



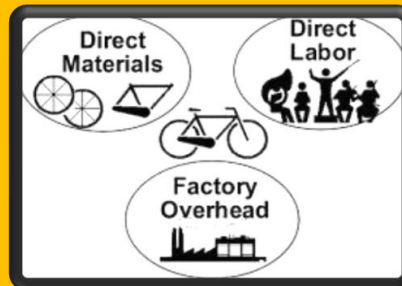
“जय माता दी”

Taxation & Law Codes Present

Multiple Choice Questions on

# Cost Accounts

*Exclusively designed for CS Executive  
(New Syllabus) Part- 1*



**250  
McQ's**

Prepared By: Ketan Sardana



## **PREFACE TO MY FIRST EDITION**

It gives me immense pleasure, in helping the student community in particular by writing some notes in a simple, lucid manner.

Since, the book assumes no previous knowledge of the subject on the part of, the Reader, its aims complete clarity for the beginner and simplicity which makes the text self-explanatory,

I express my sincere gratitude to, all those who have stood by me, in this noble task.

I, take this opportunity, in thanking my parents, my friends, readers, my well-wishers, and yes God for their blessings and support,

I feel confident that the notes will meet a real need. If it is widely read and wisely used, I shall feel amply rewarded.

I shall gratefully acknowledge any suggestions to further increase the utility of the book, and readily incorporate them for the betterment of my next edition of notes

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*This Book is dedicated to LORD GANESHA and  
SARASWATI MAA*



## Multiple Choice Questions

**1. Costing is a technique of**

- a) Inventory control
- b) Management control
- c) Ascertainment of cost
- d) Calculation of cost
- e) Reduction of cost

**2. Cost accounting has been developed because of ..... of financial accounting.**

- a) limitations
- b) expenditure
- c) statutory requirements
- d) both (a) and (b)
- e) None of these

**3. Cost accountancy is the science, art and ..... of cost accountant.**

- a) Profession
- b) Management
- c) Administration
- d) Practice
- e) All of these

**4. In automobile industry cost unit is**

- a) Number
- b) Automobile quality
- c) Number of automobile industry
- d) Either (a) or (c)
- e) None of these

**5. Cost unit in a college may be**

- a) teacher
- b) Non teacher staff
- c) Student
- d) Number of departments
- e) None of these

**6. .... costing is suitable for mines, quarries, cement works etc.**

- a) Process
- b) Contract
- c) Batch
- d) Operation
- e) Job

**7. .... is an extension of job costing.**

- a) Process costing
- b) Batch costing
- c) Contract costing
- d) Operation costing
- e) None of these

**8. When job is very big and spread over long periods of time the method of costing adopted is**

- a) Process
- b) Job
- c) Contract
- d) Operation
- e) Batch

**9. Continuous costing is also called**

- a) Operation costing
- b) Process costing
- c) Batch costing
- d) Contract costing
- e) None of these

**10. The main types of costing for ascertaining costs do not include**

- a) Uniform costing
- b) Standard costing
- c) Marginal costing



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**11. Cost accounting is based on ..... figures.**

- a) Approximated
- b) Estimated
- c) Historical
- d) Either (a) or (c)
- e) None of these

**12. ....costing is used in transport undertaking.**

- a) Operating
- b) Standard
- c) marginal
- d) Absorption
- e) Service

**13. In ..... costing the cost of a group of products is ascertained.**

- a) Process
- b) Job
- c) Batch
- d) Service
- e) Marginal

**14. The total of all direct expenses is known as**

- a) Total cost
- b) Overhead
- c) Prime cost
- d) Work cost
- e) None of these

**15. An opportunity cost is a**

- a) Direct expense
- b) Indirect expense
- c) Variable expense
- d) Fixed expense
- e) Semi-variable expense

**16. Work cost is the total of**

- a) Direct cost
- b) Indirect cost
- c) Variable cost
- d) Controllable cost
- e) Uncontrollable cost

**17. Opportunity cost does not involve**

- a) Cash inflow
- b) Cash outflow
- c) Cash outlay
- d) Either (a) or (b)
- e) None of these

**18. Depreciation is .....expenditure.**

- A) variable
- b) Fixed
- c) Direct
- d) Indirect
- e) Semi-variable

**19. Out of pocket payment involves payment to**

- a) Managers
- b) Promoters
- c) Directors
- d) Shareholders
- e) Outsiders

**20. Value added is the change in**

- a) Face value
- b) Market value
- c) Book value
- d) Realizable value
- e) None of these

**21. Re-ordering level is = Maximum consumption x .....**

- a) Minimum consumption
- b) Maximum re-orders period
- c) Minimum re-orders period
- d) Both (a) and (b)
- e) None of these

