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Covering :

Cost and Management Accounting

Auditing & Ethics

Financial Management & Strategic Management



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Chapter 1

Basic Concepts

- The main purpose of Cost Accounting is –
 - to maximise profit.
 - to help in inventory valuation.
 - to enter into Price War with competitive Firms.
 - to provide information to management for decision-making.
- _____ is anything for which a separate measurement is required.
 - Cost Unit
 - Cost Object
 - Cost Driver
 - Cost Centre
- Which of the following is true about Cost control:
 - It is a corrective function
 - It challenges the set standards
 - It ends when targets achieved
 - It is concerned with future
- Cost Units used in Power Sector is:
 - Kilo Meter (K.M)
 - Kilo-Watt-Hour (kWh)
 - Number of Electric Points
 - Machine Hours
- Processes Costing method is suitable for –
 - Transport Sector
 - Chemical Industries
 - Dam Construction
 - Furniture-making
- Distinction between Direct Cost and Indirect Cost is an example of _____ classification
 - By Element
 - By Function
 - By Controllability
 - By Variability
- The advantage of using IT in Cost Accounting does not include:
 - Single Point Data Entry
 - Stock needs to be reconciled with Goods Received Note
 - Reduction in multiplicity of documents
 - Integration of various functions
- A Taxi Provider charges minimum Rs.80 thereafter Rs.12 per kilometer of distance travelled, the behaviour of Conveyance Cost is:
 - Fixed Cost
 - Semi-Variable Cost
 - Variable Cost
 - Administrative Cost.
- A Ltd has three Production Departments, and each department has two machines, which of the following cannot be treated as Cost Centre for cost allocation:
 - Machines under the Production Department
 - Production Departments
 - Both Production Department and Machines
 - A Ltd
- Which of the following is an example of functional classification of cost?
 - Semi-Variable Costs
 - Fixed Cost
 - Administrative Overheads
 - Indirect Overheads.
- Ticket Counter in a Railway Station is an example of
 - Cost Centre
 - Revenue Centre
 - Profit Centre
 - Investment Centre
- Costs which are ascertained after they have been incurred are known as –
 - Sunk Costs
 - Imputed Costs
 - Historical Costs
 - Opportunity Costs
- Generally, for the purpose of Cost Sheet preparation, costs are classified on the basis of –
 - Functions
 - Variability
 - Relevance
 - Nature
- Which of the following items is not excluded while preparing a Cost Sheet?
 - Goodwill written off
 - Provision for Taxation
 - Property Tax on Factory Building
 - Transfer to Reserves
- What is Prime Cost?
 - Total Direct Costs only
 - Total Indirect Costs only
 - Total Non-Production Costs
 - Total Production Costs
- Which of the following does not form part of Prime Cost

- (a) Cost of Packing
 (b) Cost of Transportation Paid to bring materials to Factory
 (c) GST paid on Raw Materials (where Input Credit cannot be claimed)
 (d) Overtime Premium paid to Workers.
17. A Ltd received an order, for which it purchased a special frame for manufacturing. This is a part of:
 (a) Direct Materials
 (b) Direct Expenses
 (c) Factory Overheads
 (d) Administration Overheads.
18. Which of the following are Direct Expenses? (1) Cost of Special Designs, Drawings or Layouts, (2) Hire of Tools or Equipment for a particular job, (3) Salesman's Wages, (4) Rent, Rates and Insurance of a Factory.
 (a) (1) and (2)
 (b) (1) and (3)
 (c) (2) and (3)
 (d) (3) and (4)
19. Salary paid to Plant Supervisor is a part of –
 (a) Direct Expenses
 (b) Factory Overheads
 (c) Quality Control Cost
 (d) Administration Cost
20. Depreciation of Director's Laptop is treated as a part of:
 (a) Administration Overheads
 (b) Factory Overheads
 (c) IT Infrastructure Cost
 (d) Research & Development Cost
21. A Manufacturing Company has set-up a lab for testing of products for compliance with standards. Salary of this Lab Staff are part of:
 (a) Works Overheads
 (b) Quality Control Cost
 (c) Direct Expenses
 (d) Research & Development Cost
22. Audit Fees paid to External Statutory Auditors is part of –
 (a) Administration Cost
 (b) Production Cost
 (c) Selling & Distribution Cost
 (d) Quality Control Cost
23. Salary paid to Factory Stores Staff is part of:
 (a) Factory Overheads
 (b) Production Cost
 (c) Direct Employee Cost
 (d) Direct Material Cost
24. Canteen Expenses for Factory Workers are part of –
 (a) Factory Overhead
 (b) Administration Cost
 (c) Marketing Cost
 (d) Direct Expenses
25. A Company pays Royalty to State Government on the basis of production, it is treated as:
 (a) Direct Material Cost
 (b) Quality Control Cost
 (c) Direct Expenses
 (d) Administration Overhead
26. Which of the following is not an element of Works Overhead?
 (a) Store Keeper's Salary
 (b) Plant Manager's Salary
 (c) Sales Manager's Salary
 (d) Product Inspector's Salary

