any by-products  
(d) Co-products are treated as a separate cost object for costing purpose
29. When a by-product does not have any realisable value, the cost of by-product is  
(a) Transferred to Costing Profit & Loss A/c  
(b) By-product cost is borne by the good units  
(c) By-product cost is ignored  
(d) By-product cost is determined taking value of similar goods
30. In the Net realisable value method, for apportioning joint costs over the joint products, the basis of apportionment would be  
(a) Selling price per unit of each of the joint products  
(b) Selling price multiplied by units sold of each of the joint products  
(c) Sales value of each joint product less further processing costs of individual products  
(d) Both (b) and (c)
31. \_\_\_\_\_ means two or more products separated in the course of the same processing operation usually requiring further processing.  
(a) Joint products (b) By products  
(c) Add on products (d) Co Products
32. Two or more products of equal importance, produced, simultaneously from the same process, with each having a significant relative sale value are known as \_\_\_\_\_.  
(a) Joint products (b) By products  
(c) Add on products (d) Co Products
33. \_\_\_\_\_ are products recovered from material discarded in a main process, or from the production of some major products.  
(a) Joint products (b) By products  
(c) Add on products (d) Co Products
34. \_\_\_\_\_ is a product which is recovered incidentally from the material used in the manufacture of main or desired products.  
(a) Joint products (b) By products  
(c) Add on products (d) Co Products
35. \_\_\_\_\_ is a secondary or subsidiary product which emanates as a result of manufacture of the main product.  
(a) Joint products (b) By products  
(c) Add on products (d) Co Products

36. The point at which joint or by products are separated from the main product or products is known as

- \_\_\_\_\_.
- (a) Take-off Point                      (b) Cut-off Point                      (c) Split-off point                      (d) Site-off point

37. \_\_\_\_\_ are of equal importance whereas \_\_\_\_\_ are of small economic value.

- (a) By-products, Joint products  
 (b) Joint products, by-products  
 (c) Both (a) & (b)  
 (d) None of the above

38. \_\_\_\_\_ are produced simultaneously but the \_\_\_\_\_ are produced incidentally in addition to the main products.

- (a) By-products, Joint products  
 (b) Joint products, by-products  
 (c) Both (a) & (b)  
 (d) None of the above

39. \_\_\_\_\_ may be defined as two or more products which are contemporary but do not emerge necessarily from the same material in the same process.

- (a) Joint products    (b) By products  
 (c) Add on products    (d) Co Products

40. \_\_\_\_\_ are the expenditures incurred up-to the point of separation.

- (a) Split off costs  
 (b) By Products costs  
 (c) Joint costs  
 (d) Separation Costs

## ANSWERS

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



41. The commonly used methods for apportioning total process costs upto the point of separation over the joint products are

- (a) Physical Units Method
- (b) Net Realisable Value at split-off point
- (c) Using Technical Estimates
- (d) All of the above

42. \_\_\_\_\_ method is based on the assumption that the joint products are capable of being measured in the same units.

- (a) Physical Units Method
- (b) Net Realisable Value at split-off point
- (c) Using Technical Estimates
- (d) Contribution margin method

43. \_\_\_\_\_ method is used when the realisable value of joint products at split-off is not known.

- (a) Physical Units Method
- (b) Net Realisable Value at split-off point
- (c) Using Technical Estimates
- (d) Contribution margin method

44. \_\_\_\_\_ method uses technical estimates to apportion the joint costs over the joint products.

- (a) Physical Units Method
- (b) Net Realisable Value at split-off point
- (c) Using Technical Estimates
- (d) Contribution margin method

45. \_\_\_\_\_ method is used for the apportionment of joint costs to joint products up-to the split off point.

- (a) Market value at the point of separation
- (b) Market value after further processing
- (c) Average unit cost method
- (d) Contribution margin method

46. Under \_\_\_\_\_ method, the basis of apportionment of joint cost is the total sales value of finished products.

- (a) Market value at the point of separation
- (b) Market value after further processing
- (c) Average unit cost method
- (d) Contribution margin method

47. Under \_\_\_\_\_ method, total process cost (up-to the point of separation) is divided by total units of joint products produced.

- (a) Market value at the point of separation
- (b) Market value after further processing
- (c) Average unit cost method
- (d) Contribution margin method

48. According to \_\_\_\_\_ method, joint costs are segregated into two parts - variable and fixed.

- (a) Market value at the point of separation
- (b) Market value after further processing
- (c) Average unit cost method
- (d) Contribution margin method

49. Average unit cost can be calculated as

- (a) Total process cost (up-to the point of separation) \* Total units of joint product produced.
- (b) Total process cost (up-to the point of separation) ÷ Total units of joint product produced.
- (c) Total units of joint product produced ÷ Total process cost (up-to the point of separation).
- (d) None of the above

50. Under \_\_\_\_\_ method of apportionment of joint cost to by products, the value of the by-product is ascertained with reference to the price of a similar or an alternative material.

- (a) Standard cost in Technical Estimates
- (b) Re-use basis
- (c) Comparative price
- (d) Net Realisable Value method

51. \_\_\_\_\_ method of apportionment of joint cost to by products, may be adopted where the by-product is not saleable in the condition in which it emerges or comparative prices of similar products are not available.

- (a) Standard cost in Technical Estimates
- (b) Re-use basis
- (c) Comparative price
- (d) Net Realisable Value method

52. When the by-products are of small total value, the amount realised from their sale may be

- (a) Credited to the Costing Profit and Loss Account
- (b) Treated as deductions from the total costs.
- (c) Both (a) & (b)
- (d) None of the above

53. Where by-products are of considerable total value, they may be

- (a) Credited to the Costing Profit and Loss Account
- (b) Treated as deductions from the total costs.
- (c) regarded as joint products rather than as by-products
- (d) Both (a) & (c)

54. Under \_\_\_\_\_ method of apportionment of joint cost to by-products, The value put on the by-product should be same as that of the materials introduced into the process.

- (a) Standard cost in Technical Estimates
- (b) Re-use basis
- (c) Comparative price
- (d) Net Realisable Value method

55. Where the by-products require further processing, the net realisable value of the by-product at the split-off point may be arrived at by

- (a) subtracting the further processing cost from the realisable value of by-products
- (b) adding the further processing cost from the realisable value of by-products
- (c) dividing the further processing cost from the realisable value of by-products
- (d) multiplying the further processing cost from the realisable value of by-products

56. Answer the questions 56 to 60 from the below data.

The joint cost of making 50 units of product A, 100 units of product B and 150 units of product C is Rs. 900. The selling prices of product A, B and C are 2, 3 and 4 per unit respectively. The product does not require any further processing after split-off point. Find the amount of joint cost apportioned to product A.

- (a) Rs. 90
- (b) Rs. 270
- (c) Rs. 540
- (d) Rs. 600

57. Find the amount of joint cost apportioned to product B.

- (a) Rs. 90
- (b) Rs. 270
- (c) Rs. 540
- (d) Rs. 600

58. Find the amount of joint cost apportioned to product C.

- (a) Rs. 90
- (b) Rs. 270
- (c) Rs. 540
- (d) Rs. 600

59. Calculate the amount of profit/(loss) of Joint product A.

- (a) Rs. 10
- (b) Rs. 20
- (c) Rs. 50
- (d) Rs. 60

60. Calculate the amount of profit/(loss) of Joint product C.

- (a) Rs. 10
- (b) Rs. 20
- (c) Rs. 50
- (d) Rs. 60



## ANSWERS

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



61. Answer questions from 61 to 64 using the below data:

Shiva Co. Ltd., manufactures two joint products A and B and sells them at 8 and 10 per unit respectively. During a particular period 300 units of A and 200 units of B were produced and sold. The joint cost incurred was Rs. 3,520 and no record has been kept of further processing costs. Find the amount of Joint cost apportioned to product A.

- (a) Rs. 1,900 (b) Rs. 1,920 (c) Rs. 1,600 (d) Rs. 3,520

62. Find the amount of Joint cost apportioned to product B.

- (a) Rs. 1,900 (b) Rs. 1,920 (c) Rs. 1,600 (d) Rs. 3,520

63. Find the Total sales value of joint product A at final selling price

- (a) Rs. 2,400 (b) Rs. 2,000 (c) Rs. 2,600 (d) Rs. 2,520

64. Find the Total sales value of joint product B at final selling price

- (a) Rs. 2,400 (b) Rs. 2,000 (c) Rs. 2,600 (d) Rs. 2,520

65. Answer questions from 65 to 67 based on the below data:

A company produces two joint products A and B.

Sales A - 100 kg, @ Rs.60 per kg. and B-120 kg. @ Rs. 130 per kg.

Total Cost: Marginal cost ₹4,400 and Fixed cost ₹3,900.

Find the amount of marginal joint cost apportioned to product A.

- (a) Rs. 2,400 (b) Rs. 2,000 (c) Rs. 2,600 (d) Rs. 2,520

66. Find the amount of marginal joint cost apportioned to product B.

- (a) Rs. 2,400 (b) Rs. 2,000 (c) Rs. 2,600 (d) Rs. 2,520

67. Find the amount of fixed joint cost apportioned to product A.

- (a) Rs. 3,000 (b) Rs. 4,000 (c) Rs. 3,600 (d) Rs. 3,520

68. Find the amount of Fixed joint cost apportioned to product B.

- (a) Rs. 400 (b) Rs. 200 (c) Rs. 600 (d) Rs. 900

69. Find the amount of Profit/(loss) of product A.

- (a) Rs. 1,000 (b) Rs. (2,000) (c) Rs. (1,600) (d) Rs. 1,400

70. Find the amount of Profit/(loss) of product B.

- (a) Rs. 600 (b) Rs. (600) (c) Rs. (300) (d) Rs. 300

71. Answer the questions from 71 to 76 based on below data:

Joint Cost is 6,00,000 out of which ₹ 2,00,000 is fixed.

Joint Product A: 300kgs; Selling Price per unit = Rs. 1000

Joint Product B: 500kgs; Selling Price per unit = Rs. 600

Joint Product C: 200kgs; Selling Price per unit = Rs. 1500

Find the amount of variable joint cost apportioned to product A.

- (a) Rs. 1,20,000 (b) Rs. 2,00,000 (c) Rs. 80,000 (d) Rs. 1,50,000



72. Find the amount of variable joint cost apportioned to product B.

- (a) Rs. 1,20,000                      (b) Rs. 2,00,000                      (c) Rs. 80,000                      (d) Rs. 1,50,000

73. Find the amount of variable joint cost apportioned to product C.

- (a) Rs. 1,20,000                      (b) Rs. 2,00,000                      (c) Rs. 80,000                      (d) Rs. 1,50,000

74. Find the amount of Fixed joint cost apportioned to product A.

- (a) Rs. 72,000                      (b) Rs. 88,000                      (c) Rs. 40,000                      (d) Rs. 60,000

75. Find the amount of Fixed joint cost apportioned to product B.

- (a) Rs. 72,000                      (b) Rs. 88,000                      (c) Rs. 40,000                      (d) Rs. 60,000

76. Find the amount of Fixed joint cost apportioned to product C.

- (a) Rs. 72,000                      (b) Rs. 88,000                      (c) Rs. 40,000                      (d) Rs. 60,000

77. Answer questions from 77 to 80 based on following case scenario.

In a certain period 300 units of main product are produced and 200 units are sold at 30 per unit. The by-product emerging from the main product is sold at 600. The total cost of production of 300 units is 4,500. Calculate the amount of Closing stock if the by-product value is credited to cost of production.

