

CMA-INTER (MCQ)

COST ACCOUNTING (PAPER-8)

MCQ

(CHAPTER WISE)

ON

COST ACCOUNTING

For

CMA-INTER

BY

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1. INTRODUCTION TO COST ACCOUNTING

1. Batch Costing is suitable for-

- A. Sugar Industry
- B. Chemical Industry
- C. Pharma Industry
- D. Oil Industry

2. Joint Cost is suitable for-

- A. Infrastructure Industry
- B. Ornament Industry.
- C. Oil Industry
- D. Fertilizer Industry

3. Cost units of Hospital Industry is-

- A. Tonne
- B. Student per year
- C. Kilowatt Hour
- D. Patient Day

4. Cost units of Automobile Industry is-

- A. Cubic meter
- B. Bed Night
- C. Number of Call
- D. Number of vehicles

5. Depreciation is an example of-

- A. Fixed Cost
- B. Variable Cost
- C. Semi Variable Cost
- D. None of these

6. Process costing method is suitable for:

- A. Steel industry
- B. Crane manufacturing organization
- C. Road roller manufacturing company
- D. Transport industry

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

- A. Function
- B. Element
- C. Variability
- D. Controllability

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

- A. It is related with the future
- B. It is a corrective function
- C. It ends when the targets are achieved
- D. It challenges the standards set

9. ----- is anything for which a separate measurement of cost is required.

- A. Cost driver
- B. Cost Centre
- C. Cost unit
- D. Cost object

10. Ticket counter in a Metro station is an example of:

- A. Profit centre
- B. Investment centre
- C. Cost centre
- D. Revenue centre

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

- A. Direct labour cost
- B. Direct material cost
- C. Factory overhead
- D. Indirect material cost

ANSWER:

1	2	3	4	5	6	7	8	9	10	11
C	C	D	D	A	A	B	C	D	D	C

2. MATERIAL COST (CAS-6)

- 1. Which of the following is considered as normal loss of material?**
 - A. Pilferage
 - B. Loss due to accident
 - C. Loss due to careless handling of material
 - D. None of these.

- 2. The most important element of cost is-**
 - A. Material
 - B. Labour
 - C. Overheads
 - D. All of these

- 3. Direct material is a –**
 - A. Administration Cost
 - B. Selling and Distribution cost
 - C. All of these
 - D. None of these

- 4. Continuous stock taking is a part of-**
 - A. ABC analysis
 - B. Annual stock taking
 - C. Perpetual Inventory
 - D. None of these

- 5. Which of the following is considered as accounting record?**
 - A. Bin Card
 - B. Bill of material
 - C. Store Ledger
 - D. None of these

- 6. Direct material can be classified as**
 - A. Fixed cost
 - B. Semi-variable cost
 - C. Variable cost
 - D. None of the above

- 7. In most of the industries, the most important element of cost is**
 - A. Labour
 - B. Overheads
 - C. Administration Cost
 - D. Material

- 8. In which of following methods of pricing, costs lag behind the current economic values?**
 - A. Replacement price method
 - B. Last-in-first out price method
 - C. First-in-first out price method
 - D. Weighted average price method

9. In which of the following methods, issues of materials are priced at pre-determined rate?

- A. Replacement price method
- B. Inflated price method
- C. Specific price method
- D. Standard price method

10. Which of the following methods smoothes out the effect of fluctuations when material prices fluctuate widely?

- A. FIFO
- B. Simple Average
- C. LIFO
- D. Weighted average

11. Under the FSN system of inventory control, inventory is classified based on:

- A. Value of items of inventory
- B. Criticality of the item of inventory for production
- C. Frequency of items of inventory use
- D. Volume of material consumption

12. Materials are issued from one process to another, based on:

- A. Bill of Materials
- B. Material Requisition Note
- C. Purchase Requisition Note
- D. Material Transfer Note

ANSWER:

