

CMA-INTER (TRUE/FALSE)

COST ACCOUNTING (PAPER-8)

TRUE / FALSE

(CHAPTER WISE)

ON

COST ACCOUNTING

For

CMA-INTER

BY

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CMA, B.COM (HONS)

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TOPIC COVERED

1. INTRODUCTION TO COST ACCOUNTING	1
2. MATERIAL COST (CAS-6)	2
3. EMPLOYEE COST (CAS-7)	3
4. DIRECT EXPENSES (CAS-10)	4
5. OVERHEADS (CAS-3)	5
6. COST ACCOUNTING STANDARDS	6
7. COST BOOK KEEPING	7
8. METHODS OF COSTING	8
9. MARGINAL COSTING	9
10. STANDARD COSTING	10
11. BUDGETARY CONTROL	11

1. INTRODUCTION TO COST ACCOUNTING**STATE WHETHER THE FOLLOWING STATEMENT IS TRUE (OR) FALSE:**

1. Differential Cost is the change in the cost due to change in activity from one level to another.
2. Cost unit of Hotel Industry is student per year.
3. Multiple Costing is suitable for the banking Industry.
4. Direct Expenses are expenses related to manufacture of a product or rendering of services.
5. Profit is result of two varying factors sales and variable cost.
6. Cost Accounting is not required for a non-profit organisation such as medical hospital.
7. Cost reduction and cost control means the same thing.
8. Notional costs and Imputed costs mean the same thing.
9. Cost Accounting is a branch of Financial Accounting.
10. Opportunity cost is recorded in the costing books of accounts.
11. Conversion costs are recorded as direct cost.
12. All store items such as lubricant oil, cotton waste etc. is regarded as direct material cost

ANSWER:

1	2	3	4	5	6	7	8	9	10	11	12
T	F	F	T	F	F	F	T	F	F	F	F

2. MATERIAL COST (CAS-6)

STATE WHETHER THE FOLLOWING STATEMENT IS TRUE (OR) FALSE:

1. Waste and Scrap of material have small realization value.
2. Slow moving materials have a high turnover ratio.
3. Bin card are not the part of accounting records.
4. ABC analysis is based on the principle of management by exception.
5. Store ledger is maintained inside the stores by store keeper.

ANSWER:

1	2	3	4	5
F	F	T	T	F

3. EMPLOYEE COST (CAS-7)**STATE WHETHER THE FOLLOWING STATEMENTS ARE TRUE (OR) FALSE:**

1. Direct employee cost shall be presented as a separate cost head in the financial statement.
2. As per the Payment of Bonus Act, 1965 the maximum limit of bonus is 20% of gross earning.
3. Flux method is means for measurement of labour turnover.
4. Is overtime premium is directly assigned to cost object?
5. Idle time represents the wages paid for the time cost during which the workers not work.

ANSWER:

1	2	3	4	5
F	T	T	T	T

4. DIRECT EXPENSES (CAS-10)**STATE WHETHER THE FOLLOWING STATEMENT IS TRUE (OR) FALSE:**

1. If an expense can be identified with a specific cost unit, it is treated as direct expense.
2. Travelling expenses to site is a direct expense.
3. Identification of direct expenses shall be based on traceability in an economically feasible manner.
4. CAS 9 is for Direct Expenses as issued by the Cost Accounting Standards Board (CASB) of the Institute of Cost Accountants of India.
5. Finance Cost shall form part of Direct Expense

ANSWER:

1	2	3	4	5
T	T	T	F	F

5. OVERHEADS (CAS-3)**STATE WHETHER THE FOLLOWING STATEMENT IS TRUE (OR) FALSE:**

1. Departments that assist producing Department indirectly are called service departments.
2. Factory overhead cost applied to a job is usually based on a per-determined rate.
3. Variable overhead vary with time.
4. When actual overheads are more than absorbed overheads, it is known as over-absorption.
5. Cash discounts are generally excluded completely from the costs.
6. Cost of indirect materials is apportioned to various departments.
7. A blanket overhead rate is a single overhead rate computed for the entire factory.
8. Under-absorption of overhead means that actual overheads are more than absorbed overheads.
9. The principal based used for applying factory overhead are: units of production, material cost, direct wages, direct labour hours and machine hours.
10. Allocation, for overhead implies the identification of overhead cost centres to which they relate.

ANSWER:

1	2	3	4	5	6	7	8	9	10
T	T	F	F	T	F	F	F	F	T

6. COST ACCOUNTING STANDARDS

STATE WHETHER THE FOLLOWING STATEMENTS ARE TRUE OR FALSE:

1. CAS 19 stands for Joint Cost.
2. Cost Accounting Standard Board should have minimum three eminent practicing members of the Institute of Cost Accounts of India.
3. Is issue the framework for the Cost Accounting Standard is the function of CASB.
4. CAS 2 stands for classification of cost.
5. The objective of CAS 10 is to bring uniformity and consistency in the period and methods of determining the direct expenses with reasonable accuracy.