**22. .... represents that quantity of material which is normally ordered when a particular material reaches the ordering level.**

- a) EOQ
- b) BOQ
- c) EBQ
- d) Re-order period
- e) All of these

**23. The quantity of material to be ordered at one time is known as**

- a) EOQ
- b) BOQ
- c) EBQ
- d) Re-order period
- e) All of these

**24. Stock verification sheets are maintained to record the result of ..... verification.**

- a) Conceptual
- b) Physical
- c) Economic
- d) Detailed
- e) All of these

**25. The two levels of material controls are quantity control and**

- a) Financial control
- b) Value control
- c) Quality control
- d) Both (b) and (c)
- e) All of these



**26. The two aspects of material control are accounting aspect and ..... aspect.**

- a) Financial
- b) Economic
- C) social
- d) Operational
- e) None of these

**27. Material control aims at achieving effective ..... management.**

- a) Marketing
- b) Production
- c) Organization
- d) Material
- e) None of these

**28. Stores ledger is maintained in the ..... department.**

- a) Cost accounting
- b) Stores
- c) Purchase
- d) Production
- e) None of these

**29. Bin card is a record of ..... only.**

- a) Quality
- b) quantity
- c) Numbers
- d) Value
- e) None

**30. Bin card is maintained by**

- a) Purchase department
- b) Production department
- c) Marketing department
- d) Stores keeper
- e) None of these

- 31. With regard to break –even charts and break-even analysis, which of the following is true ?**
- It is assumed that variable cost fluctuates in direct proportion to output
  - The break the break-even point is at the intersection of the sales line and the variable cost line
  - A break-even chart shown the maximum profit possible
  - A break-even chart is capable of dealing with any change of product mix
- 32. The following data relate to two output levels of a department :**
- |               |           |          |
|---------------|-----------|----------|
| Machine hours | 17,000    | 18,500   |
| Overheads (₹) | 2, 46,500 | 2,51,750 |
- The variable overhead rate per hour is ₹ 3.50. The amount of fixed overheads is:
- ₹ 5,250
  - ₹ 59,500
  - ₹ 1,87,000
  - ₹ 2, 46,500
- 33. The following data relate to two activity levels of an out-patients‘department in a hospital :**
- |                                         |                   |                   |
|-----------------------------------------|-------------------|-------------------|
| <b>No. of consultations per patient</b> | <b>4,500</b>      | <b>5,750</b>      |
| <b>Overheads</b>                        | <b>₹ 2,69,750</b> | <b>₹ 2,89,125</b> |
- Fixed overheads are ₹ 2,00,000 per period. The variable cost per consultation is**
- ₹ 15.50
  - ₹ 44.44
  - ₹ 59.94
  - ₹ none of the above
- 34. Break-even analysis assumes that over the relevant range:**
- Total costs are unchanged
  - Unit variable costs are unchanged
  - Variable costs are non-linear
  - Unit fixed costs are unchanged

35. ABC Ltd. Has fixed costs of ₹ 60,000 p.a.. It manufactures a single product, which it sells for ₹ 20 per unit. Its contribution to sales ratio is 40%. ABC Ltd's break-even point in units is : sts of ₹

- b. 3,000
- c. 5,000
- d. 7,500

36. Sun Ltd. Makes a single product which it sells for ₹ 10 per unit. Fixed costs are ₹ 48,000 per month and the product has a contribution to sales ratio of 40%. In a period when actual sales were ₹ 1, 40,000. Sun Ltd.'s margin of safety in units was :

- a. 2,000
- b. 6,000
- c. 8,000
- d. 12,000

37. A company produced 500 units of a product and incurred the following costs: ₹

<b>Direct materials</b>	<b>8,000</b>
<b>Direct wages</b>	<b>10,000</b>
<b>Overheads (20% fixed)</b>	<b>45,000</b>

If the sales value of 500 units was ₹ 1,02,000, what is contribution margin ?

- a. 44%
- b. 47%
- c. 53%
- d. 74%

Use the following data for questions 38 and 39:

**Budget data for the Happy Ltd.**

<b>Sales (1,00,000 units)</b>	<b>₹ 10,00,000</b>
<b>Costs : Variable</b>	<b>₹ 7,00,000</b>
<b>Fixed</b>	<b>₹ 2,10,000</b>
<b>Operating profit</b>	<b>₹ 90,000</b>

**38. If fixed costs increased by ` 31,500 with no other cost or revenue factors changing, the break-even sales in units would be :**

- a. 34,500
- b. 80,500
- c. 69,000
- d. 94,500

**39. If Happy Ltd. Is subject to an effective income tax rate of 40%, the number of units Happy Ltd. Would have to sell to earn an after-tax profit of ` 90,000 is :**