1	2	3	4	5	6	7	8	9	10	11	12
C	A	D	C	C	C	D	C	D	D	C	D

3. EMPLOYEE COST (CAS-7)

1. In which of the following incentive plan of payment, wages on time basis are not Guaranteed?

- A. Halsey plan
- B. Rowan plan
- C. Taylor's differential piece rate system
- D. Gantt's task and bonus system

2. Under the high wage plan, a worker is paid

- A. At a time rate higher than the usual rate
- B. According to his efficiency
- C. At a double rate for overtime
- D. Normal wages plus bonus

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

- A. Charged to costing profit and loss A/c
- B. Charged to factory overheads
- C. Recovered by inflating the wage rate
- D. Ignored

4. When overtime is required for meeting urgent orders, overtime premium should be

- A. Charged to costing profit and loss A/c
- B. Charged to overhead costs
- C. Charged to respective jobs
- D. Ignored

5. Wages sheet is prepared by

- A. Time –keeping department
- B. Personnel department
- C. Payroll department
- D. Engineering department

6. Time and motion study is conducted by the

- A. Time –keeping department
- B. Personnel department
- C. Payroll department
- D. Engineering department

7. Labour turnover is measured by

- A. Number of workers replaced average number of workers
- B. Number of workers left / number in the beginning plus number at the end
- C. Number of workers joining / number in the beginning of the period
- D. All of these

8. 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

9. Over time is

- A. Actual hours being more than normal time
- B. Actual hours being more than standard time
- C. Standard hours being more than actual hours
- D. Actual hours being less than standard time

- 10. Time keeping refers to**
- Time spent by workers on their job
 - Time spent by workers in factory
 - Time spent by workers without work
 - Time spent by workers on their job
- 11. Time and motion study is conducted by**
- Personal department
 - Time keeping department
 - Engineering department
 - Payroll department
- 12. Labour productivity is measured by comparing**
- Total output with total man-hours
 - Added value for the product with total wage cost
 - Actual time and standard time
 - All of the above
- 13. If the time saved is less than 50% of the standard time, then the wages under Rowan and Halsey premium plan on comparison gives:**
- Equal wages under two plans
 - More wages to workers under Halsey plan than Rowan plan
 - More wages to workers under Rowan plan than Halsey Plan
 - None of the above
- 14. Idle time is the time under which**
- No productivity is given by the workers
 - Full wages are paid to workers
 - None of the above
 - All of the above
- 15. Identify, which one of the following, does not account for increasing labour productivity**
- Motivating workers
 - Job satisfaction
 - Proper supervision and control
 - High labour turnover
- 16. Under Taylor's differential piece rate scheme, if a worker fails to complete the task within the standard time, then he is paid**
- 83% of the piece work rate
 - 175% of the piece work rate
 - 67% of the piece work rate
 - 125% of the piece work rate

ANSWER:

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

4. DIRECT EXPENSES (CAS-10)

1. Royalty paid on sales ₹ 89,000 and Software development charges related to product is ₹ 22,000. Calculate Direct Expenses.

- A. 1,11,100
- B. 1,11,000
- C. 1,11,110
- D. 1,10,000

2 Direct Expenses ----- includes imputed cost.

- A. Shall
- B. Shall not
- C. None of these

3. Direct Expenses does not meet the test of materiality can be ----- part of part of overhead.

- A. Treated
- B. Not treated
- C. All of the these
- D. None of these

4. Example of Direct Expenses.

- A. Rent
- B. Royalty charged on production
- C. Bonus to employee
- D. None of these

5. A manufacturing Industry produces product P, Royalty paid on sales is 23,500 and design charges paid for the product is 1,500. Compute the Direct Expenses.