Solutions

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

18	19	20	21	22	23	24	25	26
a	b	a	b	a	a	a	c	c

Chapter 2

Materials

1. Direct Material can be classified as –
 - (a) Fixed Cost
 - (b) Variable Cost
 - (c) Abnormal Cost
 - (d) Regular Cost
2. Direct Material is a –
 - (a) Administration Cost
 - (b) Selling and Distribution Cost
 - (c) R&D Cost
 - (d) None of these
3. In most of the manufacturing industries, the most important element of Cost is –
 - (a) Material
 - (b) Labour
 - (c) Overheads
 - (d) None of the above
4. Which of the following is considered to be Normal Loss of Materials?
 - (a) Loss due to accidents
 - (b) Pilferage
 - (c) Loss due to breaking the bulk
 - (d) Loss due to careless handling of materials.
5. Which of the following is NOT considered as Normal Loss of Material?
 - (a) Loss due to evaporation due to prevalent weather conditions
 - (b) Loss due to Pilferage
 - (c) Loss due to breaking the bulk
 - (d) Loss due to transferring of liquid materials from container to another
6. In which of following methods of Pricing, costs lag behind the current economic values?
 - (a) Last-in-First Out Price
 - (b) First-in-First Out Price
 - (c) Replacement Price
 - (d) Weighted Average Price
7. At the Economic Ordering Quantity level, the following is true on an annual basis.
 - (a) Ordering Cost is minimum
 - (b) Carrying Cost is minimum
 - (c) Ordering Cost is equal to the Carrying Cost
 - (d) Purchase Price is minimum
8. Continuous Stock Taking is a part of –
 - (a) Annual Stock Taking
 - (b) Perpetual Inventory
 - (c) ABC Analysis
 - (d) Bin Cards
9. In which of the following methods, issues of materials are priced at pre-determined rate?
 - (a) Inflated Price Method
 - (b) Standard Price Method
 - (c) Replacement Price Method
 - (d) Market Price Method.
10. When Material Prices fluctuate widely, the method of pricing that gives absurd results is –
 - (a) Simple Average Price
 - (b) Weighted Average Price
 - (c) Moving Average Price
 - (d) Inflated Price.
11. When prices fluctuate widely, the method that will smooth out the effect of fluctuations is –
 - (a) Simple Average
 - (b) Weighted Average
 - (c) FIFO
 - (d) LIFO
12. Under the FSN system of Inventory Control, Inventory is classified on the basis of:
 - (a) Volume of material consumption
 - (b) Frequency of usage of items of inventory
 - (c) Criticality of the item of inventory for production
 - (d) Value of items of inventory.
13. Form used for making a formal request to the Purchasing Department to purchase materials is a –
 - (a) Material Transfer Note
 - (b) Purchase Requisition Note
 - (c) Bill of Materials
 - (d) Material Requisition Note.
14. Which of the following is evaluated in a Supplier Decision?
 - (a) Financial Background
 - (b) Quality of Materials
 - (c) Time for Delivery
 - (d) All of the above
15. Classification of Materials on the basis of their Importance in Value is called –
 - (a) EOQ Analysis
 - (b) Stock Level Analysis
 - (c) ABC Analysis
 - (d) Value Analysis
16. Issue Request by Production Department to Stores Department is called –
 - (a) Request for Proposal
 - (b) Stores Requisition
 - (c) Purchase Requisition
 - (d) Consumption Statement