- (a) Rs. 1,000                      (b) Rs. 1,300                      (c) Rs. 1,500                      (d) Rs. 2,000

78. Calculate the amount of gross profit/(loss) if the by-product value is credited to cost of production.

- (a) Rs. 3,000                      (b) Rs. (3,000)                      (c) Rs. 3,400                      (d) Rs. (2,000)

79. Calculate the amount of Closing stock if the by-product value is credited to cost of sales.

- (a) Rs. 1,000                      (b) Rs. 1,300                      (c) Rs. 1,500                      (d) Rs. 2,000

80. Calculate the amount of gross profit/(loss) if the by-product value is credited to cost of sales.

- (a) Rs. 3,300                      (b) Rs. (3,600)                      (c) Rs. (3,300)                      (d) Rs. 3,600

## ANSWERS

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

12. SERVICE COSTING

1. Composite cost unit for a hospital is  
(a) Per patient (b) Per patient-day (c) Per day (d) Per bed
2. Cost of diesel and lubricant is an example of  
(a) Operating cost (b) Fixed charges (c) Semi-variable cost (d) None of the above
3. Cost units used in power sector is  
(a) Kilo meter (K.M) (b) Kilowatt-hour (kWh) (c) Number of electric points (d) Number of hours
4. Absolute Tonne-km. is an example of  
(a) Composite units in power sector  
(b) Composite unit of transport sector  
(c) Composite unit for bus operation  
(d) Composite unit for oil and natural gas
5. Depreciation is treated as fixed cost if it is related to  
(a) Activity level (b) Related with machine hours (c) Efflux of time (d) None of the above
6. Jobs undertaken by IT & ITES organizations are considered as  
(a) Project (b) Batch work (c) Contract (d) All the above
7. In Toll Road costing, the repetitive costs include  
(a) Maintenance cost (b) Annual operating costs (c) None of the above (d) Both (a) and (b)
8. BOT approach means  
(a) Build, Operate and Transfer  
(b) Buy, Operate and Transfer  
(c) Build, Operate and Trash  
(d) Build, Own and Trash
9. Pre-product development activities in insurance companies, include  
(a) Processing of Claim  
(b) Selling of policy  
(c) Provision of conditions  
(d) Policy application processing
10. Which of the following costing method is not appropriate for costing of educational institutes  
(a) Batch Costing (b) Activity Based Costing (c) Absorption Costing (d) Process Costing
11. BOT approach means  
(a) Build, Operate and Transfer  
(b) Buy, Operate and Transfer  
(c) Build, Operate and Trash  
(d) Build, Own and Trash



12. In service costing, costs are classified as

- (a) Variable cost, fixed cost & marginal cost
- (b) Standing charges, running charges & maintenance costs
- (c) Fixed cost, normal cost & standard cost
- (d) Standard cost, marginal cost & fixed cost

13. Sharma Ferry services Pvt Ltd. provide ferry services between two towns. Distance one way is 18.52 nautical miles. Seating capacity of a ferry is 125 passengers. Actual passengers carried in each trip is 80% of seating capacity. Ferry run on all days of month (30 days). Ferry makes a round trips in a day. company is expecting a monthly revenue of 55,56,000. Calculate fare to be charged from a passenger for round trip.

- (a) 100
- (b) 926
- (c) 1852
- (d) 50.95

14. Jobs undertaken by IT & ITES organizations are considered as

- (a) Project
- (b) Batch work
- (c) Contract
- (d) All the above

15. Depreciation is treated as fixed cost if it is related to

- (a) Activity level
- (b) Related with machine hours
- (c) Efflux of time
- (d) None of the above

16. Which of the following costing method is not appropriate for costing of educational institutes

- (a) Batch Costing
- (b) Activity Based Costing
- (c) Absorption Costing
- (d) Process Costing

17. Pre-product development insurance companies, include activities in

- (a) Processing of Claim
- (b) Selling of policy
- (c) Provision of conditions
- (d) Policy application processing

18. A transport company is running 5 buses between two towns, which are 30 km apart. Seating capacity of each bus is 50 passengers. Normal occupancy in onwards journey is 90% and in return journey is 80% of its seating capacity. All the buses ran on 30 days of the month. Each bus made 3 round trip per day. Passenger km per month will be

- (a) 10,51,00
- (b) 9,56,250
- (c) 11,47,500
- (d) None of the above

19. In Toll Road costing, the repetitive costs include

- (a) Maintenance cost
- (b) Annual operating costs
- (c) None of the above
- (d) Both (a) and (b)

20. A hotel having 200 rooms of which 80% are normally occupied in summer 60% in Autumn and 25% in winter. Period of summer, autumn and winter be taken as 4 months each and normal days in a month be assumed to be 30. The total occupied room days will be

- (a) 39200 Room days
- (b) 39600 Room days
- (c) 39000 Room days
- (d) None of the above

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

21. Total passenger km run by VR logistic Ltd. was 43,80,480 for the year between Jodhpur and Pali. The bus made 3 round trips per day. Seating capacity of the bus was 52 passengers and average daily occupancy was 75% and the bus runs on an average 26 days in a month. Calculate the distance between Jodhpur and Pali.

- (a) 55 km                      (b) 720 km                      (c) 65 km                      (d) 60 km

22. In service costing, costs are classified as

- (a) Variable cost, fixed cost & marginal cost  
(b) Standing charges, running charges & maintenance costs  
(c) Fixed cost, normal cost & standard cost  
(d) Standard cost, marginal cost & fixed cost

23. Composite cost unit for a hospital is

- (a) Per patient                      (b) Per patient-day                      (c) Per day                      (d) Per bed

24. Cost of diesel and lubricant is an example of

- (a) Operating cost                      (b) Fixed charges                      (c) Semi-variable cost                      (d) None of the above

25. Reddy transport service company incurred a total operating cost of Rs. 4,86,000 in June 2027 to operate six buses between two places which are 50 kms apart. Each bus is having a seating capacity of 50 passengers and all buses run on all days with two round trips in a day. If the operating cost per passenger km, is Rs. 0.30, then the capacity occupied in each bus is

- (a) 90%                      (b) 80%                      (c) 75%                      (d) 100%

26. Cost units used in power sector is

- (a) Kilo meter (K.M)                      (b) Kilowatt-hour (kWh)                      (c) Number of electric points                      (d) Number of hours

27. In case of goods transport, which of the following is suitable cost unit to be used for cost ascertainment

- (a) Kilometre                      (b) Per day                      (c) Ton – kilometre                      (d) Per litre

28. Absolute Tonne-km. is an example of

- (a) Composite units in power sector  
(b) Composite unit of transport sector  
(c) Composite unit for bus operation  
(d) Composite unit for oil and natural gas

29. Which of the following is an example of standing charges in transport costing

- (a) Road tax and insurance  
(b) Petrol  
(c) Repairs and maintenance  
(d) Tyres



30. \_\_\_\_\_ are the quantitative and qualitative factors which are commonly used to assess the performance of an organization which are important to achieve its goal.
- (a) Key Performance Indicators (KPIs)
  - (b) Key Productivity Indicators (KPIs)
  - (c) Key Profitability Indicators (KPIs)
  - (d) None of the above
31. \_\_\_\_\_ Average Return per User (ARPU) is a key indicator, shows average revenue generated from a user of its services.
- (a) Automobile industry
  - (b) Telecom industry
  - (c) Textile industry
  - (d) Steel industry
32. Service costing is also known as \_\_\_\_\_ costing.
- (a) Industry
  - (b) Non – operating
  - (c) Operating
  - (d) Internal
33. The time from when a delivery truck enters the warehouse to collect or deliver products to when it exits the facility is known as \_\_\_\_\_
- (a) Turnaround Rate
  - (b) Lead Time
  - (c) On-Time and In-Full
  - (d) Order Cycle Time
34. The amount of time in between order placement by customer and receipt of order.
- (a) On-Time and In-Full
  - (b) Lead Time
  - (c) Both (a) & (b)
  - (d) None of the above
35. The number of orders delivered according to the schedule and quantity specified.
- (a) On-Time and In-Full
  - (b) Order Cycle Time
  - (c) Both (a) & (b)
  - (d) None of the above
36. The ratio of rented or used rooms to the total amount of available rooms is known as \_\_\_\_\_
- (a) Utilized rate
  - (b) Revenue rate
  - (c) Profit rate
  - (d) Occupancy rate

37. The rate at which the company uses up its available cash to cover operating expenses is known as

- (a) Net cool Rate
- (b) Gross cool Rate
- (c) Net Burn Rate
- (d) Gross Burn Rate

38. The typical net profit a company generates over the entire life cycle of a single customer is known as

- (a) Customer Lifetime Value
- (b) Customer Acquisition Cost
- (c) Both (a) & (b)
- (d) None of the above

39. The amount earned each month through subscription renewals, new sales, upsells, and fluctuations on a monthly basis is known as

- (a) Monthly Recurring Revenue (MRR)
- (b) Churn Rate
- (c) Average return per user (ARPU)
- (d) Subscriber acquisition cost (SAC)

40. The percentage of customers that cancel their recurring subscriptions over a given time period is known as

- (a) Monthly Recurring Revenue (MRR)
- (b) Churn Rate
- (c) Average return per user (ARPU)
- (d) Subscriber acquisition cost (SAC)

## ANSWERS

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



41. How much money a company is making for each person using its service is known as

- (a) Monthly Recurring Revenue (MRR)
- (b) Churn Rate
- (c) Average return per user (ARPU)
- (d) Subscriber acquisition cost (SAC)

42. How well a company is retaining its customers based on factors such as sales price increases, organic customer growth, and more is known as

- (a) Gross Revenue Retention (GRR)
- (b) Net Revenue Retention (NRR)
- (c) Gross Profit Retention (GPR)
- (d) Net Profit Retention (NPR)

43. Sometime two measurement units are combined together to know the cost of service or operation. These are called\_\_\_\_\_.

- (a) combined cost units
- (b) composite cost units
- (c) common cost units
- (d) All of the above

44. Composite unit may be computed in

- (a) Absolute (Weighted Average) basis
- (b) Commercial (Simple Average) basis
- (c) Absolute (Simple Average) basis
- (d) Both (a) & (b)

45. \_\_\_\_\_ is a summation of the products of qualitative and quantitative factors.

- (a) Absolute (Weighted Average) basis
- (b) Commercial (Simple Average) basis
- (c) Absolute (Simple Average) basis
- (d) Commercial (Weighted Average) basis

46. \_\_\_\_\_ is the product of average qualitative and total quantitative factors.

- (a) Absolute (Weighted Average) basis
- (b) Commercial (Simple Average) basis
- (c) Absolute (Simple Average) basis
- (d) Commercial (Weighted Average) basis

47. Absolute (Weighted Average) basis is calculated as

- (a)  $\sum (\text{Weight Carried} \times \text{Distance})_1 + (\text{Weight Carried} \times \text{Distance})_2 + \dots + (\text{Weight Carried} \times \text{Distance})_n$
- (b)  $\sum (\text{Weight Carried} \times \text{Distance})_1 - (\text{Weight Carried} \times \text{Distance})_2 - \dots - (\text{Weight Carried} \times \text{Distance})_n$
- (c)  $\sum (\text{Weight Carried} / \text{Distance})_1 - (\text{Weight Carried} / \text{Distance})_2 - \dots - (\text{Weight Carried} / \text{Distance})_n$
- (d)  $\sum (\text{Weight Carried} / \text{Distance})_1 + (\text{Weight Carried} / \text{Distance})_2 + \dots + (\text{Weight Carried} / \text{Distance})_n$

48. Commercial (Simple Average) basis is calculated as

- (a)  $\sum (\text{Distance}_1 - \text{Distance}_2 - \dots - \text{Distance}_n) \times [(W_1 + W_2 + \dots + W_n)/n]$
- (b)  $\sum (\text{Distance}_1 + \text{Distance}_2 + \dots + \text{Distance}_n) \times [(W_1 + W_2 + \dots + W_n)/n]$
- (c)  $\sum (\text{Distance}_1 + \text{Distance}_2 + \dots + \text{Distance}_n) \times [(W_1 - W_2 - \dots - W_n)/n]$
- (d)  $\sum (\text{Distance}_1 + \text{Distance}_2 + \dots + \text{Distance}_n) / [(W_1 + W_2 + \dots + W_n)/n]$

49. A lorry starts with a load of 20 MT of goods from Station 'A'. It unloads 8 MT in Station 'B' and balance goods in Station 'C'. On return trip, it reaches Station 'A' with a load of 16 MT, loaded at Station 'C'. The distance between A to B, B to C and C to A are 80 Kms, 120 Kms and 160 Kms, respectively. COMPUTE "Absolute MT-Kilometre".