- A. 25,000
- B. 22,000
- C. 26,500
- D. None of these

ANSWER:

1	2	3	4	5
B	B	A	B	A

5. OVERHEADS (CAS-3)

1. The allotment of whole items of cost of centres or cost unit is called

- A. Cost allocation
- B. Cost apportionment
- C. Overhead absorption
- D. None of the above

2. Packing cost is a

- A. Production of cost
- B. Selling cost
- C. Distribution cost
- D. It may be any or the above

3. Directors remuneration and expenses form a part of

- A. Production overhead
- B. Administration overhead
- C. Selling overhead
- D. Distribution overhead

4. 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

5. Absorption means

- A. Charging or overheads to cost centers
- B. Charging or overheads to cost units
- C. Charging or overheads to cost centers or cost units

6. Which method of absorption of factory overheads do you suggest in a concern which Produces only one uniform time of product

- A. Percentage of direct wages basis
- B. Direct labour rate
- C. Machine hour rate
- D. A rate per units of output

7. When the amount of under-or-over-absorption is significant, it should be disposed of by

- A. Transferring to costing profit and loss A/c
- B. The use of supplementary rates
- C. Carrying over as a deferred charge to the next accounting year
- D. None of above

8. When the amount of overhead absorbed 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. None of above

9. Warehouse expense is an example of

- A. Production overhead
- B. Selling overhead
- C. Distribution overhead
- D. None of above

10. Selling and Distribution overhead are absorbed on the basis of

- A. Rate per unit
- B. Percentage on works cost
- C. Percentage on selling price of each Unit
- D. Any of these

11. Primary packing cost is a part of

- A. Direct material cost
- B. Distribution overheads
- C. Selling overheads
- D. Production cost

12. Chairman's remuneration and expenses form part of

- A. Administration overhead
- B. Production overhead
- C. Distribution overhead
- D. Selling overhead

13. Normal capacity of a plant refers to the difference between:

- A. Maximum capacity and practical capacity
- B. Maximum capacity and actual capacity
- C. Practical capacity and estimated idle capacity as revealed by long term sales trend
- D. Practical capacity and normal capacity

14. Find out from the following a scientific and accurate method of factory overhead absorption.

- A. Percentage of prime cost method
- B. Machine hour rate method
- C. Percentage of direct material cost method
- D. Percentage of direct labour cost method

ANSWER:

1	2	3	4	5	6	7	8	9	10	11	12	13	14
A	D	B	A	B	D	B	A	C	D	D	A	C	B

6. COST ACCOUNTING STANDARDS**1. CAS 21 stands for**

- A. Capacity Determination
- B. Joint Cost
- C. Direct Expenses
- D. None of these.

2. CAS 13 stands for

- A. Joint Cost
- B. Interest and financing charges
- C. Employee Cost
- D. Cost of Service cost centre

3. Standard deals with the principles and methods of determining the manufacturing Cost of excisable goods-

- A. CAS 12
- B. CAS 15
- C. CAS 22
- D. CAS 2

4. Standards deals with determination of averages/ equalized transportation cost-

- A. CAS 6
- B. CAS 22
- C. CAS 9
- D. CAS 5

5. Standards deals with the principles and methods of determining depreciation and amortization cost-

- A. CAS 9
- B. CAS 12
- C. CAS 15
- D. CAS 16

ANSWER:

1	2	3	4	5
D	D	C	D	D

7. COST BOOK KEEPING

1. Which of the following items is not included in preparation of cost sheet?

- A. Carriage inward
- B. Purchase returns
- C. Sales commission
- D. Interest paid

2. Which of the following items is not excluded while preparing a cost sheet?

- A. Goodwill written off
- B. Provision for taxation
- C. Property tax on Factory building
- D. Transfer to reserves

3. Which of the following are direct expenses?

- 1. The cost of special designs, drawings or layouts
 - 2. The 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. (1) and (4)
 - D. (3) and (4)

4. What is prime cost

- A. Total direct costs only
- B. Total indirect costs only
- C. Total non-production costs
- D. Total production costs

5. Which of the following is not an element of works overhead?

- A. Sales manager's salary
- B. Plant manager's salary
- C. Factory repairman's wages
- D. Product inspector's salary

6. For the purpose of Cost Sheet preparation, costs are classified based on:

- A. Functions
- B. Variability
- C. Nature
- D. All of the above

7. Salary paid to an office supervisor is a part of:

- A. Direct expenses
- B. Administration cost
- C. Quality control cost
- D. Factory overheads