- a. 1,00,000 units
- b. 1,20,000 units
- c. 1,12,000 units
- d. 1,45,000 units

**40. Selling a product at a price equivalent to or below marginal cost is recommended for a short period in certain special circumstances, such as**

- a. Introducing a new product
- b. Exploring foreign market
- c. Driving out a weaker competitor
- d. All of the above

**41. Which of the following is not a relevant cost information in a make or buy decision?**

- a. Variable cost of making
- b. General fixed cost
- c. Purchase price
- d. Loss of contribution to make the product

**42. Which of the following factors are not qualitative factors in a make or buy decision ?**

- a. Doubt as to the ability of the subcontractor to meet delivery dates
- b. Doubt as to ability of the subcontractor to maintain quality
- c. The case with which improvements can be made to the product
- d. The effect of redundancy on labour relations

**43. Raymond Corporation estimates factory overhead of ` 345,000 for next fiscal year. It is estimated that 60,000 units will be produced at a material cost of `575,000. Conversion will require 34,500 direct labor hours at a cost of ` 10 per hour, with 25,875 machine hours.**

**FOH rate on the bases on Budgeted Production would be?**

- a. ` 5.75 per unit
- b. ` 6.65 per unit
- c. ` 6.0 per unit
- d. ` 1 per unit

**44. In a shutdown decision, one has to consider :**

- a. Contribution
- b. Identifiable fixed cost, if any
- c. Impact of shutdown on other products, if any
- d. All of the above

**45. When a firm doubles its inputs and finds that its output has more than doubled, this is known as:**

- a. Economies of scale.
- b. Constant returns to scale.
- c. Diseconomies of scale.
- d. A violation of the law of diminishing returns.

**46. The firms monthly cost of production is ` 1,46,000 at an output level of 8,000 units. If it achieves an output level of 12,000 units it will incur production cost of ` 1,94,000 cost of production for 15,000 units is**

- a. ` 1,80,000
- b. ` 2,00,000
- c. ` 50,000
- d. ` 2,30,000

**47. The basic research cost should be treated as :**

- a. Product cost
- b. Production cost
- c. Production overhead
- d. Period cost



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**48. A firm requires 16,000 nos. of a certain component, which is buys at ` 60 each. The cost of placing an order and following it up is ` 120 and the annual storage charges works out to 10% of The cost of the item. To get maximum benefit the firm should place order for ..... Units at a time.**

- a. 1,000
- b. 900
- c. 800
- d. 600

**49. About 50 items are required every day for a machine. A fixed cost of ` 50 per order is incurred for placing an order. The inventory carrying cost per item amounts to Re. 0.02 per day. The lead period is 32 days. Compute reorder level.**

- a. 1,200 items
- b. 1,400 items
- c. 1,600 items
- d. 1,800 items

**50. The standard time required per unit of a product is 20 minutes. In a day of 8 working hours a worker gave an output of 30 units. If he gets a time rate of ` 20/hr., his total earnings under Halsey bonus scheme was :**

- a. ` 200
- b. ` 192
- c. ` 180
- d. ` 16

**50. The standard time required per unit of a product is 20 minutes. In a day of 8 working hours a worker had given an output of 30 units. If he gets a time rate of ` 20/hr., his total earnings under Halsey bonus scheme was:**

- a. ` 200
- b. ` 192
- c. ` 180
- d. ` 16

**51. A material loss during production or storage due to evaporation or shrinkage is called:**

- a. Scrap
- b. Waste
- c. Spoilage
- d. Material loss

**52. The process of distribution of overheads allotted to a particular department or cost center over the units produced is called:**

- a. Allocation
- b. Apportionment
- c. Absorption
- d. Departmentalization

**53. Angle of incidence defines:**

- a. Systematic risk in CAPM model
- b. Post BEP relationship between total cost and total revenue
- c. Incidental factors in investments
- d. Marginal cost of production

**54. A Ltd. Has sales of ` 2,200, total fixed cost of ` 570, variable cost of ` 1,540, raw material consumed of ` 1,100, number of units sold 22,000. What shall be the BEP 9in units) if raw material price is reduced by 2%?**

- a. 18,387
- b. 18,560
- c. 18,750
- d. 19,000

**55. If an item of overhead expenditure is charged specifically to a single department this would be an example of:**

- a. Apportionment
- b. Allocation
- c. Re-apportionment
- d. Absorption

**56. Interest on own capital is a:**

- a. Cash cost
- b. Notional cost
- c. Sunk cost
- d. Part of prime cost

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**57. Objectives of research and development costs include:**

- a. Maintaining present competitive position
- b. Improving enterprise's competitive position
- c. Exploring new market/products
- d. All of the above

**58. Normal stores losses are:**

- a. Part of prime cost
- b. Part of production overheads
- c. Part of selling and distribution overheads
- d. Written-off to costing and profit and loss account

**59. Secondary packing expenses are:**

- a. Part of prime cost
- b. Part of production overheads
- c. Part of distribution overheads
- d. Written-off to costing profit and loss account

**60. If you know that with 8 units of output, average fixed cost is ₹12.50 and average variable cost is ₹81.25, then total cost at this output level is:**

- a. ₹93.75.
- b. ₹97.78.
- c. ₹750.
- d. ₹880.