(MT = Metric Ton or Ton)

- (a) 5,400 MT - Kilometre
- (b) 5,500 MT - Kilometre
- (c) 5,600 MT - Kilometre
- (d) 5,700 MT - Kilometre

50. Calculate the "Commercial MT – Kilometre" from the above data.

- (a) 5,760 MT – Kilometre
- (b) 5,670 MT – Kilometre
- (c) 5,160 MT – Kilometre
- (d) 5,170 MT – Kilometre

51. Cost sheet on the basis of variability is prepared classifying all the costs into different heads like

- (a) Fixed costs or Standing charges
- (b) Variable costs or Operating expenses
- (c) Semi-variable costs or Maintenance expenses
- (d) All of the above

52. The cost unit for Goods transport organization is

- (a) Tonne– Kilometre
- (b) Passenger– Kilometre
- (c) Both (a) & (b)
- (d) None of the above

53. Cost unit for Passenger transport organization is

- (a) Tonne– Kilometre
- (b) Passenger– Kilometre
- (c) Both (a) & (b)
- (d) None of the above

54. Information Technology (IT) and Information Technology Enabled Services (ITES) organizations are highly \_\_\_\_\_ intensive.

- (a) Labour
- (b) Capital
- (c) Both (a) & (b)
- (d) None of the above

55. the skill level requirement for carrying out each of the activities is identified and the duration of each and every activity would be ascertained. This process is known as \_\_\_\_\_.

- (a) Effort estimation      (b) Profit Estimation      (c) Skill Estimation      (d) Cost Estimation

56. Effort costs include

- (a) Costs of providing, heating and lighting office space  
(b) Costs of support staff such as accountants, administrators, system managers, cleaners and technicians  
(c) Costs of networking and communication  
(d) All of the above

57. The \_\_\_\_\_ cost consists of cost incurred during the construction period

- (a) Labour      (b) Capital      (c) Both (a) & (b)      (d) None of the above

58. Construction expenses includes

- (a) Toll collection expenses  
(b) Preliminary and pre-operative expenses  
(c) Interest expenses incurred for servicing term loans  
(d) None of the above

59. Expenditure of the Educational Institutions includes

- (a) Research and Development Cost  
(b) Cost of Publication of research and other materials  
(c) The salary of the teaching and non-teaching staff  
(d) All of the above

60. Actuarial fees, market and product development costs, administration cost, asset management cost are

- (a) Direct Costs  
(b) Indirect Costs  
(c) Operational Costs  
(d) None of the above



## ANSWERS

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

13. STANDARD COSTING

1. Under standard cost system the cost of the product determined at the beginning of production is its  
(a) Direct cost (b) Pre-determined cost (c) Historical cost (d) Actual cost
2. The deviations between actual and standard cost is known as  
(a) Multiple analysis (b) Variable cost analysis (c) Variance analysis (d) Linear trend analysis
3. The standard which is attainable under favourable conditions is  
(a) Theoretical standard (b) Expected standard (c) Normal standard (d) Basic standard
4. The standard most suitable from cost control point of view is  
(a) Normal standard (b) Theoretical standard (c) Expected standard (d) Basic standard
5. Overhead cost variances is  
(a) The difference between overheads recovered on actual output - actual overhead incurred  
(b) The difference between budgeted overhead cost and actual overhead cost  
(c) Obtained by multiplying standard overhead absorption rate with the difference between standard hours for actual output and actual hours worked  
(d) None of the above
6. Which of the following variance arises when more than one material is used in the manufacture of a product  
(a) Material price variance  
(b) Material usage variance  
(c) Material yield variance  
(d) Material mix variance
7. If standard hours for 100 units of output are 400 @ ₹ 2 per hour and actual hours take are 380 @ ₹ 2.25 per, then the labour rate variance is  
(a) ₹ 95 (adverse) (b) ₹ 100 (adverse) (c) ₹ 25 (favourable) (d) ₹ 120 (adverse)
8. Controllable variances are best disposed-off by transferring to  
(a) Cost of goods sold  
(b) Cost of goods sold and inventories  
(c) Inventories of work-in-progress and finished goods  
(d) Costing profit and loss account
9. Idle time variance is obtained by multiplying  
(a) The difference between standard and actual hours by the actual rate of labour per hour  
(b) The difference between actual labour hours paid and actual labour hours worked by the standard rate  
(c) The difference between standard and actual hours by the standard rate of labour per hour  
(d) None of the above
10. Basic standards are  
(a) Those standards, which require high degree of efficiency and performance  
(b) Average standards and are useful in long term planning  
(c) Standards, which can be attained or achieved  
(d) Assuming to remain unchanged for a long time

11. Which of the following is not a reason for an idle time variance?

- (a) Wage rate increase
- (b) Machine breakdown
- (c) Illness or injury to worker
- (d) Non- availability of material

12. The following figures are extracted from the books of a company:

Budgeted overheads - 20,000 (Fixed - 12,000, Variable - 8,000)

Budgeted Hours - 2500

Actual Overheads - 21,800 (Fixed - 11,800, Variable - 10,000)

Actual Hours - 3000

Calculate Variable Overheads fixed overheads cost variance will be

- (a) 400 (A) and 200 (F)
- (b) 400 (F) and 200 (A)
- (c) 2000 (A) and 200 (F)
- (d) 2000 (F) and 200 (A)

13. The budgeted overheads is 9,600, absorbed overheads is 10,650, fixed overheads at actual hours is 10,000 and actual overheads is 11,650. The overheads volume variance is

- (a) 600 (A)
- (b) 2050 (A)
- (c) 650 (F)
- (d) 1050 (F)

14. The standard material required to manufacture one unit of Product-A is 4.5 Kgs. and the standard price per Kg. of material is 3.2. The cost accountant's records, however, reveal that 16,000 Kgs. of material costing 54,000 were used for producing 3,500 units of Product-A. Material price variance will be -

- (a) 2,800 (A)
- (b) 2,800 (F)
- (c) 3,600 (A)
- (d) 3,600 (F)

15. In a factory where standard costing system is followed, the production department consumed 1500 kgs of a material @10 per kg for product X resulting in material price variance of 3000 (F) and material usage variance of 11500 (A). What is the standard material cost of actual production of product X?

- (a) 10,500
- (b) 19,500
- (c) 14,500
- (d) 16,500

16. The information relating to the direct material cost of a company is as follows:

Standard price per unit - 16.50

Actual quantity purchased in units - 2000

Standard quantity allowed for actual production in units - 1860

Material price variance on purchase (Favourable) - 11000

What is the actual purchase price per unit?

- (a) 16.00
- (b) 17.00
- (c) 16.50
- (d) 17.50

17. Overhead cost variance is 12,000 (A), overhead expenditure variance is 4,000 (A) and overhead efficiency variance is 4,000 (F). In this case, overhead capacity variance is

- (a) Rs. 12,000 (A)
- (b) Rs. 8,000 (A)
- (c) Rs. 8,000 (F)
- (d) Rs. 12,000 (A)



18. Records of XYZ Ltd. reveal the following data:

Fixed overhead capacity variance = 2,000 (F)

Fixed overhead efficiency variance = 1,000 (F)

Fixed overhead expenditure variance = 5,000 (A)

Fixed overhead cost variance will be

(a) Rs. 8,000 (A)

(b) Rs. 2,000 (A)

(c) Rs. 2,000 (F)

(d) Rs. 8,000 (F)

19. VR Ltd. uses standard cost system. The following information pertains to direct labour for Product X for the month of March, 2027:

Standard rate per hour – 5

Actual rate per hour - 5.50

Standard hours allowed for actual production - 2000 hours

Labour Efficiency variance - 2,500 (Adverse)

What were the actual hours worked?

(a) 1,800

(b) 2,500

(c) 2,200

(d) 2,190

20. The following are relating to Job No. 1000:

Standard hours planned 450

Actual hours worked 498

Standard wage rate Rs. 3.58

Actual wage rate Rs. 4.28

Idle hours 7

The total labour efficiency variance for Job No. 1000:

(a) Rs. 171.84 (A)

(b) Rs. 146.78 (A)

(c) Rs. 175.48 (A)

(d) Rs. 205.44 (A)

## ANSWERS

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

21. The information relating to the direct material cost of a company is as under: Actual quantity purchased in units 1,800 @ 19 per unit. Standard quantity allowed for actual production in units 1,950 Material Price Variance on purchase (Adverse) 2700 What is the Standard price per unit?

- (a) 7.62 (b) 10.50 (c) 7.50 (d) 10.38

22. The capacity variance is 36,000 (F), calendar variance is 20,850 (A), expenditure variance is 5000 (A). The volume variance will be

- (a) 15,150 (F) (b) 10,150 (F) (c) 10,150 (A) (d) 16,150 (F)

23. A company operates a standard absorption costing system. The budgeted fixed production overheads for the company for last year were 5,00,000 and budgeted output was 2,50,000 units. At the end of the company's financial year, the total of the fixed production overheads debited to the Fixed Production Overhead Control Account was 4,70,000 and the actual output achieved was 2,00,000 units. The under/over absorption of overhead was

- (a) 70,000 under absorbed (b) 30,000 under absorbed  
(c) 70,000 over absorbed (d) 30,000 over absorbed

24. The budgeted fixed overheads for a budgeted production of 20,000 units is 60,000. For a certain period the actual production was 23,000 units and actual expenditure 62,000. The volume variance is

- (a) 9,000(F) (b) 9,000(A) (c) 2,000(A) (d) 2,000(F)

25. The following information is given:

Standard: 360 kg material for 200 units of finished output @2 per kg.

Actual: Output 6,900 units, material used 13830 kg., cost of material 38,724.

Material usage variance will be.

- (a) Rs. 13884(A) (b) Rs. 3948 (A) (c) Rs. 7698 (F) (d) Rs. 2820 (A)

26. A chemical is manufactured by combining two standard items Input-X (Standard price 20 per kg) and Input-Y (Standard price 25 per kg) in the ratio 60%:40%. Ten percent of input is lost during processing. If during a month 1,800 Kgs. of chemical is produced incurring a total cost of 45,960, the total material cost variance will be

- (a) 1,960(A) (b) 6,360(A) (c) 2,400(A) (d) 4,000(A)

27. For producing one unit of product X, standard labour hours are 25. Wages rate is 3.5 per hour. In April, 2027, output was 2,000 units. 53,000 labour hours actually paid, costing 2,17,300. These 53,000 hours include 600 hours arise due to machine breakdown. Labour rate variance was

- (a) Rs. 31,800 (A) (b) Rs. 31,440 (A) (c) Rs. 42,300 (A) (d) Rs. 31,440 (F)

28. The standard hourly rate is 7.50 per hour and actual rate 6.80 per hour. If the labour rate variance is 2,800(F), the actual labour hours worked is

- (a) 2,800 hours (b) 4,000 hours (c) 3,500 hours (d) 6,150 hours

29. \_\_\_\_\_ is the planned unit cost of the product, component or service produced in a period.