8. Audit fees paid to cost auditors is part of:

- A. Selling & Distribution cost
- B. Production cost
- C. Administration Cost
- D. Not recorded in the cost sheet

9. A company has set up a laboratory for testing of products for compliance with standards. Salary of this laboratory staffs are part of:

- A. Direct Expenses
- B. Quality Control Cost
- C. Works overheads
- D. Research & Development Cost

10. Canteen expenses for factory workers are part of:

- A. Administration Cost
- B. Factory overhead
- C. Marketing cost
- D. None of the above

11. Which of the following does not form part of prime cost:

- A. GST Paid on raw materials (input credit can be claimed)
- B. Cost of transportation paid to bring materials to factory
- C. Cost of Packing
- D. Overtime premium paid to workers.

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

- A. Direct Expenses
- B. Factory overheads
- C. Direct Material Cost
- D. Administration cost

13. In Reconciliations Statements, Expenses shown only in financial accounts are.

- A. Added to financial profit
- B. Deducted from financial profit
- C. Ignored
- D. Added to costing profit

14. In Reconciliation Statement, Expenses shown only in cost accounts are.

- A. Added to financial profit
- B. Deducted from financial profit
- C. Ignored
- D. Deducted from costing profit

15. In Reconciliation Statement, transfers to reserves are.

- A. Added to financial profit
- B. Deducted from financial profit
- C. Ignored
- D. Added to costing profit

16. In Reconciliation Statement, Incomes shown only in financial accounts are.

- A. Added to financial profit
- B. Deducted from financial profit
- C. Ignored
- D. Deducted from costing profit

17. In Reconciliation Statement, Closing Stock Undervalued in Financial accounts is

- A. Added to financial profit
- B. Deducted from financial profit
- C. Ignored
- D. Added to costing profit

18. Under Non-Integrated accounting system

- A. Separate ledgers are maintained for cost and financial accounts
- B. Same ledger is maintained for cost and financial accounts by accountants
- C. (a) and (b) both
- D. None of the above

19. Under Non-Integrated accounting system, the account made to complete double entry is:

- A. Finished goods control account
- B. Work in progress control account
- C. Stores ledger control account
- D. General ledger adjustment account

20. Under Non-Integrated system of accounting, purchase of raw material is debited to

- A. Purchase account
- B. Material control account/ stores ledger control account
- C. General ledger adjustment account
- D. None of the above

21. When Costing loss is ₹ 5,600, administrative overhead under-absorbed being ₹ 600, the loss as per financial accounts should be

- A. ₹ 5,000
- B. ₹ 5,600
- C. ₹ 6,200
- D. None of the above

22. Which of the following items should be added to costing profit to arrive at financial profit:

- A. Income tax paid
- B. Over-absorption of works overhead
- C. Interest paid on debentures
- D. All of the above

23. Integral accounts eliminate the necessity of operating

- A. Cost Ledger control account
- B. Store Ledger control account
- C. Overhead adjustment account
- D. None of the above

24. What entry will be passed under integrated system for purchase of stores on credit?

- A. Dr. Stores
Cr. Creditors
- B. Dr. Stores Ledger Control A/c
Cr. Creditors
- C. Dr. Stores Ledger Control A/c
Cr. General Ledger Adjustment A/c

25. What entry will be passed under integrated system for payment to creditors for supplies made?

- A. Dr. Creditors
Cr. Cash
- B. Dr. Creditors
Cr. Stores Ledger Control A/c
- C. No entry

26. The accounting entry in integrated accounts for recording sales will be:

- A. Dr. Cost ledger control account
Cr. Profit and Loss account
- B. Dr. Sales Account
Cr. Profit and Loss A/c
- C. Dr. Cash A/c
Cr. Sales A/c

27. What will be the accounting entry for absorption of factory overhead?

- A. Dr. Works in progress control A/c
Cr. Factory overhead control A/c
- B. Dr. Factory overhead
Cr. Factory overhead control A/c
- C. No entry is required

ANSWER:

1	2	3	4	5	6	7	8	9	10	11	12	13	14
D	C	A	A	A	A	B	C	B	B	C	A	A	B
15	16	17	18	19	20	21	22	23	24	25	26	27	
A	B	A	A	D	B	C	B	A	B	A	C	A	

8. METHODS OF COSTING

1. Job costing is used in

- A. Furniture making
- B. Repair shops
- C. Printing press
- D. All of the above

2. In a job cost system, costs are accumulated

- A. On a monthly basis
- B. By specific job
- C. By department or process
- D. By kind of material **used**

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

- A. Operating Costing
- B. Job costing
- C. Process costing
- D. All of these.

4. Cost Price is not fixed in case of

- A. Cost plus contracts
- B. Escalation clause
- C. De-escalation clause
- D. All of the above

5. Most of the expenses are direct in

- A. Job costing
- B. Batch costing
- C. Contract costing
- D. None of the above

6. Cost plus contract is usually entered into those cases where

- A. Cost can be easily estimated
- B. Cost of certified and uncertified work
- C. Cost of certified work, cost of uncertified work and amount of profit transferred to Profit and Loss Accounts.
- D. None of these

7. In order to determine cost of the products or services, different business firms follow:

- A. Different techniques of costing
- B. Uniform Costing
- C. Different method of costing
- D. None of the above

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

- A. Operating Costing
- B. Process Costing
- C. Job costing
- D. None of the above

9. Job Costing is:

- A. Suitable where similar products are produced on mass-scale
- B. Method of costing used for non-standard and non-repetitive products
- C. Technique of costing
- D. Applicable to all industries regardless of the products or services provided

10. Batch costing is a type of:

- A. Direct costing
- B. Process costing
- C. Job costing
- D. Differential costing

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

- A. Process becomes a cost unit
- B. Job becomes a cost unit
- C. Batch become the cost **unit instead of a job**
- D. None of the above

12. Economic batch quantity is that size of the batch of production where:

- A. Carrying cost is minimum
- B. Set-up cost of machine is minimum
- C. Average cost is minimum
- D. Both A. and B.

13. Job costing is similar to that under Batch costing except with the difference that:

- A. Batch becomes the cost unit instead of a job
- B. Job becomes a cost unit
- C. Process becomes a cost unit
- D. None of the above

14. Which of the following documents are used in job costing to record the issue of direct materials to a job:

- A. Purchase order
- B. Purchase requisition
- C. Goods received note
- D. Material requisition

15. Which of the following statements is true:

- A. Batch costing is a variant of jobs costing
- B. Job cost sheet may be used for estimating profit of jobs
- C. Job costing cannot be used in conjunction with marginal costing
- D. In cost plus contracts, the contractor runs a risk of incurring a loss

16. Which of the following statements is true:

- A. Job costing can be suitably used for concerns producing any specific product uniformly
- B. Job costing cannot be used in companies applying standard costing
- C. Job cost sheet may be prepared to facilitate routing and scheduling of the job
- D. Neither A. nor B. nor C.