17. For Return of Excess Materials from Production Department to Stores, the document used is...
 - (a) Material Return Note
 - (b) Stores Debit Note
 - (c) Shop Credit Note
 - (d) All the above (same)
18. Which of the following is NOT related to a Standard List of Materials and Components?
 - (a) Consumption Statement
 - (b) Bill of Materials
 - (c) Material Specification List
 - (d) Material List
19. Formal Request to Purchase Department to procure materials from Suppliers is called..
 - (a) Purchase Order
 - (b) Purchase Requisition
 - (c) Purchase A/c
 - (d) Purchase Offer
20. Which of the following is NOT a Stores related Record?
 - (a) Bin Cards
 - (b) Stock Control Cards
 - (c) Job Cards
 - (d) Stores Ledger
21. Which of the following is NOT recorded on a Bin Card?
 - (a) Material Received from Supplier
 - (b) Material Issued to Production Depts
 - (c) Inter Department Transfers
 - (d) Loss of Materials
22. What is the formula for Re Order Level?
 - (a) Minimum Usage X Minimum Lead Time
 - (b) Minimum Usage X Maximum Lead Time
 - (c) Maximum Usage X Minimum Lead Time
 - (d) Maximum Usage X Maximum Lead Time
23. $(ROL + ROQ -)$ Minimum Usage X Minimum Lead Time is the computation formula for....
 - (a) Maximum Level
 - (b) Minimum Level
 - (c) Average Level
 - (d) Danger Level
24. Inventory Turnover Ratio is expressed in –
 - (a) Rupees
 - (b) Percentage
 - (c) Times
 - (d) Any of the above
25. Generally, a T/o Ratio and days Average Inventory Held is preferable.
 - (a) High, Less
 - (b) Low, High
 - (c) Low, Low
 - (d) High, High
26. Pricing of Materials in the order in which they are purchased is called..... Method
 - (a) Specific Identification
 - (b) FIFO
 - (c) LIFO
 - (d) Orderly
27. Under LIFO, the Closing Stock of Inventory will be valued generally atprices.
 - (a) Latest
 - (b) Earliest
 - (c) Average
 - (d) Inflated
28. Landed Cost of Materials does NOT include....
 - (a) Cost of Containers
 - (b) Carriage Inwards
 - (c) Stock Insurance
 - (d) Unloading Charges
29. Cost of Abnormal Loss of Materials is
 - (a) Debited to Costing P&L
 - (b) Credited to Costing P&L
 - (c) Included in Landed Cost
 - (d) Included in OH
30. If RM Requirement is 18,250 units p.a., Ordering Cost is Rs.50 and Carrying Cost Rs.0.1 per day, EOQ =
 - (a) 4,272 units
 - (b) 224 units
 - (c) 8,162 units
 - (d) None of the above
31. Which of these is a treatment for Rectification Cost of Normal Defectives?
 - (a) Charged to General OH
 - (b) Charged to Good Products
 - (c) Charged to Specific Department
 - (d) All of the above
32. Material Returned to Vendor is treated as In the Stores Ledger.
 - (a) Suspense
 - (b) Receipt
 - (c) Issue
 - (d) Stock
33. Which of these is NOT used in the context of Material Cost Control?
 - (a) Goods Received Note
 - (b) Bill of Materials
 - (c) Stores Requisition
 - (d) Profit Reconciliation Statement
34. The Production Planning Department prepares a List of Materials and Stores required for the completion of a specific job order. This List is known as –
 - (a) Bin Card
 - (b) Bill of Material
 - (c) Material Requisition Slip
 - (d) Production Planning Note

Solutions

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

18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34
a	b	c	c	d	a	c	a	b	b	c	a	b	d	c	d	b