ANSWER:

1	2	3	4	5
T	F	T	F	T

7. COST BOOK KEEPING

STATE WHETHER THE FOLLOWING STATEMENTS ARE TRUE OR FALSE:

1. Total cost = prime cost + All indirect costs.
2. Closing stock of work-in-progress should be valued on the basis of prime cost.
3. Closing stock of finished goods should be valued on the basis of cost of sales.
4. Production cost includes only direct costs related to the production.
5. Primary packaging cost is included in distribution cost.
6. Notional interest on Owner's capital appears only in financial profit and loss A/c.
7. Goodwill written off appears only in cost accounts.
8. Overheads are taken on estimated basis in financial accounts.
9. Expenses which appear only in financial accounts and not in cost accounts, are Generally notional items.
10. Need for Reconciliation arise in case of integrated system of accounts.
11. Cost ledger control account makes the cost ledger self-balancing.
12. Stock ledger contains the accounts of all items of finished goods.
13. The purpose of cost control accounts is to control the cost.
14. Cost control accounts are prepared on the basis of double entry system.
15. The balancing in costing profit and loss account represents under or over absorption of overheads.

ANSWER:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
T	F	F	F	F	F	F	F	F	F	T	T	F	T	F

8. METHODS OF COSTING**STATE WHETHER THE FOLLOWING STATEMENTS ARE TRUE OR FALSE:**

1. Operating costing is applied to ascertain the cost of products.
2. Cost of operating the service is ascertained by preparing job account.
3. The problem of equivalent production arises in case of operating costing.
4. FIFO methods are followed for evaluation of equivalent production when prices are fluctuating.
5. Work in progress is the inherent feature of processing industries.
6. Costs incurred prior to the split off point are known as "Joint Costs"
7. No distinction is made between Co products and Joint Products.
8. Contact costing is variant of job costing.
9. In contact costing, the unit of cost is a job.
10. Job costing is applied only in small concerns.

ANSWER:

1	2	3	4	5	6	7	8	9	10
F	F	F	F	T	T	F	T	F	F

9. MARGINAL COSTING

STATE WHETHER THE FOLLOWING STATEMENTS ARE TRUE OR FALSE:

1. Contribution = Sales × P/V ratio.
2. Margin of Safety = Profit / P/V ratio
3. P/ V ratio remains constant at all levels of activity.
4. Marginal Costing follows the behaviour wise classification of costs.
5. At breakeven point, contribution available is equal to total fixed cost.
6. Breakeven point = Profit / P/V ratio.
7. Marginal cost is aggregate of Prime Cost and Variable cost.
8. Variable cost remains fixed per unit.
9. Contribution margin is equal to Sales – Fixed cost.
10. Variable cost per unit is variable.

ANSWER:

1	2	3	4	5	6	7	8	9	10
T	T	T	T	T	F	F	T	F	F

10. STANDARD COSTING**STATE WHETHER THE FOLLOWING STATEMENTS ARE TRUE OR FALSE:**

1. Excess of Actual cost over Standards Cost is treated as unfavourable variance.
2. Variances are calculated for both material and labour.
3. While fixing standards, normal losses and wastages are taken into account.
4. Under the system of standard costing, there is no need for variance analysis.
5. Standard costing is an ideal name given to the estimate making.
6. Standards cost, once fixed cannot be altered.
7. Predetermined standards provide a yardstick for the measurement of efficiency.
8. Material cost variance and labour cost variance are always equal.
9. Fixing standards is the work of industrial engineer or the production people and not of cost accountant.
10. Standards costing are more profitability employed in job order industries than in process type industries.

ANSWER:

1	2	3	4	5	6	7	8	9	10
T	T	T	F	F	T	T	F	F	F

11. BUDGETARY CONTROL

STATE WHETHER THE FOLLOWING STATEMENTS ARE TRUE OR FALSE:

1. Budget is a means and budgetary control is the end result.
2. To achieve the anticipated targets, Planning, Co-ordination and Control are the important main tasks of management, achieved through budgeting and budgetary control.
3. A key factor or principal factor does not influence the preparation of all other budgets.
4. Budgetary control does not facilitate introduction of 'Management by Exception'.
5. Generally, budgets are prepared to coincide with the financial year so that comparison of the actual performance with budgeted estimates would facilitate better interpretation and understanding.
6. A flexible budget is one, which changes from year to year.
7. A flexible budget recognises the difference between fixed, semi-fixed and variable cost and is designed to change in relation to the change in level of activity
8. Sales budget, normally, is the most important budget among all budgets.
9. The principal factor is the starting point for the preparation of various budgets.
10. A budget manual is the summary of all functional budgets.

ANSWER:

1	2	3	4	5	6	7	8	9	10
T	T	F	F	T	F	T	T	T	F