17. Equivalent production of 1,000 units, 60% complete in all respects, is :

- A. 1000 units
- B. 1600 units
- C. 600 units
- D. 1060 units

18. In a process 8000 units are introduced during a period. 5% of input is normal loss. Closing work in progress 60% complete is 1000 units. 6600 completed units are transferred to next process. Equivalent production for the period is:
- A. 9000 units
 - B. 7440 units
 - C. 5400 units
 - D. 7200 units
19. The type of process loss that should not be allowed to affect the cost of good units is called:
- A. Standard loss
 - B. Normal loss
 - C. Abnormal loss
 - D. Seasonal loss
20. 400 units were introduced in a process in which 40 units is the normal loss. If the actual output is 300 units, then there is:
- A. No abnormal gain
 - B. Abnormal loss of 60 units
 - C. No abnormal loss
 - D. Abnormal gain of 60 units
21. Spoilage that occurs under inefficient operating conditions and is generally controllable is called
- A. Normal defectives
 - B. Abnormal spoilage
 - C. Normal spoilage
 - D. None of the above
22. In which of the following situations an abnormal gain in a process occurs:
- A. When normal loss is equal to actual loss
 - B. When the actual output is greater than the planned output.
 - C. When actual loss is more than the expected
 - D. When actual loss is less than the expected loss
23. The value of abnormal loss is equal to:
- A. Total cost of materials
 - B. Total process cost less cost of scrap
 - C. Total process cost less realisable value of normal loss less value of transferred out goods.
 - D. Total process cost less realisable value of normal loss
24. A process account is debited by abnormal gain, the value is determined as:
- A. Equal to the value of goods units less closing stock
 - B. Equal to the value of normal loss
 - C. Cost of good units less realisable value of normal loss
 - D. Cost of goods units less realisable value of actual loss
25. In sugar manufacturing industry 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. Joint product
 - B. Common product
 - C. By-product
 - D. None of them

26. Method of apportioning joint costs on the basis of output of each joint product at the point of split-offs is known as:

- A. Physical unit method
- B. Sales value method
- C. Average cost method
- D. Marginal cost and contribution method

27. The main purpose of a accounting of joint products and by-products is to:

- A. Determine the replacement cost
- B. Determine the opportunity cost
- C. Determine profit or loss on each product line
- D. None of the above

28. Under Net realisable value method of apportioning joint costs to joint products, the selling & distribution cost is:

- A. Ignored
- B. Deducted from sales value
- C. Deducted from further processing cost
- D. Added to joint cost

29. Which of the following is an example of by-product:

- A. Mustard seeds and mustard oil.
- B. Diesel and Petrol in an oil refinery
- C. Edible oils and oil cakes
- D. Curd and butter in a dairy

30. Which of following methods can be used when the joint products are of unequal quantity and used for captive consumption:

- A. Physical units method
- B. Net realisable value method
- C. Technical estimates, using market value of similar goods
- D. Market value at split-off method

31. Cost of service under operating costing is ascertained by preparing:

- A. Cost sheet
- B. Process account
- C. Job cost sheet
- D. Production account

32. Operating costing is applicable to:

- A. Hospitals
- B. Cinemas
- C. Transport undertaking
- D. All of the above

33. Composite cost unit for a hospital is:

- A. Per day
- B. Per bed
- C. Per patient-day
- D. Per patient

34. Cost units used in power sector is called:

- A. Number of hours
- B. Number of electric points
- C. Kilowatt-hour (KWH)
- D. Kilo meter (K.M)

35. Absolute Tonne-km. is an example of:

- A. Composite unit for bus operation
- B. Composite unit of transport sector
- C. Composite unit for oil and natural gas
- D. Composite unit in power sector

ANSWER:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
D	B	B	A	C	B	C	C	B	C	C	D	B	D	B	D	C	D
19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	
C	B	B	D	C	C	C	A	C	B	C	C	A	D	C	C	B	

9. MARGINAL COSTING

1. **The cost of a product under marginal costing system includes:**
 - A. Prime cost-plus variable overhead
 - B. Prime cost-plus fixed overhead
 - C. Prime cost-plus factory overhead
 - D. Only prime cost

2. **The difference between absorption costing and marginal costing is in regard to the treatment of**
 - A. Direct materials
 - B. Fixed overhead
 - C. Prime cost
 - D. Variable overhead

3. **Fixed costs are treated as:**
 - A. Overhead costs
 - B. Prime costs
 - C. Period costs
 - D. Conversion costs

4. **When sales and production (in units) are same then profits under:**
 - A. Marginal costing is lower than that of absorption costing
 - B. Marginal costing is higher 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 equal to that of absorption costing
 - C. Marginal costing is lower than that of absorption costing
 - D. None of the above

6. **Which of the following factors responsible for change in the break-even point?**
 - A. Change in selling price
 - B. Change in variable cost
 - C. Change in fixed cost
 - D. All of the above