Chapter 3

Employee Costing

1. Idle Time is the time under which–
 - (a) Full Wages are paid to workers
 - (b) No Output is produced by the workers
 - (c) Both (a) and (b)
 - (d) None of the above.
2. Idle Time is –
 - (a) Time spent by workers in Factory
 - (b) Time spent by workers in Office
 - (c) Time spent by workers off their work
 - (d) Time spent by workers on their job
3. When a Direct Worker is paid on a monthly fixed salary basis, the following is true:
 - (a) There is no Idle Time Lost
 - (b) There is no Idle Time Cost.
 - (c) Idle Time Cost is separated and treated as Overhead.
 - (d) Salary is fully treated as Factory Overhead Cost.
4. Cost of Idle Time due to non-availability of Raw Material is–
 - (a) Charged to Overhead Costs
 - (b) Charged to respective Jobs
 - (c) Charged to Costing Profit and Loss Account
 - (d) Charged to Supplier
5. Time and Motion Study is conducted by–
 - (a) Time Keeping Department
 - (b) Personnel Department
 - (c) Payroll Department
 - (d) Engineering Department
6. Wages Sheet is generally prepared by –
 - (a) Time-Keeping Department
 - (b) Personnel Department
 - (c) Payroll Department
 - (d) Engineering Department
7. Identify, which one of the following, does not account for increasing Labour Productivity–
 - (a) Job Satisfaction
 - (b) Motivating Workers
 - (c) High Labour Turnover
 - (d) Proper Supervision and Control.
8. For reducing the Labour Cost per unit, which of the following factors is the most important?
 - (a) Low Wage Rates
 - (b) Longer hours of work
 - (c) Higher Productivity or Efficiency
 - (d) Strict control and supervision
9. Which of the following formula is appropriate in measuring Labour Turnover?
 - (a) Number of Persons Replaced/ Average Number of Workers
 - (b) Numbers of Persons Separated / Number of Workers at the beginning of the year
 - (c) (Number of persons replaced + number of persons separated)/(number of persons at the beginning + the number of persons at the end of the year)
 - (d) None of the above
10. Time Booking refers to a method wherein _____ of an employee is recorded.
 - (a) Attendance
 - (b) Book Keeping details
 - (c) Health Status
 - (d) Time spent on a particular job.
11. Employee Cost includes–
 - (a) Wages and Salaries
 - (b) Allowances and Incentives
 - (c) Payment for Overtime
 - (d) All of the above.
12. If the time saved is less than 50% of the Standard Time, then the Wages under Rowan and Halsey Premium Plan on comparison gives–
 - (a) More wages to workers under Rowan plan than Halsey plan
 - (b) More wages to workers under Halsey plan than Rowan plan
 - (c) Equal wages under two plans
 - (d) None of the above.
13. Standard Time of a job is 60 hours and guaranteed time rate is Rs.30 per hour. What is the amount of wages under Rowan plan if job is completed in 48 hours?
 - (a) Rs.1,620
 - (b) Rs.1,728
 - (c) Rs.1,800
 - (d) Rs.1,440
14. Standard Time of a job is 60 hours and guaranteed time rate is Rs.30 per hour. What is the amount of Bonus under Halsey plan if job is completed in 48 hours?
 - (a) Rs.1,620
 - (b) Rs.1,440
 - (c) Rs.180
 - (d) Rs.1,728
15. Important factors for control of employee cost can be–
 - (a) Time and Motion Study
 - (b) Control over idle time and overtime
 - (c) Control over employee turnover
 - (d) All of the above.

16. Out of the following methods attendance is marked by recognizing an employee based on physical and behavioural traits–
- Punch Card Attendance method
 - Bio– Metric Attendance system
 - Attendance Register method
 - Token Method.
17. If overtime is required for meeting urgent orders, the Overtime Premium should be charged as–
- Respective job
 - Overhead Cost
 - Costing P& L A/c
 - None of above.
18. Keeping a record of Total Time spent by the worker inside the Factory is called –
- Time Keeping
 - Time Booking
 - Time Managing
 - Time Recording
19. Time Booking refers to keeping a record of –
- Time spent by workers on their jobs
 - Time spent by workers in factory
 - Time spent by workers without work
 - Time spent by workers other than working hours
20. Which of these is a Manual Method of Time Keeping?
- Dial Time Recorder
 - Punch Cards
 - Biometric Devices
 - Metal Discs
21. Time lost between finish of one job and start of next job is an example of
- Lost Time
 - Elapsed Time
 - Normal Idle Time
 - Abnormal Idle Time
22. Overtime is –
- Actual Hours being more than Normal Time
 - Actual Hours being more than Standard Time
 - Standard Hours being more than Actual Hours
 - Actual Hours being less than Standard Time
23. Persistent Overtime Work may signify....
- Understaffing
 - Labour Inefficiency
 - Limited Production Facilities
 - All of the above
24. Wages attributable to Normal Idle Time is treated as ...
- Direct Wages
 - Production OH
 - Either of the above
 - None of the above
25. Which of these is NOT a measure for controlling Overtime and its Cost?
- Effective Supervision
 - Retrenchment of Workers
 - Proper Definition of Standard Time
 - Sanction for OT Work
26. Rate of Change in Labour Force of a Firm during a period is called...
- Labour Turnover Ratio
 - Labour Utilisation Ratio
 - Labour Cost Ratio
 - Labour Change Ratio
27. In the context of Labour Turnover, Number of Workers left and discharged is called....
- Accession
 - Replacement
 - New Recruitment
 - Separation
28. (Hours Worked X Rate per Hour) is the computation of Wages under ...
- Incentive System
 - Piece Rate System
 - Attendance System
 - Time Rate System
29. Under Halsey System, generally, Bonus is computed as
- 30% X Time Saved X Rate per hour
 - 50%
 - 70%
 - Actual Hrs ÷ Std Hrs
30. A Worker will earn equal wages under Halsey and Rowan System, if Time Saved equals –
- 50% of Std Time
 - 50% of Actual Time
 - 1/2 of Total Time
 - 1/2 of Lost Time
31. Evaluating an Individual's performance on the job is called –
- Job Evaluation
 - Personnel System
 - Merit Rating
 - Scoring System
32. Labour Efficiency (based on Time) is given by the Formula.....
- Std Time/Actual Time
 - Actual Time/Std Time
 - Idle Time/Std Time
 - Idle Time/Actual Time
33. If Wages per day of 8 hours is Rs.500, Std Output is 100 units, Actual Output is 120, Piece Rate Wages=
- Rs.500
 - Rs.600
 - Rs.62.5
 - Rs.5