- (a) Marginal cost (b) Standard Cost (c) Product Cost (d) Unit Cost



30. Types of standards are

- (a) Ideal Standards
- (b) Normal Standards
- (c) Bogey Standards
- (d) All of the above

31. \_\_\_\_\_ represent the level of performance attainable when prices for material and labour are most favourable.

- (a) Ideal Standards
- (b) Normal Standards
- (c) Bogey Standards
- (d) Current Standards

32. \_\_\_\_\_ are standards that may be achieved under normal operating conditions.

- (a) Ideal Standards
- (b) Normal Standards
- (c) Bogey Standards
- (d) Current Standards

33. \_\_\_\_\_ standards are used only when they are likely to remain constant or unaltered over a long period.

- (a) Ideal Standards
- (b) Normal Standards
- (c) Bogey Standards
- (d) Current Standards

34. \_\_\_\_\_ standards reflect the management's anticipation of what actual costs will be for the current period.

- (a) Ideal Standards
- (b) Normal Standards
- (c) Bogey Standards
- (d) Current Standards

35. Standard costs are divided into

- (a) Direct Material Cost
- (b) Direct Employee (Labour) Cost
- (c) Overheads
- (d) All of the above

36. \_\_\_\_\_ standards refer to expression of standards in units or hours.

- (a) Physical
- (b) Internal
- (c) External
- (d) None of the above

37. The price or rate standards can be set on

- (a) Actual average or mean price expected to prevail during the coming period, say one year
- (b) Normal prices expected to prevail during a cycle of seasons which may be of a number of years
- (c) Either (a) or (b)
- (d) None of the above

38. \_\_\_\_\_ are those which can be controlled under the normal operating conditions.

- (a) Uncontrollable variances
- (b) Controllable variances
- (c) Avoidable variances
- (d) Unavoidable variances

39. \_\_\_\_\_ are those which occurs due to conditions which are beyond the control.

- (a) Uncontrollable variances
- (b) Controllable variances
- (c) Avoidable variances
- (d) Unavoidable variances

40. \_\_\_\_\_ are those which are profitable for the company and adverse variances are those which causes loss to the company.

- (a) Favourable variances
- (b) Unfavourable variances
- (c) Acceptable variances
- (d) Unacceptable variances

## ANSWERS

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



41. \_\_\_\_\_ means actual cost is exceeding standard cost.
- (a) Favourable variances
  - (b) Unfavourable variances
  - (c) Acceptable variances
  - (d) Adverse variances
42. Material Cost Variance =
- (a) [Standard Cost – Actual Cost]
  - (b) [(Std. Quantity × Std. Price) – (Actual Quantity × Actual Price)]
  - (c) Both (a) & (b)
  - (d) None of the above
43. Material Price Variance =
- (a) [Standard Cost of Actual Quantity – Actual Cost]
  - (b) Actual Quantity (AQ) × {Std. Price (SP) – Actual Price(A)}
  - (c) [(SP × AQ) – (AP × AQ)]
  - (d) All of the above
44. Material Usage Variance =
- (a) [Standard Cost of Standard Quantity for Actual Production – Standard Cost of Actual Quantity]
  - (b) Std. Price (SP) × {Std. Quantity (SQ) - Actual Quantity (AQ)}
  - (c) [(SQ × SP) + (AQ × SP)]
  - (d) Both (a) & (b)
45. Material Mix Variance =
- (a) [Standard Cost of Actual Quantity in Standard Proportion + Standard Cost of Actual Quantity]
  - (b) Std. Price (SP) × {Revised Std. Quantity (RSQ) + Actual Quantity (AQ)}
  - (c) Both (a) & (b)
  - (d) Neither (a) nor (b)
46. Material Yield Variance =
- (a) [Standard Cost of Standard Quantity for Actual Production – Standard Cost of Actual Quantity in standard proportion]
  - (b) Std. Price (SP) × {Std. Quantity (SQ) – Revised Standard Quantity (RSQ)}
  - (c) [(SQ × SP) – (RSQ × SP)]
  - (d) All of the above
47. Standard Quantity (SQ) means
- (a) Quantity of inputs to be used to produce actual output
  - (b) Quantity of inputs actually used to produce actual output
  - (c) If Actual total quantity of inputs were used in standard proportion
  - (d) None of the above

48. Actual Quantity (AQ) means

- (a) Quantity of inputs to be used to produce actual output
- (b) Quantity of inputs actually used to produce actual output
- (c) If Actual total quantity of inputs were used in standard proportion
- (d) None of the above

49. Revised Standard Quantity (RSQ) means

- (a) Quantity of inputs to be used to produce actual output
- (b) Quantity of inputs actually used to produce actual output
- (c) If Actual total quantity of inputs were used in standard proportion
- (d) None of the above

50. The standard and actual figures of product 'ABC' are as under:

	<u>Standard</u>	<u>Actual</u>
Material quantity	50 units	45 units
Material price per unit	₹ 1.00	₹ 0.80

CALCULATE material cost variances.

- (a) ₹14 (F)                      (b) ₹15 (F)                      (c) ₹14 (A)                      (d) ₹15 (A)

51. Prashant Manufacturing Concern furnishes the following information:

Standard:	Material for 70 kg finished products	-	100 kg
	Price of material	-	₹ 1 per kg
Actual:	Output	-	2,10,000 kg
	Material used	-	2,80,000 kg
	Cost of Materials	-	₹ 2,52,000

Calculate material usage variance.

- (a) ₹ 20000 (A)                      (b) ₹ 20000 (F)                      (c) ₹ 20500 (A)                      (d) ₹ 20500 (F)

52. Calculate material price variance for the above data.

- (a) ₹ 28000 (A)                      (b) ₹ 28000 (F)                      (c) ₹ 28500 (A)                      (d) ₹ 28500 (F)

53. Calculate material cost variance for the above data.

- (a) ₹ 48000 (A)                      (b) ₹ 48000 (F)                      (c) ₹ 49000 (A)                      (d) ₹ 49000 (F)

54. \_\_\_\_\_ variance is the difference between actual labour cost and standard cost.

- (a) Labour Cost
- (b) Material Cost
- (c) Employee Cost
- (d) Both (a) & (c)

55. Mathematically Labour Cost variance can be written as

- (a) [Standard Cost – Actual Cost]
- (b) [(SH × SR) - (SH × AR)]
- (c) Both (a) & (b)
- (d) None of the above

56. Labour cost variance can be divided into

- (i) Labour Rate Variance
- (ii) Labour Efficiency Variance
- (iii) Labour Idle time Variance

(a) ONLY (i)                      (b) (i) & (ii)                      (c) (i) & (iii)                      (d) (i), (ii), (iii)

57. Labour Rate Variance =

- (a) [Standard Cost of standard Time – Actual Cost]
- (b) Actual Hours (AH) × {Std. Rate (SR) – Actual Rate (AR)}
- (c) Both (a) & (b)
- (d) None of the above

58. Labour Efficiency Variance =

- (a) [Standard Cost of Standard Time for Actual Production – Standard Cost of Actual Time]
- (b) Std. Rate (SR) × {Std. Hours (SH) – Actual Hours (AH)}
- (c) Both (a) & (b)
- (d) None of the above

59. Labour Mix Variance or Gang Variance =

- (a) [Standard Cost of Actual Time Worked in Standard Proportion – Standard Cost of Actual Time Worked]
- (b) Actual. Rate (AR) × {Revised Std. Hours (RSH) – Actual Hours Worked (AH)}
- (c) [(RSH × SR) – (AH × AR)]
- (d) All of the above

60. Labour Yield Variance or Sub-Efficiency Variance =

- (a) [Standard Cost of Standard Time for Actual Production – Standard Cost of Actual Time Worked in Standard Proportion]
- (b) Std. Rate (SR) × {Std. Hours (SH) – Revised Std. Hours (RSH)}
- (c) [(SH × SR) – (RSH × SR)]
- (d) All of the above



## ANSWERS

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

61. Labour Idle Time Variance =

- (a) [Standard Rate per Hour × Actual Idle Hours]
- (b) Std. Rate (SR) {Actual Hours Paid – Actual Hours Worked}
- (c) [(AH × SR) – (AH × SR)]
- (d) All of the above

62. The standard and actual figures of a firm are as under

Standard time for the job	: 1,000 hours
Standard rate per hour	: ₹ 50
Actual time taken	: 900 hours
Actual wages paid	: ₹ 36,000

Calculate Labour Rate variance.

- (a) ₹9,000 (F)
- (b) ₹9,000 (A)
- (c) ₹9,500 (F)
- (d) ₹9,500 (A)

63. Calculate Labour Efficiency variance for the above data.

- (a) ₹5,000 (F)
- (b) ₹5,000 (A)
- (c) ₹5,500 (F)
- (d) ₹5,500 (A)

64. Calculate Labour cost variance for the above data.

- (a) ₹14,500 (F)
- (b) ₹14,500 (A)
- (c) ₹14,000 (F)
- (d) ₹14,000 (A)

65. The standard output of product 'ABC' is 25 units per hour in manufacturing department of a company employing 100 workers. Calculate standard man hours.

- (a) 5 hrs
- (b) 4 hrs
- (c) 4.5 hrs
- (d) 5.5 hrs

66. Variable overhead cost variance includes

- (a) Variable Overhead Expenditure Variance
- (b) Variable Overhead Effective Variance
- (c) Variable Overhead Yield Variance
- (d) Both (a) & (b)

67. Variable Overhead Expenditure (Spending) Variance =

- (a) (Standard Variable Overheads for Actual Hours) - (Actual Variable Overheads)
- (b) [(SR × AH) – (AR × AH)]
- (c) [(SR – AR) × AH]
- (d) All of the above

68. Variable Overhead Efficiency Variance =

- (a) (Standard Variable Overheads for Production) - (Standard Variable Overheads for Actual Hours)
- (b) [(SR × AH) – (AR × AH)]
- (c) [(SR – AR) × AH]
- (d) All of the above

69. If actual labour hours worked were worked by standard mix (combination) of labour then it is termed as

- (a) Standard Hours (SH)
- (b) Revised Standard Hours (RSH)
- (c) Actual Hours (AH)
- (d) Actual Yield (AY)

70. Actual hours if labour worked in standard ratio is termed as

- (a) Standard Hours (SH)
- (b) Actual Hours (AH)
- (c) Standard Yield (SY)
- (d) Actual Yield (AY)

71. From the following information

Budgeted Production	6,000 units
Budgeted Variable Overhead	₹ 1,20,000
Standard time for one Unit of output	2 hours
Actual Production	5,900 units
Actual Overhead Incurred	₹ 1,22,000
Actual Hours Worked	11,600 hours

calculate Variable Overhead Cost Variance.