**61. The methods of treating cost of small tools in cost accounts include**

- a. Charging to expense
- b. Charging to stores
- c. Capitalizing in a small tools account
- d. All of the above

**62. under marginal costing:**

- a. All costs are classified into two groups – variable and fixed
- b. Variable costs form part of the product cost and inventory valuation
- c. Fixed costs are treated as period costs
- d. All of the above



**63. Which of the following definitions describe marginal cost?**

- a. The variable cost of one unit of product or service
- b. A principle whereby variable costs are charged to cost units and the fixed costs attributable to the relevant period are written-off in full against the contribution for that period
- c. Costs appropriate to aiding the making of specific management decisions
- d. The price at which material identical to that which is used up could be replaced on the date of usage

**64. According to Rowan premium plan, which of the following formula is used to calculate the bonus rate?**

- a.  $(\text{Time saved}/\text{time allowed}) \times 100$
- b.  $(\text{Time allowed}/\text{time saved}) \times 100$
- c.  $(\text{Actual time taken}/\text{time allowed}) \times 100$
- d.  $(\text{Time allowed}/\text{actual time taken}) \times 100$

**65. Which of the following is not an assumption underlying the accountant's break-even chart?**

- a. Fixed costs remain fixed throughout the range charted
- b. Selling prices do not change
- c. Variable costs fluctuate inversely with volume
- d. Unit variable costs remain constant throughout the range charted

**66. Which of the following is/are the basic object/s of job analysis?**

- a. Determination of wage rates
- b. Ascertain the relative worth of each job
- c. Breaking up job into its basic elements
- d. All of the given options

**67. Analysis of selling and distribution overheads is done by:**

- a. Nature of expenses and functions
- b. Areas, products and salesmen
- c. Types of customers and channels of distribution
- d. All of the above

**68. For exercising control over selling and distribution overheads, the following techniques may be used:**

- a. Comparison with past results
- b. Budgetary control
- c. Standard costing
- d. All of the above

**69. Depreciation is a:**

- a. Measure of consumption of assets
- b. Process of allocation and not of valuation
- c. Wear and tear due to use and/or lapse of time
- d. All of the above

**70. Which of the following does not influence the useful life of an asset?**

- a. Expected physical wear and tear
- b. Cost of the asset
- c. Obsolescence
- d. Legal or other limits on the use of the asset

**71. For computing depreciation of an asset, the factors that are taken into consideration include the following except:**

- a. Historical cost
- b. Expected useful life
- c. Insurance premium
- d. Estimated residual value

**72. Depreciation on plant and machinery is :**

- a. Not a cash cost, so is ignored in the cost accounts
- b. Part of manufacturing overheads
- c. Part of prime cost
- d. Always calculated using the straight-line method

**73. Which of the following methods of depreciation results in fixed per unit cost of depreciation?**

- a. Straight line
- b. Reducing balance
- c. Sinking fund
- d. Production unit

**74. Types of maintenance include the following except:**

- a. Routine
- b. Overhaul
- c. Emergency
- d. Periodic

**75. Which of the following is not included in the objectives of maintenance of plant and machinery?**

- a. Reducing idle time
- b. Reducing breakdown
- c. Maintaining efficiency
- d. Increasing life

**76. Regular maintenance expenses are :**

- a. Capitalized
- b. Part of manufacturing overheads
- c. Written-off to costing profit and loss account
- d. Part of prime cost

**77. Obsolescence is the measure of the loss of value of an asset due to :**

- a. Technological innovation
- b. Changes in market conditions
- c. Both (a) and (b) above
- d. None of the above

**78. Which of the following is not a production cause of idle capacity?**

- a. Set-up and change-over time
- b. Lack of supervision and instruction
- c. Lack of materials and tools
- d. Strike

**79. Functionally, administration expenses may comprise expenses of the following activities:**

- a. Secretarial and board of directors
- b. Accounting, financing, tax and legal
- c. Audit and personnel
- d. All of these

**80. Which of the following is not a possible method of accounting for administration overheads?**

- a. Include as part of production overheads
- b. Apportion to production, selling and distribution functions
- c. Treat administration as a separate entity and treat the costs as such
- d. Transfer to costing profit and loss account