34. If Std Time is 8 hours, Actual Time is 6 hours, Rate per hour is Rs.100, Rowan Wages =
 (a) Rs.600
 (b) Rs.150
 (c) Rs.750
 (d) Rs.700
35. If Actual Output in 8 hours is 700 units, Standard Output is 90 units per hour, Efficiency Ratio is
 (a) 97.22%
 (b) 102.86%

- (c) 100%
 (d) 77.78%

36. What is the treatment of Incentive Bonus to Workers in Cost Accounting?
 (a) Appropriation of Profit
 (b) Abnormal Cost
 (c) Deferred Cost
 (d) Direct Wages

Solutions

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
c	c	b	c	d	c	c	c	a	d	d	a	b	c	d	b	a	a
19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36
a	d	c	a	d	c	b	a	d	d	b	a	c	a	b	c	a	d

Chapter 4

Overheads & Absorption Costing System

1. "Fixed Overhead Costs are not affected in monetary terms during a given period by a change in output". But this statement is valid provided:
 - (a) Increase in Output is not substantial
 - (b) Increase in Output is substantial
 - (c) Both (a) and (b)
 - (d) None of the above.
2. _____ Capacity is defined as actually utilised capacity of a plant.
 - (a) Theoretical
 - (b) Installed
 - (c) Practical
 - (d) Idle
3. Maximum Possible Productive Capacity of a plant when no operating time is lost is its –
 - (a) Normal Capacity
 - (b) Practical Capacity
 - (c) Theoretical Capacity
 - (d) Capacity based on Sales Expectancy
4. The allotment of whole items of cost to Cost Centres or Cost Units is called:
 - (a) Cost Absorption
 - (b) Cost Apportionment
 - (c) Cost Allocation
 - (d) Cost Determination
5. Charging to a Cost Center, those overheads that result solely for the existence of that Cost Center is known as –
 - (a) Allocation
 - (b) Apportionment
 - (c) Absorption
 - (d) Allotment
6. Charging of common Overheads Cost to various Cost Centers, using appropriate bases is known as –
 - (a) Allocation
 - (b) Apportionment
 - (c) Absorption
 - (d) Allotment
7. Distribution of Service Department Overheads Cost to Production Departments, using different assumptions and methods is known as –
 - (a) Allocation
 - (b) Apportionment
 - (c) Absorption
 - (d) Re-Apportionment
8. Absorption means charging of Overheads to –
 - (a) Cost Centers
 - (b) Cost Objects
 - (c) Cost Drivers
 - (d) Cost Pools
9. Which of the following is NOT a Service Department?
 - (a) Costing Department
 - (b) Machining Department
 - (c) Time Keeping Department
 - (d) Stores Department
10. Which of the following is a Service Department?
 - (a) Refining Department
 - (b) Machining Department
 - (c) Receiving Department
 - (d) Finishing Department
11. Packing Cost is part of –
 - (a) Production Cost
 - (b) Selling Cost
 - (c) Distribution Cost
 - (d) It may be any of the above
12. Primary Packing Cost is a part of:
 - (a) Direct Material Cost
 - (b) Production Cost
 - (c) Selling Overheads
 - (d) Distribution Overheads.
13. Directors Remuneration is a part of –
 - (a) Production Overhead
 - (b) Administration Overhead
 - (c) Selling Overhead
 - (d) Distribution Overhead.
14. Which of the following is **not** the classification of Overhead based on its functionality?
 - (a) Factory Overhead
 - (b) Administrative Overhead
 - (c) Fixed Overhead
 - (d) Selling Overhead.
15. Advertisement Expense is an example of:
 - (a) Distribution Overhead
 - (b) Production Overhead
 - (c) Selling Overhead
 - (d) Administration Overhead.
16. Which of the following is not treated as a Manufacturing Overhead?
 - (a) Lubricants
 - (b) Cotton Waste
 - (c) Apportioned Administration Overheads
 - (d) Night Shift Allowance paid to a Factory Worker due to general work pressure.
17. Normal Capacity of a Plant refers to the difference between –
 - (a) Maximum Capacity and Practical Capacity
 - (b) Practical Capacity and Normal Capacity