7. **If sales are ₹ 90,000 and variable cost to sales is 75%, contribution is**
 - A. ₹ 21,500
 - B. ₹ 22,500
 - C. ₹ 23,500
 - D. ₹ 67,500

8. **Variable cost**
 - A. Remains fixed in total
 - B. Remains fixed per unit
 - C. Varies per unit
 - D. Nor increase or decrease

9. If sales are ₹ 150,000 and variable cost are ₹ 50,000. Compute P/V ratio.

- A. 66.66%
- B. 100%
- C. 133.33%
- D. 65.66%

10. Marginal Costing technique follows the following basic of classification

- A. Element wise
- B. Function Wise
- C. Behaviour wise
- D. Identifiability wise

11. P/V ratio will increase if the

- A. There is a decrease in fixed cost
- B. There is an increase in fixed cost
- C. There is a decrease in selling price per unit.
- D. There is a decrease in variable cost per unit.

12. The technique of differential cost is adopted when

- A. To ascertain P/V ratio
- B. To ascertain marginal cost
- C. To ascertain cost per unit
- D. None

13. Difference between the costs of two alternative is known as the

- A. Variable cost
- B. Opportunity cost
- C. Marginal cost
- D. Differential cost

14. Contribution is ₹ 300,000 and sales is ₹ 1,500,000. Compute P/V ratio.

- A. 15%
- B. 20%
- C. 22%
- D. 17.5%

15. Variable cost to sales ratio is 40%. Compute P/V ratio.

- A. 60%
- B. 40%
- C. 100%
- D. None of the these

16. Fixed cost is 30,000 and P/V ratio is 20%. Compute breakeven point.

- A. ₹ 160,000
- B. ₹ 150,000
- C. ₹ 155,000
- D. ₹ 145,000

ANSWER:

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

10. STANDARD COSTING

1. Excess of actual cost over standard cost is known as

- A. Abnormal effectiveness
- B. Unfavourable variance
- C. Favourable variance
- D. None of these.

2. Difference between standard cost and actual cost is called as

- A. Wastage
- B. Loss
- C. Variance
- D. Profit

3. Standards cost is used

- A. To ascertain the breakeven point
- B. To establish cost-volume profit relationship
- C. As a basis for price fixation and cost control through variance analysis.

4. The cost of the product determined at the beginning of production under standard cost system is known as:

- A. Actual cost
- B. Direct cost
- C. Pre-determined cost
- D. Historical cost

5. The deviation between standard and actual cost is known as

- A. Variable cost analysis
- B. Variance analysis
- C. Linear trend analysis
- D. Multiple analysis

6. From cost control point of view the standard most commonly used is:

- A. Expected standard
- B. Theoretical standard
- C. Normal standard
- D. Basic standard

7. When more than one material is used in the manufacture of a product, which of the following variances arises:

- A. Material yield variance
- B. Material mix variance
- C. Material price variance
- D. Material usage variance

8. Standard price of material per kg ₹ 20, standards consumption per unit of production is 5 kg. Standard material cost for producing 100 units is

- A. ₹ 20,000
- B. ₹ 12,000
- C. ₹ 8,000
- D. ₹ 10,000

9. Standard cost of material for a given quantity of output is ₹ 15,000 while the actual cost of material used is ₹ 16,200. The material cost variance is:

- A. ₹ 1,200 (A)
- B. ₹ 16,200 (A)
- C. ₹ 15,000 (F)
- D. ₹ 31,200 (A)

10. For the purpose of Proof, Material Cost Variance is equal to:

- A. Material Usage Variance + Material Mix variance
- B. Material Price Variance + Material Usage Variance
- C. Material Price Variance + Material yield variance
- D. Material Mix Variance + Material Yield Variance

11. Cost variance is the difference between

- A. The standard cost and marginal cost
- B. The standards cost and budgeted cost
- C. The standards cost and the actual cost
- D. None of these

12. Standard price of material per kg is ₹ 20, standard usage per unit of production is 5 kg. Actual usage of production 100 units is 520 kgs, all of which was purchase at the rate of ₹ 22 per kg. Material usage variance is