- 81. Which of the following is not used as a base for apportionment of administration overheads?**
- a. Direct wages
  - b. Works cost
  - c. Conversion cost
  - d. Sales value
- 82. In account ting for labourcost:**
- a. A. direct labour cost and indirect labour cost are charged to prime cost
  - b. Direct labour cost and indirect labour cost are charged to overheads
  - c. Direct labour cost is charged to prime cost and indirect labour cost is charged to overheads
  - d. All of the above
- 83. Productive causes of idle time include the following except :**
- a. Power failure
  - b. Fall in demand
  - c. Machine breakdown
  - d. Waiting for materials, tools, instructions, etc.
- 84. The treatment of idle time in cost includes the following:**
- a. Cost of normal and controllable idle time is charged to factory overheads
  - b. Cost of normal but uncontrollable idle time is treated as prime cost
  - c. Cost of abnormal and uncontrollable idle time is charged to costing profit and loss account
  - d. All of the above
- 85. Overtime premium may be treated, depending on the circumstances, as:**
- a. Part of direct wages
  - b. Part of production overheads
  - c. Part of capital order
  - d. All of the above
- 86. A manufacturing firm is very busy and is working overtime. The amount of overtime premium contained in direct wages would normally be classed as:**
- a. Part of prime cost
  - b. Factory overheads
  - c. Direct labour cost
  - d. Administrative overheads

**87. Fringe benefits are those for which efforts of the workers are not necessary and may include the following except:**

- a. Holiday pay
- b. Attendance bonus
- c. Production bonus
- d. Employer's contribution to P.F.

**88. Avoidable causes of labour turnover include the following except:**

- a. Redundancy
- b. Low wages
- c. Bad working conditions
- d. Marriage

**89. The unavoidable causes of labour turnover include the following except:**

- a. Personal betterment
- b. Dissatisfaction with the job
- c. Illness
- d. Retirement

**90. Labour turnover can be measured by the following methods except:**

- a. Attrition method
- b. Separation method
- c. Replacement method
- d. Flux method

**91. At the start of the quarter there were 14,630 workers. 750 employees left during the quarter while 600 joined the organization during the same period. Using the flux method, the labour turnover was:**

- a. 5.13%
- b. 9.23%
- c. 9.32%
- d. 9.28%

**92. Which of the following is not a cost implication of labour turnover?**

- a. Training
- b. Recruiting
- c. Ageing labour force
- d. Damage of machine

**93. Preventive costs of labour turnover include the following except:**

- a. Cost of recruitment and training
- b. Medical services
- c. Welfare
- d. Gratuity and pension

**94. Replacement costs of labour turnover include the following except :**

- a. Loss of output
- b. Cost of personnel administration
- c. Cost of tool and machine breakage
- d. Cost of scrap and defective work

**95. Cost of labour turnover may be treated as :**

- a. Direct wages
- b. Prime cost
- c. Overhead
- d. None of the above

**96. 1) labour cost control leads to minimization of cost of labour per unit of output. (2) When labour cost is fixed nature, any reduction in total labour cost may not result in lower cost per unit. True or false?**

- a. (1) True; (2) False
- b. (1) False; (2) True
- c. (1) and (2) False

**97. Labour cost control embraces the following activities except:**

- a. Recruitment and promotion
- b. Formulation of wage policy and payment and accounting for wages
- c. Allocation of cost
- d. Preparation of financial statement

**98. (1) Payment of higher wages does not necessarily mean that labour cost per unit is high. (2) Control over payment of wages aims at reducing or eliminating irregularities during actual disbursements. True or False?**

- a. (1) and (2) True
- b. (1) and (2) False
- c. (1) False; (2) True
- d. (1) True; (2) False

**99. Which of the following techniques is not meant for labour cost control?**

- a. Budgetary control
- b. Standard costing
- c. ABC analysis
- d. Ratio analysis

**100. Ratios which may be used for comparing labour cost over time include the following except :**

- a. Gross profit ratio
- b. Efficiency ratio
- c. Illness ratio
- d. Absenteeism ratio

**101. Cost of production is equal to**

- a. Prime costs+ other manufacturing costs.
- b. Production costs + Administration expenses.
- c. Prime costs + Manufacturing costs + Opening W.I.P – Closing W.I.P.
- d. None of the above.

**102. The cost of goods sold is equal to**

- a. Total Purchases - Total Sales.
- b. Opening stock + Total Purchase.
- c. Opening stock - Total Purchases +Closing Stock+ Direct Costs.
- d. Opening stock + Total Purchases – Closing Stock + Direct Costs.