- (c) Practical capacity and estimated idle capacity as revealed by long term sales trend
 (d) Maximum Capacity and Actual Capacity.
18. The difference between Actual Factory Overhead and Absorbed Factory Overhead will be usually at the minimum level, provided pre-determined overhead rate is based on:
 (a) Maximum Capacity
 (b) Direct Labour Hours
 (c) Machine Hours
 (d) Normal Capacity
19. When Absorbed Overhead is higher than the amount of Overhead incurred, it is called –
 (a) Under-absorption of Overhead
 (b) Over-absorption of Overhead
 (c) Proper absorption of Overhead
 (d) Re-absorption of Overhead
20. When Absorbed Overhead is less than the amount of Overhead incurred, it is called –
 (a) Under-absorption of Overhead
 (b) Over-absorption of Overhead
 (c) Proper absorption of Overhead
 (d) Re-absorption of Overhead
21. Which of the following overhead cost may not be apportioned on the basis of Direct Wages?
 (a) Workers' Holiday Pay
 (b) Perquisites to Workers
 (c) ESI Contribution
 (d) Managerial Salaries
22. Selling and Distribution Overheads are absorbed on the basis of –
 (a) Rate per unit sold
 (b) Percentage on Works Cost
 (c) Percentage of Sales Value
 (d) Any of the above

Solutions

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

19	20	21	22
b	a	d	d

Chapter 5

Activity Based Costing

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

Activity	Cost Driver
a) Production Scheduling	Number of Production Runs
b) Despatching	Number of Despatch Orders
c) Machinery Maintenance	Maintenance Hours
d) Inspection	Machine Hours
5. Find the one which is not appropriate in the following list
 - (a) The number of purchase, supplies and customers' orders drives the cost associated with new material inventory, work-in-progress and finished goods inventory
 - (b) The number of Production Runs undertaken drives Production Scheduling, Inspection and Material Handling.
 - (c) The quality of Raw Material issued drives the cost of Receiving Department Costs.
 - (d) The number of packing orders drives the Packing Costs.
6. Steps in ABC include –
 - (a) Identification of activities and their respective costs
 - (b) Identification of Cost Driver of each activity and computation of an allocation rate per activity
 - (c) Allocation of Overhead Cost to products/ services based on the activities involved
 - (d) All of the above.
7. Which of the following is not a benefit of ABC?
 - (a) Accurate cost allocation
 - (b) Improved decision making
 - (c) Better control on activity and costs
 - (d) Reduction of Prime Cost.
8. Which of these is NOT a Cost Driver for Marketing and Sales Function?
 - (a) Number of Advertisements/ Insertions
 - (b) Number of Research Projects
 - (c) Number of Sales Personnel
 - (d) Sales Revenue
9. Which of these is NOT a Cost Driver for Customer Service Activity?
 - (a) Number of Service Calls
 - (b) Number of Products serviced
 - (c) Hours spent on servicing products
 - (d) Sales Revenue
10. Which of these is NOT a Cost Driver for the Activity "Design of Products, Services & Processes"?
 - (a) Number of Products in design
 - (b) Number of Parts per Product
 - (c) Number of Employee Training Programmes
 - (d) Number of Engineering Hours
11. Which of these is generally a "Unit Level Activity" Cost?
 - (a) Material Ordering – where an order is placed for every batch of production.
 - (b) Machine Set-Up Costs – where machines need re-setting for each different batch / lot.
 - (c) Inspection of Products – where the first item in every batch is inspected.
 - (d) Use of Indirect Materials and Consumables
12. Identify the "Batch Level Activity" Cost out of the following.
 - (a) Ground Maintenance
 - (b) Use of Indirect Materials and Consumables
 - (c) Inspection of Products
 - (d) Product Designing
13. The steps involved for implementation of ABC in a Manufacturing Company include the following except –
 - (a) Borrowing Fund
 - (b) Feasibility Study
 - (c) Building up necessary IT infrastructure and training of employees at all levels
 - (d) Strategy and Value Chain Analysis.
14. Which of the following statements are true: (1) Activity based Management involves Activity Analysis and Performance Measurement. (2) Activity Based Costing serves as a major source of information in ABM.
 - (a) (1) True; (2) False
 - (b) (1) True; (2) True
 - (c) (1) False; (2) True
 - (d) (1) False; (2) False.