- (a) ₹4,000 (F)
- (b) ₹4,000 (A)
- (c) ₹5,000 (A)
- (d) (c) ₹5,000 (F)

72. Calculate Variable Overhead Expenditure Variance for the above data

- (a) ₹6,000 (F)
- (b) ₹6,000 (A)
- (c) ₹7,000 (A)
- (d) (c) ₹7,000 (F)

73. Calculate Variable Overhead Efficiency Variance for the above data.

- (a) ₹10,000 (F)
- (b) ₹10,000 (A)
- (c) ₹2,000 (A)
- (d) (c) ₹2,000 (F)

74. Fixed overhead cost variance is the \_\_\_\_\_ actual fixed overhead and absorbed fixed overhead.

- (a) difference between
- (b) Sum between
- (c) Product of
- (d) None of the above

75. Fixed overhead variance includes

- (a) Fixed Overhead Expenditure Variance
- (b) Fixed Overhead Volume Variance
- (c) Both (a) & (b)
- (d) None of the above

76. Fixed overhead volume variance includes

- (a) Efficiency Variance
- (b) Capacity Variance
- (c) Calendar Variance
- (d) All of the above

77. Fixed Overhead Cost Variance =

- (a) (Absorbed Fixed Overheads) - (Actual Fixed Overheads)
- (b)  $(SH \times AR) - (AH \times AR)$
- (c) Both (a) & (b)
- (d) None of the above

78. Fixed Overhead Expenditure Variance =

- (a) (Budgeted Fixed Overheads) Less (Actual Fixed Overheads)
- (b)  $(BH \times SR) - (AH \times AR)$
- (c) Both (a) & (b)
- (d) None of the above



79. Fixed Overhead Volume Variance =

- (a) (Absorbed Fixed Overheads) Less (Budgeted Fixed Overheads)
- (b)  $(AH \times SR) - (BH \times SR)$
- (c) Both (a) & (b)
- (d) None of the above

80. \_\_\_\_\_ is the difference between fixed overhead absorbed and standard fixed overhead.

- (a) Fixed Overhead Efficiency Variance
- (b) Fixed Overhead Capacity Variance
- (c) Fixed Overhead Calendar Variance
- (d) Fixed Overhead Volume Variance

## ANSWERS

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

81. \_\_\_\_\_ is the difference between standard fixed overhead and budgeted overhead.
- (a) Fixed Overhead Efficiency Variance  
(b) Fixed Overhead Capacity Variance  
(c) Fixed Overhead Calendar Variance  
(d) Fixed Overhead Volume Variance
82. \_\_\_\_\_ variance arises due to difference in number of actual working days and the standard working days.
- (a) Fixed Overhead Efficiency Variance  
(b) Fixed Overhead Capacity Variance  
(c) Fixed Overhead Calendar Variance  
(d) Fixed Overhead Volume Variance
83. Standard overhead rate (per hour) =
- (a) Budgeted Overhead/Budgeted hours  
(b) Budgeted Overhead/Budgeted output in units  
(c) Both (a) & (b)  
(d) None of the above
84. Standard overhead rate (per unit) =
- (a) Budgeted Overhead/Budgeted hours  
(b) Budgeted Overhead/Budgeted output in units  
(c) Both (a) & (b)  
(d) None of the above
85. Advantages of Standard Costing are
- (a) It serves as a basis for measuring operating performance and cost control  
(b) Introduction of standard costing facilitates evaluation of jobs and introduction of incentives  
(c) facilitates the estimation of the cost of new products  
(d) All of the above
86. Answer questions from 86 to 89 based on below case study.  
A manufacturing department of a company has employed 120 workers. The standard output of product "ARK" is 20 units per hour and the standard wage rate is ₹ 25 per labour hour.  
In a 48 hours week, the department produced 1,000 units of 'ARK' despite 5% of the time paid being lost due to an abnormal reason. The hourly wages actually paid were ₹ 25.70 per hour.  
Calculate Labour Cost Variance
- (a) ₹ 1,968 F                      (b) ₹ 13,200 F                      (c) ₹ 4,032 A                      (d) ₹ 7,200 A
87. Calculate Labour Rate Variance
- (a) ₹ 1,968 F                      (b) ₹ 13,200 F                      (c) ₹ 4,032 A                      (d) ₹ 7,200 A
88. Calculate Labour Idle Time Variance
- (a) ₹ 1,968 F                      (b) ₹ 13,200 F                      (c) ₹ 4,032 A                      (d) ₹ 7,200 A
89. Calculate Labour Efficiency Variance
- (a) ₹ 13,200 F                      (b) ₹ 14,200 F                      (c) ₹ 13,900 F                      (d) ₹ 15,200 A
90. Answer questions from 90 to 97 based on below case scenario  
Following are the standard cost for a product-X:



	(₹)
Direct materials 10 kg @ ₹ 90 per kg	900
Direct labour 8 hours @ ₹100 per hour	800
Variable Overhead 8 hours @ ₹15 per hour	120
Fixed Overhead	400
	2,220

Budgeted output for the year was 2,000 units. Actual output is 1,800 units. Actual cost for year is as follows:

	(₹)
Direct materials 17800 kg @ ₹ 92 per kg	16,37,600
Direct labour 14000 hours @ ₹104 per hour	14,56,000
Variable Overhead incurred	2,17,500
Fixed Overhead incurred	7,68,000

CALCULATE Material Usage Variance.

- (a) ₹ 18,000 (Favourable)      (b) ₹ 35,600 (Adverse)      (c) ₹17,600 (Adverse)      (d) ₹ 40,000 (Favourable)

91. Calculate Material Price Variance

- (a) ₹ 18,000 (Favourable)      (b) ₹ 35,600 (Adverse)      (c) ₹17,600 (Adverse)      (d) ₹ 40,000 (Favourable)

92. Calculate Labour Efficiency Variance

- (a) ₹ 18,000 (Favourable)      (b) ₹ 35,600 (Adverse)      (c) ₹17,600 (Adverse)      (d) ₹ 40,000 (Favourable)

93. Calculate Material Cost Variance

- (a) ₹ 18,000 (Favourable)      (b) ₹ 35,600 (Adverse)      (c) ₹17,600 (Adverse)      (d) ₹ 40,000 (Favourable)

94. Calculate Labour Rate Variance

- (a) ₹ 56,000 (Adverse)      (b) ₹16,000 (Adverse)      (c) ₹ 18,000 (Adverse)      (d) ₹ 1,500 (Adverse)

95. Calculate Labour Cost Variance

- (a) ₹ 56,000 (Adverse)      (b) ₹16,000 (Adverse)      (c) ₹ 18,000 (Adverse)      (d) ₹ 1,500 (Adverse)

96. Calculate Fixed Overhead Cost Variance.

- (a) ₹ 46,000 (Adverse)      (b) ₹48,000 (Adverse)      (c) ₹ 2,000 (Adverse)      (d) ₹ 1,500 (Adverse)

97. Calculate Variable Overhead Cost Variance.

- (a) ₹ 46,000 (Adverse)      (b) ₹48,000 (Adverse)      (c) ₹ 2,000 (Adverse)      (d) ₹ 1,500 (Adverse)

98. AK Ltd. has furnished the following standard cost data per unit of production:

Material 10 kg @ ₹ 100 per kg.

Labour 6 hours @ ₹ 55 per hour

Variable overhead 6 hours @ ₹ 100 per hour

Fixed overhead ₹45,00,000 per month (Based on a normal volume of 30,000 labour hrs)

The actual cost data for the month of September 2027 are as follows:

Material used 50,000 kg at a cost of ₹ 52,50,000

Labour paid ₹ 15,50,000 for 31,000 hours

Variable overheads ₹ 29,30,000

Fixed overheads ₹ 47,00,000

Actual production 4,800 units.

Calculate Material Cost Variance.

- (a) ₹ 4,50,000 (A)                      (b) ₹ 3,80,000 (A)                      (c) ₹ 50,000 (A)                      (d) ₹ 34,000 (F)

99. Calculate Labour Cost Variance using the data of above question.

- (a) ₹ 4,50,000 (A)                      (b) ₹ 3,80,000 (A)                      (c) ₹ 50,000 (A)                      (d) ₹ 34,000 (F)

100. Calculate Variable Overhead Cost Variance using the data of above question.

- (a) ₹ 30,000 (A)                      (b) ₹ 80,000 (A)                      (c) ₹ 50,000 (A)                      (d) ₹ 31,000 (F)

## ANSWERS

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



14. MARGINAL COSTING

1. Under marginal costing the cost of product includes
  - (a) Prime costs only
  - (b) Prime costs and variable overheads
  - (c) Prime costs and fixed overheads
  - (d) Prime costs and factory overheads
2. Reporting under marginal costing is accomplished by
  - (a) Treating all costs as period costs
  - (b) Eliminating the work-in-progress inventory account
  - (c) Matching variable costs against revenue and treating fixed costs as period costs
  - (d) Including only variable costs in income statement
3. Period costs are
  - (a) Variable costs
  - (b) Fixed costs
  - (c) Prime costs
  - (d) Overheads costs
4. When sales and production (in units) are same then profit under
  - (a) Marginal costing is higher than that of absorption costing
  - (b) Marginal costing is lower than that of absorption costing
  - (c) Marginal costing is equal to that of absorption costing
  - (d) None of the above
5. When sales exceed production (in units) then profit under
  - (a) Marginal costing is higher than that of absorption costing
  - (b) Marginal costing is lower than that of absorption costing
  - (c) Marginal costing is equal than that of absorption costing
  - (d) None of above
6. The main difference between marginal costing and absorption costing is regarding the treatment of
  - (a) Prime cost
  - (b) Fixed overheads
  - (c) Direct materials
  - (d) Variable overheads
7. Under profit volume ratio, the term profit
  - (a) Means the sales proceeds in excess of total costs
  - (b) Means the same thing as is generally understood
  - (c) Is a misnomer, it in fact refers to contribution i.e. (sales revenue-variable costs)
  - (d) None of the above
8. Factors which can change the break-even point
  - (a) Change in fixed costs
  - (b) Change in variable costs
  - (c) Change in the selling price
  - (d) All of the above
9. If P/V ratio is 40% of sales then what about the remaining 60% of sales
  - (a) Profit
  - (b) Fixed cost
  - (c) Variable cost
  - (d) Margin of safety
10. The P/V ratio of a product is 0.6 and profit is ₹ 9,000. The margin of safety is
  - (a) ₹ 5,400
  - (b) ₹ 15,000
  - (c) ₹ 22,500
  - (d) ₹ 3,600

11. A manufacturer produces 2,00,000 units of a product at a cost of ₹4.5 per unit. Later on, he produces 3,50,000 units at a cost of ₹4.20 per unit, when its fixed overheads have decreased by 30%. The marginal cost per unit and originally fixed overheads will be

- (a) 2 and 80,000 respectively
- (b) 3 and 90,000 respectively
- (c) 4 and 1,00,000 respectively
- (d) 5 and 1,20,000 respectively

12. When the sales volume is 4,000 units, the average cost is ₹4 per unit. When the volume is 6,000 units, the average cost is ₹3.50 per unit. The break-even point is 4800 units. What is the P/V ratio of the firm?

- (a) 25%
- (b) 33.33%
- (c) 30%
- (d) 32.5%

13. Make or buy decisions are made by comparing cost with the outside purchase price.

- (a) Fixed
- (b) Sunk
- (c) Variable
- (d) Opportunity

14. Which of the following assumptions are made while calculating marginal cost?

- (a) Total fixed cost is constant at all levels of output
- (b) All elements of cost can be divided into fixed and variable components
- (c) Total variable cost varies according to the volume of output
- (d) All of the above

15. Statement (S): The business earns a surplus of sale revenue over variable costs, which is called a contribution.

Reason (R): Once fixed costs are fully recovered such excess contribution is termed as profit.