**103. Which of the following is false regarding the LIFO method of inventory valuation?**

- a. The material issue will be priced at the price of the material that is purchased last.
- b. The pattern of cash flow does not necessarily coincide with the actual flow pattern of materials.
- c. It permits management to influence net income by timing the purchases.
- d. LIFO determines closing inventory at recent costs.

**104. Which of the following is NOT a reason for carrying inventory?**

- a. To maintain independence of operations
- b. To take advantage of economic purchase-order size
- c. To make the system less productive
- d. To meet variation in product dem

**105. Which of the following is TRUE regarding Departmental Rates.**

- a. A departmental absorption rate is a rate of absorption based upon the particular department's overhead cost and activity level
- b. A departmental absorption rate is a rate of absorption not based upon the particular department's overhead cost and activity level
- c. A single rate of absorption used throughout an organization's production facility and based upon its total production costs and activity
- d. None of the given options

**106. Inventory of ` 96,000 was purchased during the year. The cost of goods sold was ` 90,000 and the ending inventory was ` 18,000. What was the inventory turnover ratio for the year?**

- a. 5.0 times
- b. 5.3 times
- c. 6.0 times
- d. 6.4 times

**107. In a perpetual inventory system, an inventory flow assumption (i.e. LIFO or FIFO) is used primarily for determining costs which are used in**

- a. Forecasts of future sale.
- b. Recording the cost of goods sold.
- c. Recording Sales Revenue.
- d. Forecasts of future operating results.

**108. The factors to be taken into consideration in formulating incentive schemes include:**

- a. Quantity and quality of output
- b. Incidence of overhead, and effect upon workers
- c. Simplicity and legal provisions
- d. All of the above

**109. Contribution margin contributes to meet which one of the following options ?**

- a. Variable cost
- b. Fixed cost
- c. Operating cost
- d. Net profit

**110. Favorable conditions for the operation of piece rates include:**

- a. Homogeneous products
- b. Long, uninterrupted run of production
- c. Inspection



d. High proportion of indirect labour

**111. If time allowed for a job is 10 hours, time taken for the job is 8 hours and rate of pay is ₹ 2 per hour, the bonus to the worker is :**

a. ₹ 1.20

b. ₹ 2.00

c. ₹ 3.20

d. None of the above

**112. Group bonus schemes are generally suitable where:**

a. Output depends on individual efforts

b. Output of individual workers can be measured easily

c. It is necessary to create a collective interest in the work

d. Normal loss rate is high

**113. In a profit sharing scheme the available surplus is shared by the following except:**

a. Government

b. Shareholders

c. Employees

d. Firm

**114. Non-monetary incentives may include the following except:**

a. Health and safety

b. Housing facilities

c. Education and training

d. Dearness allowance

**115. The purposes served by preparation of payroll or wages sheet include:**

a. Spreading the volume of work to be done

b. Computation of labour rate for each department

c. Comparing actual wages with budgeted wages for control

d. All of the above

**116. The authorized heads of deduction from wages payable include the following except :**

a. Car allowance

b. Income tax

c. Provident fund

d. Employees' state insurance

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**117. Wages analysis include :**

- a. Gross wages per product
- b. Gross wages per operation or department
- c. Gross wages per labour classification
- d. Analysis of constituent of gross wages – direct/ lost time

**118. The inventory method where the cost per unit is recomputed after every addition in the inventory is known as.**

- a. Specific identification method.
- b. Moving average method.
- c. Last-in- First – Out method.
- d. First-in-First-Out method.

**119. Which of the following inventory valuation methods shows higher profits during the period of rising prices?**

- a. FIFO method.
- b. LIFO method.
- c. Weighted average method.
- d. Simple average method.

**120. Which of the following systems of inventory valuation computes cost of goods sold as a residual amount?**

- a. Weighted Average.
- b. Last-in-First-out.
- c. Periodic Inventory System.
- d. Specific Identification.

**121. Which of the following is calculated by a formula that uses net sales as denominator?**

- a. Inventory turnover ratio
- b. Gross profit rate
- c. Return on Investment
- d. None of the given options

**121. Overhead expenses can be classified according to:**

- a. Functions
- b. Elements
- c. Behavior
- d. All of the above

**122. Which of the following is not included in functional classification of overheads?**

- a. Repairs and maintenance
- b. Lubricating oil
- c. Consumable stores
- d. Chargeable expenses

**123. Which of the following is not an example of marketing overheads?**

- a. Salary of the foreman
- b. Publicity expenses
- c. Salaries of sales staff
- d. Secondary packing charges

**124. Some overhead charges tend to vary almost directly, some tend to remain constant while some again vary in part with the volume and in part remain constant. This statement describes sequentially the following:**

- a. Variable, fixed and semi-variable overheads
- b. Fixed, semi-variable and variable overheads
- c. Semi-variable, variable and fixed overheads
- d. Variable, semi-variable and fixed overheads

**125. Suppose a firm sells its product at a price lower than the opportunity cost of the inputs used to produce it. Which is true?**

- a. The firm will earn accounting and economic profits.
- b. The firm will face accounting and economic losses.
- c. The firm will face an accounting loss, but earn economic profits.
- d. The firm may earn accounting profits, but will face economic losses.