15. The key elements of Activity Based Budgeting are –
- (a) Type of activity to be performed
 - (b) Quantity of activity to be performed
 - (c) Cost of activity to be performed
 - (d) All of the above.

Solutions

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

Chapter 6

Cost Accounting System

1. Under the Non-Integrated Accounting System –
 - (a) Same Ledger is maintained for Cost and Financial Accounts by Accountants
 - (b) Separate Ledgers are maintained for Cost and Financial Accounts
 - (c) All transactions relating to Incomes, Expenditure, Assets and Liabilities are completely recorded
 - (d) Product-wise or Department-wise information is not maintained.
2. Notional Costs –
 - (a) May be included in Integrated Accounts
 - (b) May be included in Non-Integrated Accounts
 - (c) Cannot be included in Non-Integrated Accounts
 - (d) are not accounted at all in Integrated or Non-Integrated Accounts.
3. Under Non-Integrated Accounting System, the account made to complete double entry is –
 - (a) Stores Ledger Control Account
 - (b) Work in Progress Control Account
 - (c) Finished Goods Control Account
 - (d) General Ledger Adjustment Account
4. Integrated Systems of accounts are maintained –
 - (a) in separate books of accounts for costing and financial accounting purposes
 - (b) in same books of accounts
 - (c) in computerized system only
 - (d) All of the above.
5. Integral Accounts eliminate the necessity of using the –
 - (a) Cost Ledger Control Account
 - (b) Store Ledger Control Account
 - (c) Overhead Suspense account
 - (d) WIP Control Account
6. Under Non-Integrated System of Accounting, Purchase of Raw Material is debited to –
 - (a) Stores Ledger Control Account
 - (b) General Ledger Adjustment Account
 - (c) Purchase Account
 - (d) Supplier Account
7. Under Non-Integrated Accounts, if materials worth Rs.1,500 are purchased for a special job, then which account will be debited –
 - (a) Special Job Account / Work in Process Account
 - (b) Raw Material Control Account
 - (c) Purchase Account
 - (d) General Ledger Adjustment Account
8. Which account is to be debited if materials worth Rs.500 are returned to vendor under Non-Integrated Accounts –
 - (a) Cost Ledger Control Account
 - (b) Finished Goods Control Account
 - (c) WIP Control Account
 - (d) Raw Material Control Account
9. What is the Journal Entry under Integrated System for purchase of Materials on credit?
 - (a) Dr.Stores Ledger Control, Cr.Purchases
 - (b) Dr.Stores Ledger Control, Cr.General Ledger Adjustment
 - (c) Dr.Stores Ledger Control, Cr.Supplier
 - (d) Dr.General Ledger Adjustment, Cr.Supplier
10. What is the Journal Entry under Integrated System for payment to Creditors for supplies made?
 - (a) Dr.Creditors, Cr.Purchases
 - (b) Dr.Creditors, Cr.General Ledger Adjustment
 - (c) Dr.Creditors, Cr.Cost Ledger Control
 - (d) Dr.Creditors, Cr.Cash or Bank
11. What is the Journal Entry under Non-Integrated System for recording Sales made?
 - (a) No entry
 - (b) Dr.Sales, Cr.General Ledger Adjustment
 - (c) Dr. Cash or Bank, Cr.Sales
 - (d) Dr. General Ledger Adjustment, Cr.Sales
12. What is the Journal Entry under Non Integrated System, for absorption of Factory Overhead?
 - (a) Dr.Factory OH Control, Cr.WIP Control
 - (b) Dr.WIP Control, Cr.Factory OH Control
 - (c) Dr.WIP Control, Cr.General Ledger Adjustment
 - (d) Dr. Factory OH Control, Cr. General Ledger Adjustment
13. Which of the following items is most likely to be included in Cost Accounts?
 - (a) Notional Rent
 - (b) Donations
 - (c) (c.) Transfer to General Reserve
 - (d) Rent Receivable.
14. Which of the following is considered as accounting record?
 - (a) Bin Card
 - (b) Bill of Material
 - (c) Stores Ledger
 - (d) Stores Requisition
15. When Loss as per Cost Records is Rs.5,600, AOH under-absorbed being Rs.600, the Loss as per Financial Accounts should be –
 - (a) Rs.5,600
 - (b) Rs.6,200
 - (c) Rs.5,000
 - (d) None of the above.