Select the correct answer from the options given below

- (a) Both A and R are true, but R is not the correct explanation of S
- (b) Both A and R are true and R is the correct explanation of S
- (c) S is false, but R is true
- (d) S is true, but R is false

16. The fixed expenses are ₹64,000 and the break-even point is 1,60,000. The new break-even point, if the selling price is reduced by 10% is

- (a) 1,60,000
- (b) 182,000
- (c) 192,000
- (d) 2,00,000

17. For a given product, the sales of a company @ ₹200 per unit is ₹40,00,000. Variable cost is ₹24,00,000 and fixed cost is ₹9,00,000. The capacity of the factory is 30,000 units. Capacity utilization at break-even point level is

- (a) 37.5%
- (b) 66.67%
- (c) 62.5%
- (d) 100%

18. The selling price of a product-A is ₹30 per unit, variable cost ₹20 per unit and 2 Hrs of Skilled Labour are needed to produce a unit of product-A. The contribution per Labour Hour will be

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

19. A company that has a margin of safety of ₹8,00,000 makes a profit of ₹3,20,000. If its fixed cost is ₹5,00,000, then Actual sales is

- (a) 20.5 lakh
- (b) 20 lakh
- (c) 16.2 lakh
- (d) 15 lakh

20. A toy manufacturer finds that it costs 8.5 per unit to make component that is used to manufacture a toy. A supplier is ready to provide the same component at 7.25 each. Continuous supply is also fully assured. The breakdown cost per unit as follows:

Materials - 3.60,

Labour - 2.40

other variable expenses - 1.00,

Depreciation and other fixed cost - 1.50.

What would be your decision?

(a) Make

(b) Buy

(c) Sell

(d) None of the above



## ANSWERS

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

21. Variable cost

- (a) Nor increase or decrease
- (b) Remains fixed per unit
- (c) Varies per unit
- (d) Remains fixed in total

22. If the standard output for 8 hours is 280 units and the actual output in 10 hours is 420 units, the efficiency level will be

- (a) 150%
- (b) 120%
- (c) 83.33%
- (d) 66.66%

23. A Ltd manufactures product-X which sells at 20 per unit. Total fixed costs is 7,92,000 and marginal cost is 14 per unit. Calculate the no of units to be sold to earn a profit of 10% on sales.

- (a) 1,98,000 Units
- (b) 1,89,000 Units
- (c) 1,32,000 Units
- (d) 1,23,000 Units

24. VR Ltd. had a marginal costing profit of 1,28,600 in April 2028. The opening stock was 1,600 units and the closing stock was 1,150 units. The company is considering changing to an absorption costing system. The fixed overhead absorption rate is 4 per unit. Profit under absorption costing will be

- (a) 1,26,800
- (b) 1,30,400
- (c) 1,15,700
- (d) 1,28,070

25. PQR Limited has current PBIT of 121.60 lakhs on total assets of 120 lakhs. The company has decided to increase assets by 130 lakhs, which is expected to increase the operating profit before depreciation by a 18.60 lakhs. There will be a net increase in depreciation by 11.70 lakhs. This will result in ROI

- (a) to decrease by 1%
- (b) to increase by 1%
- (c) to decrease by 1.25%
- (d) to remain the same

26. Selling price per unit 40, Trade discount 10% of selling price, cash discount 5% on sales, Material cost is 6, Labour cost is 8, Fixed overheads are 51,600 and variable overheads 60% of labour cost. what would be the net profit if sales are 20% above the BEP?

- (a) 10,318
- (b) 10,526
- (c) 10,320
- (d) 10,800

27. A company sells its product at 15 per unit. In a period, it produces and sells 8,000 units and incurs a loss of 5 per unit. If the sales volume were to be raised to 20,000 units, it could earn a profit of 4 per unit. The Break-even point (in units) will be

- (a) 12,000 Units
- (b) 18,000 Units
- (c) 16,000 Units
- (d) 24,000 Units

28. In 2027, the variable cost was 8500 per unit and fixed cost was 50 per unit. Production was 1,50,000 units. It is expected that production in 2028 will increase to 1,80,000 units. The variable cost will increase by 30% and fixed cost by 28% in 2028. The amount of fixed cost in 2028 will be

- (a) 75,00,000
- (b) 70,40,000
- (c) 96,00,000
- (d) 1,15,20,000

29. The ratio of variable cost to sales is 60%. The Margin of Safety occurs at 25% of the capacity sales when fixed cost is 1,80,000. The 100% capacity sales will be

- (a) 18,00,000
- (b) 12,00,000
- (c) 6,00,000
- (d) None of the above

30. \_\_\_\_\_ is the incremental cost of production for producing one additional unit of product.

- (a) Marginal Cost      (b) Standard Cost      (c) Average Cost      (d) Total Cost

31. Marginal cost can precisely be the sum of \_\_\_\_\_ and \_\_\_\_\_.

- (a) prime cost, Fixed overhead  
(b) prime cost, variable overhead  
(c) Fixed overhead, variable overhead  
(d) None of the above

32. \_\_\_\_\_ is a costing system where products or services and inventories are valued at variable costs only.

- a) Marginal Costing      (b) Standard Costing      (c) Absorption Costing      (d) Batch Costing

33. \_\_\_\_\_ and Marginal Costing is used synonymously.

- a) Direct Costing      (b) Indirect Costing      (c) Absorption Costing      (d) Average Costing

34. \_\_\_\_\_ is difference between the costs of two different production levels

- (a) Marginal Cost      (b) Differential cost      (c) Average Cost      (d) Absorption Cost

35. In the production scenario, \_\_\_\_\_ costs are associated with the acquisition and conversion of materials and all other manufacturing inputs into finished product for sale.

- (a) Inventoriable Costs      (b) Product Costs      (c) Both (a) & (b)      (d) None of the above

36. \_\_\_\_\_ is the difference between sales revenue and total variable costs irrespective of manufacturing or non-manufacturing.

- (a) Fixed costs      (b) Contribution      (c) EBIT      (d) EBT

37. \_\_\_\_\_ is the cost, which is not assigned to the products but is charged as expenses against the revenue of the period in which they are incurred.

- (a) Product Cost      (b) Period Cost      (c) Fixed Cost      (d) Both (b) & (c)

38. \_\_\_\_\_ is the practice of charging all costs, both variable and fixed to operations, processes or product.

- a) Marginal Costing      (b) Standard Costing      (c) Absorption Costing      (d) Batch Costing

39. In absorption costing the classification of expenses is based on \_\_\_\_\_ basis whereas in marginal costing it is based on the \_\_\_\_\_ of expenses.

- (a) Functional, nature      (b) Nature, functional      (c) Functional, level      (d) None of the above

40. Advantages of marginal costing

- (a) Simplified Pricing Policy  
(b) Scope for Low Profitability  
(c) Dependence on key factors  
(d) All of the above



## ANSWERS

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

41. \_\_\_\_\_ is a managerial tool showing the relationship between various ingredients of profit planning viz., cost, selling price and volume of activity.

- (a) Cost-volume-profit analysis (b) P/V Ratio (c) MOS Ratio (d) Variable Cost ratio

42. Assumptions under cost-volume-profit (CVP) analysis are

- (a) Changes in the levels of revenues and costs arise only because of changes in the number of product (or service) units produced and sold  
(b) Total costs can be separated into two components  
(c) Selling price, variable cost per unit, and total fixed costs (within a relevant range and time period) are known and constant.  
(d) All of the above

43. \_\_\_\_\_ ratio shows the proportion of sales available to cover fixed costs and profit.

- (a) Cost-volume-profit (b) P/V Ratio (c) MOS Ratio (d) Variable Cost ratio

44. P / V Ratio=

- (a)  $(\text{Contribution}/\text{Sales}) * 100$   
(b)  $(\text{Change in contribution or profit} / \text{Change in sales}) * 100$   
(c) Both (a) & (b)  
(d) None of the above

45. At \_\_\_\_\_ point of production level and sales there will be no profit and loss.

- (a) Break Even (b) Margin of safety (c) Contribution (d) EBIT

46. Break-even point in units =

- (a)  $(\text{Total fixed cost}/\text{Contribution}) \times \text{Sales}$   
(b)  $\text{Fixed costs}/\text{Contribution per unit}$   
(c) Both (a) & (b)  
(d) None of the above

47. When break-even point is calculated only with those fixed costs which are payable in cash, such a break-even point is known as \_\_\_\_\_.

- (a) Fixed break-even point (b) Cash break-even point (c) Both (a) & (b) (d) None of the above

48. Cash break- even point =

- (a)  $\text{Cash fixed costs}/ \text{Contribution per unit}$   
(b)  $\text{Total fixed cost} / \text{Contribution per unit}$   
(c) Either (a) or (b)  
(d) None of the above

49. Shivateja Ltd sold 2,75,000 units of its product at ₹ 37.50 per unit. Variable costs are ₹ 17.50 per unit (manufacturing costs of ₹ 14 and selling cost ₹ 3.50 per unit). Fixed costs are incurred uniformly throughout the year and amounting to ₹ 35,00,000 (including depreciation of ₹ 15,00,000). There is no beginning or ending inventories.

COMPUTE breakeven sales level quantity.

- (a) 1,75,000 units                      (b) 1,85,000 units                      (c) 1,95,000 units                      (d) 1,70,000 units
50. COMPUTE cash breakeven sales level quantity for the above data  
 (a) 1,00,000 units                      (b) 1,15,000 units                      (c) 1,20,000 units                      (d) 1,25,000 units
51. You are given the following particulars  
 i. Fixed cost ₹ 1,50,000  
 ii. Variable cost ₹ 15 per unit  
 iii. Selling price is ₹ 30 per unit  
 CALCULATE Break-even point.  
 (a) 10,000 units                      (b) 15,000 units                      (c) 10,500 Units                      (d) 15,500 Units
52. \_\_\_\_\_ can be defined as the difference between the expected level of sale and the breakeven sales.  
 (a) Break Even                      (b) Margin of safety                      (c) Contribution                      (d) EBIT
53. Margin of Safety =  
 (a) Projected sales – Breakeven sales  
 (b) Profit / P / V Ratio  
 (c) Both (a) & (b)  
 (d) None of the above
54. Anushka Ltd. Maintains margin of safety of 37.5% with an overall contribution to sales ratio of 40%. Its fixed costs amount to ₹ 5 lakhs. CALCULATE the Break-even sales.  
 (a) ₹ 12,50,000                      (b) ₹ 20,00,000                      (c) ₹ 12,00,000                      (d) ₹ 21,50,000
55. Calculate the Total variable cost for the above data  
 (a) ₹ 12,50,000                      (b) ₹ 20,00,000                      (c) ₹ 12,00,000                      (d) ₹ 21,50,000
56. State if P/V will increase or P/V will decrease or P/V will not change in the following cases in question 56 to 60:  
 An increase in the physical sales volume-  
 (a) P/V will increase                      (b) P/V will decrease                      (c) P/V will not change                      (d) Becomes zero
57. A 10% increase in both selling price and variable cost per unit-  
 (a) P/V will increase                      (b) P/V will decrease                      (c) P/V will not change                      (d) Becomes zero
58. A 10% increase in the selling price per unit and 10% decrease in the physical sales volume-  
 (a) P/V will increase                      (b) P/V will decrease                      (c) P/V will not change                      (d) Becomes zero
59. A 50% increase in the variable cost per unit and 50% decrease in the fixed cost-  
 (a) P/V will increase                      (b) P/V will decrease                      (c) P/V will not change                      (d) Becomes zero
60. A decrease in the contribution margin-  
 (a) P/V will increase                      (b) P/V will decrease                      (c) P/V will not change                      (d) Becomes zero