**126. Example of semi-variable items include the following except:**

- a. Telephone
- b. Repairs and maintenance
- c. Depreciation of plant and machinery
- d. Insurance of plant and building

**127. Direct Labor is an element of:**

- a. Prime cost
- b. Conversion cost
- c. Total production cost
- d. All of the given options

**128. Which of the following is not a production department?**

- a. Power department
- b. Machining department
- c. Refining department
- d. Finishing department

**129. Which of the following does not match?**

- | Item of cost               | Basis of cost allocation    |
|----------------------------|-----------------------------|
| a. Power                   | H.P. of machine             |
| b. Supervision of building | value of materials consumed |
| c. Insurance of building   | area occupied               |
| d. Time-keeping            | number of employees         |

**130. (1) Departmentalization of items of costs is known as primary distribution.**

**(2) Redistribution of service departments, costs is known as secondary distribution. True or false?**

- a. (1) and (2) true
- b. (1) and (2) false
- c. (1) False; (2) True
- d. (1) True; (2) False

**131. Which of the following costs is not a factory overhead expense?**

- a. Depreciation of equipment used in the research department
- b. Salary of quality control inspector
- c. Overtime premium paid to direct labour
- d. Machine maintenance labour cost

**132. Which of the following bases would be most appropriate to apportion the cost of electric power to factory departments?**

- a. Number of outlet points
- b. Amount metered out
- c. Cubic capacity of premises
- d. Kilowatt capacity of machines in department

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**133. A method of dealing with overheads involves spreading common costs over cost centres on the basis of benefit received. This is known as**

- a. Overhead absorption
- b. Overhead apportionment
- c. Overhead identification
- d. Overhead analysis

**134. The process of cost apportionment is carried out so that :**

- a. Costs may be controlled
- b. Cost units gather overheads as they pass through cost centres
- c. Whole items of cost can be charged to cost centres
- d. Common costs are shared among cost centres

**135. An overhead absorption rate is used to :**

- a. Share out common costs over benefiting cost centers
- b. Find the total overheads for a cost centre
- c. Charge overheads to products
- d. Control overheads

**136. Which of the following is not a means whereby factory overheads can be charged out to production?**

- a. Direct labour rate
- b. Overtime rate
- c. Machine hour rate
- d. Blanket rate

**137. A management consultancy recovers overheads on chargeable consulting hours. Budgeted overheads were ₹ 6,15,000 and actual consulting hours were 32,150. Overheads, were under recovered by ₹ 35,000. If actual overheads, were ₹ 6,94,075, what was the budgeted overhead absorption rate per hour ?**

- a. ₹ 19.13
- b. ₹ 20.50
- c. ₹ 21.59
- d. ₹ 22.68

**138. Idle capacity of a plant is defined as the difference between:**

- a. Practical capacity and normal capacity
- b. Practical capacity and capacity based on sale expectancy
- c. Maximum capacity and actual capacity
- d. Maximum capacity and practical capacity

**139. The capacity which is based on the long-term average of sales expectancy is known as :**

- a. Theoretical capacity
- b. Operating capacity
- c. Normal capacity
- d. Derated capacity

**140. Maximum capacity of a plant refers to its:**

- a. Theoretical capacity
- b. Normal capacity
- c. Practical capacity
- d. Capacity based on sales expectancy

**141. Annual requirement is 7800 units; consumption per week is 150 units. Unit price ₹ 5, order cost ₹ 10 per order. Carrying cost ₹ 1 per unit and lead time is 3 week, The Economic order quantity would be.**

- a. 395 units
- b. 300 units
- c. 250 units
- d. 150 units

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

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

**143. Alpha company purchased a machine worth Rs 200,000 in the last year. Now that machine can be use in a new project which company has received this year. Now the cost of that machine is to be called:**

- a. Project cost
- b. Sunk cost
- c. Opportunity cost
- d. Relevant cost

**144. FOH absorption rate is calculated by the way of:**

- a. Estimated FOH Cost/Direct labor hours
- b. Estimated FOH Cost/No of units produced
- c. Estimated FOH Cost/Prime Cost
- d. All of the given options

**145. Which of the following is/are not associated with ordering costs?**

- a. Interest
- b. Insurance
- c. Opportunity costs
- d. All of the given options

**146. Under perpetual Inventory system at the end of the year:**

- a. No closing entry passed
- b. Closing entry passed
- c. Closing value find through closing entry only
- d. None of the above.