16. When you attempt a reconciliation of profits as per Financial Accounts and Cost Accounts, the following is done:
 - (a) Add the underabsorption of OH in Cost Accounts if you start from the Profits as per Financial Accounts.
 - (b) Add the underabsorption of OH in Cost Accounts if you start from the profits as per Cost Accounts.
 - (c) Add the overabsorption of OH in Cost Accounts if you start from the profits as per Financial Accounts.
 - (d) Add the overabsorption of OH in Cost Accounts if you start from the profits as per Cost Accounts.
17. Which of the following items should be added to Costing Profit to arrive at Financial Profit?
 - (a) Over-absorption of Works Overhead
 - (b) Interest paid on Debentures
 - (c) Income Tax Paid
 - (d) Stores Adjustment debited in Financial Books
18. In Profit Reconciliation Statement, Expenses shown only in Financial Accounts are –
 - (a) Added to Financial Profit
 - (b) Deducted from Financial Profit
 - (c) Added to Costing Profit
 - (d) Omitted from Reconciliation
19. In Profit Reconciliation Statement, Incomes shown only in Financial Accounts are –
 - (a) Added to Financial Profit
 - (b) Deducted from Financial Profit
 - (c) Deducted from Costing Profit

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

Solutions

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

18	19	20	21	22	23
a	b	a	a	b	c

Chapter 7

Job and Batch Costing

1. If the 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) Multiple Costing
2. Job Costing is –
 - (a) applicable to all industries regardless of the products or services provided
 - (b) a technique of costing
 - (c) most suitable where similar products are produced on mass scale
 - (d) a method of costing used for non-standard and non-repetitive products
3. Batch Costing is a type of –
 - (a) Process Costing
 - (b) Job Costing
 - (c) Differential Costing
 - (d) Direct Costing
4. Batch Costing is similar to that under job costing except with the difference that a –
 - (a) Job becomes a Cost Unit.
 - (b) Batch becomes the Cost Unit instead of a Job
 - (c) Process becomes a Cost Unit
 - (d) Batch becomes the Cost Centre
5. Batch Costing is applied effectively in the following situation:
 - (a) paper manufacturing
 - (b) drug manufacturing
 - (c) designer clothes manufacturing
 - (d) oil refining
6. Batch Costing is suitable for–
 - (a) Sugar Industry
 - (b) Chemical Industry
 - (c) Pharma Industry
 - (d) Oil Industry
7. The main points of distinction between Job and Contract Costing includes –
 - (a) Length of time to complete.
 - (b) Big jobs
 - (c) Activities to be done outside the factory area
 - (d) All of the above.
8. Economic Batch Quantity is that size of the batch of production where –
 - (a) Average Production Cost is minimum
 - (b) Set-Up Cost per Production Run is minimum
 - (c) Carrying Cost per unit per annum is minimum
 - (d) Sum of annual Set Up Cost and Carrying Costs is minimum
9. 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) Job becomes the Cost Centre
10. 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.
11. Which of the following would best describe the characteristics of Job Costing: (i) homogeneous products; (ii) customer driven production; (iii) short period of time between the commencement and completion of the Cost Unit.
 - (a) (i) and (ii) only
 - (b) (ii) and (iii) only
 - (c) (i) and (iii) only
 - (d) (ii) only
12. The most suitable cost system where the products differ in type of materials and work performed is :
 - (a) Job Costing
 - (b) Process Costing
 - (c) Operating Costing
 - (d) Multiple Costing
13. Which of the following statements is true:
 - (a) Job Costing is applicable for Service Sector.
 - (b) Job Costing cannot be used in conjunction with marginal costing.
 - (c) There is no difference between Job Costing and Process Costing.
 - (d) Job Cost Sheet may be used for estimating profit of jobs.
14. Which of the following statements is true:
 - (a) A Production Order is an order received from a customer for particular jobs.
 - (b) There is no difference between Job Costing and Batch Costing.
 - (c) In Job Costing method, a Cost Sheet is prepared for each job.
 - (d) Job Costing is applicable where a Firm undertakes mass production of a homogeneous product.

15. 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).

16. Job Costing is used in –

- (a) Furniture-making
 - (b) Repair Shops
 - (c) Printing Press
 - (d) All of the above
17. In a Job Cost System, costs are accumulated –
- (a) By Output Quantity
 - (b) By specific job
 - (c) By Department or Process
 - (d) By kind of material used

Solutions

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