## ANSWERS

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

61. This angle shows the rate at which profit is earned once the break-even point is reached.  
(a) Angle of intersection (b) Angle of incidence (c) Angle of margin (d) Angle of Break-even
62. The cost and benefit of an option is identified for measurement if it pass(es) the principle(s) of  
(a) Controllability (b) Relevance (c) Both (a) & (b) (d) Either (a) or (b)
63. The cost that has already been incurred and do not affect the decision is  
(a) Historical Cost (b) Sunk Cost (c) Committed Cost (d) Opportunity Cost
64. The cost which are already paid either for goods or services availed or to be availed.  
(a) Historical Cost (b) Sunk Cost (c) Committed Cost (d) Opportunity Cost
65. \_\_\_\_\_ are the pre-agreed cost which cannot be revoked under the normal circumstances.  
(a) Historical Cost (b) Sunk Cost (c) Committed Cost (d) Opportunity Cost
66. \_\_\_\_\_ is represented by the forgone potential benefit from the best rejected course of action.  
(a) Historical Cost (b) Sunk Cost (c) Committed Cost (d) Opportunity Cost
67. \_\_\_\_\_ means by how much a cost or benefit increased or decreased due to the choice of the option.  
(a) Traceability (b) Variability (c) Invariability (d) Flexibility
68. \_\_\_\_\_ of cost means degree of relationship between the cost and the choice of the option.  
(a) Traceability (b) Variability (c) Invariability (d) Flexibility
69. When No opening and closing stock exists , profit / loss under absorption and marginal costing will be  
(a) Zero (b) equal (c) Negative (d) Highest
70. When closing stock is more than opening stock, profit as per absorption approach will be \_\_\_\_\_ than that by marginal approach.  
(a) more (b) equal (c) less (d) None of the above
71. Material Cost per unit = ₹10  
Labour Cost per unit = ₹6  
Variable Factory OH cost per unit = ₹4  
Fixed Factory OH = ₹20,000  
No. of units produced = 10,000 units  
No. of units sold = 8,000 units  
Find profit as per absorption costing, if selling price is ₹250 per unit.  
(a) 18,00,000 (b) 18,20,000 (c) 18,24,000 (d) 18,28,000
72. Find profit as per marginal costing using the data of above question.  
(a) 18,00,000 (b) 18,20,000 (c) 18,24,000 (d) 18,28,000

73. Answer questions from 73 to 75 based on below data.

Direct Material Cost = ₹3

Direct Labour cost per unit = ₹5

Selling Expenses per unit = ₹6

Fixed Overhead for the quarter = ₹60,000

No. of units produced in the quarter = 20000 units

No of units sold = 500 units

Selling price per unit = ₹35 per unit

Variable Factory OH cost per unit = ₹8

Calculate the value of closing stock as per Absorption Costing.

- (a) 3,70,000                      (b) 3,70,500                      (c) 3,75,000                      (d) 3,50,500

74. Calculate the profit/(loss) as per absorption costing.

- (a) 4,500                      (b) 4,800                      (c) 5,000                      (d) 5,500

75. Calculate the profit/(loss) as per marginal costing.

- (a) 54,500                      (b) (53,500)                      (c) (54,500)                      (d) 53,500

76. Selling price p.u. = 10

Variable cost p.u. = 8

Fixed cost for the period = 50,000

Normal capacity of the period = 1,00,000 units

Find break-even point in units.

- (a) 25,000 units                      (b) 30,000 units                      (c) 35,000 units                      (d) None of the above

77. Find break-even point in sales using the above data.

- (a) Rs. 2,00,000                      (b) Rs. 2,50,000                      (c) 2,75,000                      (d) None of the above

78. Find break-even point in capacity using the above data.

- (a) 20%                      (b) 25%                      (c) 30%                      (d) 50%

79. Profit for the year= Rs. 50,000

P/V ratio = 25%

Actual sales= Rs. 20,00,000.

Find MOS ratio.

- (a) 10%                      (b) 15%                      (c) 20%                      (d) 25%

80. Find MOS sales using the above data.

- (a) Rs. 2,00,000                      (b) Rs. 1,50,000                      (c) Rs. 3,00,000                      (d) 2,50,000



## ANSWERS

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



92. Fixed cost for the quarter = Rs. 60,000

Contribution per unit = Rs. 10

Fixed cost for the year if we Shut-down the plant for 3 months = Rs. 40,000

Cost of shutdown = Rs. 5,000

Calculate the shut-down point.

- (a) 1500 units                      (b) 1600 units                      (c) 2000 units                      (d) 2500 units

93. AK Limited started a manufacturing unit from 1st October 2027. It produces designer lamps and sells its lamps at ₹ 450 per unit. During the quarter ending on 31st December, 2027, it produced and sold 12,000 units and suffered a loss of ₹ 35 per unit. During the quarter ending on 31st March, 2028, it produced and sold 30,000 units and earned a profit of ₹ 40 per unit.

Total fixed cost incurred by AK Ltd. per quarter.

- (a) ₹ 15,00,000                      (b) ₹ 12,00,000                      (c) ₹ 13,00,000                      (d) ₹ 14,00,000

94. Answer questions from 94 to 97 using the below data.

VR Ltd sells its Product 'Y' at a price of ₹ 300 per unit and its variable cost is ₹ 180 per unit. The fixed costs are ₹ 16,80,000 per year uniformly incurred throughout the year. The Profit for the year is ₹ 7,20,000.

Calculate BEP in value (₹).

- (a) Rs. 41,00,000                      (b) Rs. 42,00,000                      (c) Rs. 44,00,000                      (d) Rs. 46,00,000

95. Calculate Margin of Safety (in Amount).

- (a) Rs. 18,00,000                      (b) Rs. 20,00,000                      (c) Rs. 12,00,000                      (d) Rs. 22,00,000

96. Calculate Profits made when sales are 24,000 units.

- (a) Rs. 28,80,000                      (b) Rs. 16,80,000                      (c) Rs. 12,00,000                      (d) Rs. 15,00,000

97. Calculate Sales in value (₹) to be made to earn a net profit of ₹ 10,00,000 for the year.

- (a) Rs. 67,00,000                      (b) Rs. 69,00,000                      (c) Rs. 68,00,000                      (d) Rs. 70,00,000

98. Answer questions from 98 to 100 based on below details.

AR company has prepared its budget for the production of 2,00,000 units. The variable cost per unit is ₹ 16 and fixed cost is ₹ 4 per unit. The company fixes its selling price to fetch a profit of 20% on total cost.

Calculate Present break-even sales in ₹

- (a) Rs. 24,00,000                      (b) Rs. 30,85,705                      (c) ₹ 9,60,000                      (d) ₹ 17,60,000

99. Calculate Present profit-volume ratio.

- (a) 25%                      (b) 33.33%                      (c) 50%                      (d) 66.66%

100. What would be revised sales- in quantity, if a company desires a profit increase of 20% more than the budgeted profit and selling price is reduced by 10%

- (a) 3,14,286 units                      (b) 7,88,578 units                      (c) 3,85,711 units                      (d) None of the above



## ANSWERS

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

15. BUDGETS AND BUDGETARY CONTROL

1. If a company wishes to establish a factory overhead budget system in which estimated costs can be derived directly from estimates of activity levels, it should prepare a  
(a) Master budget      (b) Cash budget      (c) Flexible budget      (d) Fixed budget
2. The classification of fixed and variable cost is useful for the preparation of  
(a) Master budget      (b) Flexible budget      (c) Cash budget      (d) Capital budget
3. Budget manual is a document  
(a) Which contains different type of budgets to be formulated only  
(b) Which contains the details about standard cost of the products to be made  
(c) Setting out the budget organization and procedures for preparing a budget including fixation of responsibilities, formats and records required for the purpose of preparing a budget and for exercising budgetary control system  
(d) None of the above
4. The budget control organization is usually headed by a top executive who is known as  
(a) General manager  
(b) Budget director/budget controller  
(c) Accountant of the organization  
(d) None of the above
5. "A favourable budget variance is always an indication of efficient performance". Do you agree, give reason?  
(a) A favourable variance indicates, saving on the part of the organization hence it indicates efficient performance of the organization  
(b) Under all situations, a favourable variance of an organization speaks about its efficient performance  
(c) A favourable variance does not necessarily indicate efficient performance, because such a variance might have been arrived at by not carrying out the expenses mentioned in the budget  
(d) None of the above
6. A budget report is prepared on the principle of exception and thus  
(a) Only unfavourable variances should be shown  
(b) Only favourable variance should be shown  
(c) Both favourable and unfavourable variances should be shown  
(d) None of the above
7. Purchases budget and materials budget are same  
(a) Purchases budget is a budget which includes only the details of all materials purchased  
(b) Purchases budget is a wider concept and thus includes not only purchases of materials but also other item's as well  
(c) Purchases budget is different from materials budget; it includes purchases of other items only  
(d) None of the above

8. Efficiency ratio is

- (a) The extent of actual working days avoided during the budget period
- (b) Activity ratio/ capacity ratio
- (c) Whether the actual activity is more or less than budgeted activity
- (d) None of the above

9. Activity Ratio depicts

- (a) Whether actual capacity utilized exceeds or falls short of the budgeted capacity
- (b) Whether the actual hours used for actual production were more or less than the standard hours
- (c) Whether actual activity was more or less than the budgeted capacity
- (d) None of the above

10. Which of the following is usually a short-term budget

- (a) Capital expenditure budget
- (b) Research and development budget
- (c) Cash budget
- (d) Sales budget

11. A budget is an instrument of management used as an aid in the planning, programming and control of business activity.

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

12. \_\_\_\_\_ is the process of designing, implementing and operating of budget.

- (a) Budgeting
- (b) Forecasting
- (c) Both (a) & (b)
- (d) None of the above

13. The main characteristics of budget are

- (a) A budget is concerned for a definite future period
- (b) A budget is a written document
- (c) A budget is a detailed plan of all the economic activities of a business
- (d) All of the above

14. \_\_\_\_\_ establishes the objectives of the firm and decides the course of action to achieve it.

- (a) Planning
- (b) Direction
- (c) Co-ordination
- (d) Controlling

15. \_\_\_\_\_ is a statement of what should be done, how it should be done and when it should be done.

- (a) Planning
- (b) Direction
- (c) Co-ordination
- (d) Controlling

16. \_\_\_\_\_ is the process of monitoring, measuring, evaluating and correcting actual results to ensure that a firm's goals and plans are achieved.

- (a) Planning
- (b) Direction
- (c) Co-ordination
- (d) Controlling

17. \_\_\_\_\_ is the system of management control and accounting in which all the operations are forecasted and planned in advance to the extent possible and the actual results compared with the forecasted and planned results.