- A. ₹ 400 (F)
- B. ₹ 400 (A)
- C. ₹ 1,040 (F)
- D. ₹ 1,040 (A)

13. Standard price of material per kg is ₹ 20, standard usage per unit of production is 5 kg. Actual usage of production 100 units is 520 kgs, all of which was purchase at the rate of ₹ 22 per kg. Material cost variance is

- A. ₹ 2,440 (A)
- B. ₹ 1,440 (A)
- C. ₹ 1,440 (F)
- D. ₹ 2,300 (F)

14. Standard quantity of material for one unit of output is 10 kgs. @ ₹ 8 per kg. Actual output during a given period is 800 units. The standards quantity of raw material

- A. 8,000 kgs
- B. 6,400 Kgs
- C. 64,000 Kgs
- D. None of these

15. What is the labour rate variance if standard hours for 100 units of output are 400 @ ₹ 2 per hour and actual hours taken are 380 @ ₹ 2.25 per hour?

- A. ₹ 120 (adverse)
- B. ₹ 100 (adverse)
- C. ₹ 95 (adverse)
- D. ₹ 25 (favourable)

ANSWER:

1	2	3	4	5	6	7	8
B	C	C	C	B	A	B	D
9	10	11	12	13	14	15	
A	B	C	B	B	A	C	

11. BUDGETARY CONTROL

1. Budgets are shown in Terms

- A. Qualitative
- B. Quantitative
- C. Materialistic
- D. both (b) and (c)

2. Which of the following is not an element of master budget?

- A. Capital Expenditure Budget
- B. Production Schedule
- C. Operating Expenses Budget
- D. All above

3. Which of the following is not a potential benefit of using a budget?

- A. Enhanced coordination of firm activities
- B. More motivated managers
- C. Improved interdepartmental communication
- D. More accurate external financial statements

4. Which of the following is a long-term budget?

- A. Master Budget
- B. Flexible Budget
- C. Cash Budget
- D. Capital Budget

5. Materials become key factor, if

- A. quota restrictions exist
- B. insufficient advertisement prevails
- C. there is low demand
- D. there is no problem with supplies of materials

6. The difference between fixed cost and variable cost assumes significance in the preparation of the following budget.

- A. Master Budget
- B. Flexible Budget
- C. Cash Budget
- D. Capital Budget

7. The budget that is prepared first of all is ...

- A. Master budget
- B. Budget, with key factor
- C. Cash Budget
- D. Capital expenditure budget

8. Sales budget is a

- A. Expenditure budget
- B. Functional budget
- C. Master budget
- D. None of these

9. When a company wants to prepare a factory overhead budget in which the estimated costs are directly derived from the estimates of activity levels, which of the following budget should be prepared by the company?
- A. Flexible budget
 - B. Fixed budget
 - C. Master budget
 - D. R & D budget
10. Which of the following budgets facilitates classification of fixed and variable costs:
- A. Capital expenditure budget
 - B. Flexible budget
 - C. Cash budget
 - D. Raw materials budget
11. The entire budget organisation is controlled and headed by a senior executive known as:
- A. General Manager
 - B. Accountant
 - C. Budget Controller
 - D. None of the above
12. Which of the following is generally a long-term budget?
- A. Cash budget
 - B. Sales budget
 - C. Research and Development budget
 - D. Capital expenditure budget
13. A flexible budget requires a careful study of
- A. Fixed, semi-fixed and variable expenses
 - B. Past and current expenses
 - C. Overheads, selling and administrative expenses.
 - D. None of these.
14. The basic difference between a fixed budget and flexible budget is that a fixed budget
- A. is concerned with a single level of activity, while flexible budget is prepared for different levels of activity
 - B. Is concerned with fixed costs, while flexible budget is concerned with variable costs.
 - C. is fixed while flexible budget changes
 - D. None of these.

ANSWER:

1	2	3	4	5	6	7
D	B	D	D	A	B	B
8	9	10	11	12	13	14
B	A	B	C	D	A	A