- (a) Master Control
- (b) Cash Control
- (c) Budget Control
- (d) None of the above



18. Budgetary Control Involves

- (a) Establishment of budgets
- (b) Continuous comparison of actuals with budgets for achievement of targets
- (c) Revision of budgets after considering the changes in the circumstances
- (d) All of the above

19. Objectives of Budgetary Control System is

- (a) Ensuring optimum use of available resources
- (b) Portraying with precision the overall aims of the business
- (c) Providing a basis for revision
- (d) All of the above

20. Budgetary Control System includes

- (a) Feedback Control
- (b) Feedforward Control
- (c) Either (a) or (b)
- (d) Both (a) & (b)

## ANSWERS

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

21. \_\_\_\_\_ is Ex-Ante Preventive control mechanism of budgetary control.  
(a) Feedback Control (b) Feedforward Control (c) Budget Control (d) None of the above
22. Under \_\_\_\_\_, the actual results for the budgeted period are collected and compared with the budgeted figures.  
(a) Feedback Control (b) Feedforward Control (c) Budget Control (d) None of the above
23. The responsibility for successfully introducing and implementing Budgetary Control System rests with the  
(a) Budget Committee (b) Budget Officer (c) President (d) CEO
24. The main responsibilities of the Budget Committee/Budget Officer are to  
(a) Assist in the preparation of the separate budget for various departments  
(b) Not Prepare the periodical budget reports  
(c) Not Prepare an overall budget working report  
(d) All of the above
25. Advantages of Budgetary Control System includes  
(a) Efficiency (b) Control on expenditure (c) Credit Rating (d) All of the above
26. Limitations of Budgetary Control System includes  
(a) Cost Consciousness (b) Based on Estimates (c) Both (a) & (b) (d) None of the above
27. Budgets are broadly grouped under the heads  
(a) Physical budgets (b) Cost budgets (c) Financial budgets (d) All of the above
28. \_\_\_\_\_ is a booklet specifying the objectives of an organisation in relation to its strategy.  
(a) Budget Magazine (b) Budget Register (c) Budget Manual (d) Budget Book
29. Budget manual may include  
(a) A timetable for the preparation of each budget  
(b) Reports, statements, forms and other record to be maintained  
(c) The reporting of the remedial action  
(d) All of the above
30. The period covered by a budget is known as \_\_\_\_\_.  
(a) Financial Period (b) Budget Period (c) Terminal period (d) Both (a) & (b)
31. A budget prepared on the basis of standard or fixed level of activity is known as \_\_\_\_\_.  
(a) Standard Budget (b) Fixed Budget (c) Both (a) & (b) (d) None of the above
32. A \_\_\_\_\_ is a budget which, by recognising the difference in behaviour between fixed and variable costs in relation to fluctuations in output, turnover, or other variable factors, is designed to change appropriately with such fluctuations.  
(a) Flexible Budget (b) Fluctuating Budget (c) Both (a) & (b) (d) None of the above
33. A \_\_\_\_\_ budget is one which is related to function of the business.  
(a) Operational (b) Functional (c) Both (a) & (b) (d) None of the above
34. \_\_\_\_\_ Budget is a forecast of the production for the budget period of an organisation.  
(a) Sales (b) Manufacture (c) Production (d) Both (b) & (c)



35. \_\_\_\_\_ is defined as the cost of seeking to create and stimulate demand and of securing orders.  
(a) Distribution cost (b) Selling cost (c) Acquisition cost (d) Both (a) & (b)
36. \_\_\_\_\_ has been defined as the cost of the sequence of operations which begins with making the packet of product available for dispatch and ends with making the re-conditioned return of empty package, if any available for re-use.  
(a) Distribution cost (b) Selling cost (c) Acquisition cost (d) Both (a) & (c)
37. The \_\_\_\_\_ budget represents the planned outlay on fixed assets.  
(a) Capital Revenue (b) Capital Expenditure (c) Capital Deferred (d) None of the above
38. \_\_\_\_\_ is a detailed budget of cash receipts and cash payments incorporating both revenue and capital items for the budget period.  
(a) Operating Budget (b) Financial Budget (c) Cash Budget (d) All of the above
39. The advantages of preparing cash budget are  
(a) It eases strains of a cash shortage  
(b) It provides for normal growth  
(c) It facilitates temporary cash investment wherever, and to whatever extent, found in excess  
(d) All of the above
40. \_\_\_\_\_ is the summary budget, incorporating its component functional budgets, which is finally approved, adopted and employed.  
(a) Operating Budget (b) Financial Budget (c) Cash Budget (d) Master Budget

## ANSWERS

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

41. \_\_\_\_\_ is a budget prepared covering a period of more than a year.  
(a) Long term Budget (b) Perpetual budget (c) Extended Budget (d) All of the above
42. The period of long-term Budgets varies between \_\_\_\_\_ to \_\_\_\_\_ years.  
(a) two, five (b) three, ten (c) five, ten (d) one, seven
43. These budgets are generally for one or two years and are in the form of monetary terms.  
(a) Short term budgets (b) Provisional Budgets (c) Current Budgets (d) Both (a) & (b)
44. The period of \_\_\_\_\_ is generally of months and weeks.  
(a) Short term budgets (b) Provisional Budgets (c) Current Budgets (d) Both (a) & (b)
45. \_\_\_\_\_ is defined as a method of budgeting which requires each cost element to be specifically justified, though the activities to which the budget relates are not being undertaken for the first time.  
(a) Zero – Based Budgeting (ZBB)  
(b) One – Based Budgeting (OBB)  
(c) Equal - Based Budgeting (EBB)  
(d) None of the above
46. \_\_\_\_\_ is an activity-based budgeting system where budgets are prepared for each activity rather than functional department.  
(a) Zero – Based Budgeting (ZBB)  
(b) One – Based Budgeting (OBB)  
(c) Equal - Based Budgeting (EBB)  
(d) None of the above
47. ZBB is also known as \_\_\_\_\_.  
(a) Equality-based Budgeting  
(b) Priority-based Budgeting  
(c) Main-based Budgeting  
(d) Both (b) & (c)
48. Advantages of Zero-based Budgeting are  
(a) It provides a systematic approach for the evaluation of different activities  
(b) It provides an opportunity to the management to allocate resources  
(c) The areas of wasteful expenditure can be easily identified and eliminated.  
(d) All of the above
49. This is relationship between the budgeted number of working hours and the maximum possible number of working hours in a budget period.  
(a) Capacity Usage Ratio  
(b) Standard Capacity Employed Ratio  
(c) Level of Activity Ratio  
(d) Efficiency Ratio



50. This ratio indicates the extent to which facilities were actually utilized during the budget period.

- (a) Capacity Usage Ratio
- (b) Standard Capacity Employed Ratio
- (c) Level of Activity Ratio
- (d) Efficiency Ratio

51. This may be defined as the number of standard hours equivalent to work produced expressed as a percentage of the budget of standard hours.

- (a) Capacity Usage Ratio
- (b) Standard Capacity Employed Ratio
- (c) Level of Activity Ratio
- (d) Efficiency Ratio

52. This ratio may be defined as standard hours equivalent of work produced expressed as a percentage of the actual hours spent in producing the work.

- (a) Capacity Usage Ratio
- (b) Standard Capacity Employed Ratio
- (c) Level of Activity Ratio
- (d) Efficiency Ratio

53. Efficiency Ratio =

- (a)  $(\text{Standard Hours}/\text{Actual Hours}) \times 100$
- (b)  $(\text{Standard Hours}/\text{Budgeted Hours}) \times 100$
- (c)  $(\text{Budgeted Hours}/\text{Max. possible hours in the budgeted period}) \times 100$
- (d)  $(\text{Actual Hours worked}/\text{Max. possible working hours in a period}) \times 100$

54. Activity Ratio =

- (a)  $(\text{Standard Hours}/\text{Actual Hours}) \times 100$
- (b)  $(\text{Standard Hours}/\text{Budgeted Hours}) \times 100$
- (c)  $(\text{Budgeted Hours}/\text{Max. possible hours in the budgeted period}) \times 100$
- (d)  $(\text{Actual Hours worked}/\text{Max. possible working hours in a period}) \times 100$

55. Standard Capacity Usage Ratio =

- (a)  $(\text{Standard Hours}/\text{Actual Hours}) \times 100$
- (b)  $(\text{Standard Hours}/\text{Budgeted Hours}) \times 100$
- (c)  $(\text{Budgeted Hours}/\text{Max. possible hours in the budgeted period}) \times 100$
- (d)  $(\text{Actual Hours worked}/\text{Max. possible working hours in a period}) \times 100$

56. Actual Capacity Usage Ratio =

- (a)  $(\text{Standard Hours}/\text{Actual Hours}) \times 100$
- (b)  $(\text{Standard Hours}/\text{Budgeted Hours}) \times 100$
- (c)  $(\text{Budgeted Hours}/\text{Max. possible hours in the budgeted period}) \times 100$
- (d)  $(\text{Actual Hours worked}/\text{Max. possible working hours in a period}) \times 100$

57. \_\_\_\_\_ is a section of an organisation developed for the purpose of budgetary control, and is intended to facilitate formulation of various budgets with the help of head of the department.

- (a) Budget Committee                      (b) Budget Centre                      (c) Budget Council                      (d) Budget Corner

58. \_\_\_\_\_ means that budget in which the responsibility of various levels of management is predetermined in terms of output or result keeping in view the authority vested with them.

- (a) Fixed Budget                      (b) Flexible Budget                      (c) Performance Budgeting                      (d) ZBB

59. Following data is available for VR and Co:

Standard working hours                      8 hours per day of 5 days per week

Maximum capacity                      50 employees

Actual working                      40 employees

Actual hours expected to be worked per four week                      6,400 hours

Std. hours expected to be earned per four weeks                      8,000 hours

Actual hours worked in the four- week period                      6,000 hours

Standard hours earned in the four- week period                      7,000 hours.

The related period is of 4 weeks. In this period there was a one special day holiday due to national event.

CALCULATE the Efficiency Ratio

- (a) 116.67%                      (b) 109.375%                      (c) 95%                      (d) 80%

60. Calculate activity ratio for the above data

- (a) 116.67%                      (b) 109.375%                      (c) 95%                      (d) 80%

## ANSWERS

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



61. The relevant data is as below: Budgeted Production 1,44,000 units Standard Hours per unit 12 Actual Production 1,20,000 units Actual Working Hours 12,00,000.

Calculate Efficiency ratio.

- (a) 120%                      (b) 133.33%                      (c) 150%                      (d) 166.66%

62. Calculate Activity Ratio using the above data.

- (a) 83.34%                      (b) 85%                      (c) 86.66%                      (d) 90%

63. Calculate Capacity Ratio using the above data.

- (a) 65.55%                      (b) 65%                      (c) 69.45%                      (d) 69%

64. Answer the questions from 64 to 68 using the below case study.

Following data is available for PS Ltd

Standard working hours	8 hours per day of 5 days per week
Maximum Capacity	60 employees
Actual working	50 employees
Actual hours expected to be worked per four weeks	8,000 hours
Standard hours expected to be earned per four weeks	9,600-hours
Actual hours worked in the four weeks period	7,500 hours
Standard hours earned in the four weeks period	8,800 hours

The related period is of four weeks.

Calculate the Efficiency Ratio

- (a) 117.33%                      (b) 83.33%                      (c) 78.125%                      (d) 110%

65. Calculate the Activity Ratio

- (a) 117.33%                      (b) 83.33%                      (c) 78.125%                      (d) 110%

66. Calculate the Standard Capacity Usage Ratio

- (a) 117.33%                      (b) 83.33%                      (c) 78.125%                      (d) 110%

67. Calculate Actual Capacity Usage Ratio

- (a) 71.33%                      (b) 78.33%                      (c) 75%                      (d) 78.125%

68. Calculate the Actual Usage of Budgeted Capacity Ratio

- (a) 93.75%                      (b) 94.25%                      (c) 95%                      (d) 93.15%

69. Objectives of Budgetary Control System are

- (a) Providing a basis for the comparison  
 (b) Co-ordinating the various activities  
 (c) Engendering a spirit of careful forethought  
 (d) All of the above

70. Zero-based budgeting (ZBB) involves the following stages

- (a) Identification and description of Decision packages  
 (b) Evaluation of Decision packages  
 (c) Ranking (Prioritisation) of the Decision packages  
 (d) All of the above

ANSWERS

61	A
62	A
63	C
64	A
65	D
66	B
67	D
68	A
69	D
70	D