**147. The Hino Corporation has a breakeven point when sales are ` 160,000 and variable costs at that level of sales are ` 100,000. How much would contribution margin increase or decrease, if variable expenses dropped by ` 20,000?**

- a. 37.5%.
- b. 60%.
- c. 12.5%.
- d. 26%

**148. The short run is a time period in which:**

- a. All resources are fixed.
- b. The level of output is fixed.
- c. The size of the production plant is variable.
- d. Some resources are fixed and others are variable

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**149. Opportunity cost is the best example of:**

- a. Sunk Cost
- b. Standard Cost
- c. Relevant Cost
- d. Irrelevant Cost

**150. The components of factory overhead are as follows:**

- a. Direct material + indirect material + direct expenses
- b. Indirect material + Indirect labor + others indirect cost
- c. Direct material + indirect expenses + indirect labor
- d. Direct labor + indirect labor + indirect expenses

**151. The term Maximum level represents:**

- a. The maximum stock level indicates the maximum quantity of an item of material which can be held in stock at any time.
- b. The maximum stock level indicates the maximum quantity of an item of material which cannot be held in stock at any time.
- c. The average stock level indicates the maximum quantity of an item of material which can be held in stock at any time.
- d. The available stock level indicates the maximum quantity of an item of material which can be held in stock at any time.

**152. The FIFO inventory costing method (when using a perpetual inventory system) assumes that the cost of the earliest units purchased is allocated in which of the following ways?**

- a. First to be allocated to the ending inventory
- b. Last to be allocated to the cost of goods sold
- c. Last to be allocated to the ending inventory
- d. First to be allocated to the cost of goods sold

**153. A firm Uses its own capital or Uses its owner's time and/or financial resources both are examples of**

- a. Implicit Cost
- b. Explicit Cost
- c. Sunk Cost
- d. Relevant Cost



**154. If Direct Material = 12,000; Direct Labor = 8000 and other Direct Cost = 2000 then what will be the Prime Cost?**

- a. 12000
- b. 14000
- c. 20000
- d. 22000

**55. Wage, Rent & Materials are examples of :**

- a. Implicit Cost
- b. Explicit Cost
- c. Direct Cost
- d. Manufacturing Cost

**156. An investor invests in stock exchange he foregoes the opportunity to invest further in his hotel. The profit which the investor will be getting from the hotel is \_\_\_\_\_.**

- a. Opportunity cost
- b. Period Cost
- c. Product Cost
- d. Historical Cost

**157. It is possible for an item of overhead expenditure to be shared amongst many departments. It is also possible that this same item may relate to just one specific department.**

**If the item was not charged specifically to a single department this would be an example of:**

- a. Apportionment
- b. Allocation
- c. Re-apportionment
- d. Absorption

**158. Generally, the danger level of stock is fixed \_\_\_\_\_ the minimum level**

- a. Below
- b. Above
- c. Equal
- d. Danger level has no relation to minimum level

**159. Which of the following is / are time based incentive wage plan?**

- a. Hasley Premium Plan
- b. Hasley Weir Premium Plan
- c. Rowan Premium Plan

d. All of the given options

**160. Which of the following is/are reported in production cost report?**

- a. The costs charged to the department
- b. How the costs were assigned to the output?
- c. The equivalent units of production by the department
- d. All of the given options

**161. Beginning goods in process were ₹ 15,000. The cost of goods manufactured is ₹ 245,000. What is the cost assigned to the ending goods in process?**

- a. ₹ 45,000
- b. ₹ 15,000
- c. ₹ 30,000
- d. There will be no ending Inventory

**162. Sales are ₹ 450,000. Beginning finished goods were ₹ 23,000. Ending finished goods are ₹ 30,000. The cost of goods sold is ₹ 300,000. What is the cost of goods manufactured?**

- a. ₹ 323,000
- b. ₹ 330,000
- c. ₹ 293,000
- d. None of the given options

**163. Under Periodic Inventory system Purchase of inventory is treated as:**

- a. Assets
- b. Expense
- c. Income
- d. Liability

**164. When prices are rising over time, which of the following inventory costing methods will result in the lowest gross margin/profits?**

- a. FIFO
- b. LIFO
- c. Weighted Average
- d. Cannot be determined

**165. The main difference between the profit center and investment center is:**

- a. Decision making
- b. Revenue generation
- c. Cost incurrence

d. Investment

**166. The Inventory Turnover ratio is 5 times and numbers of days in a year is 365. Inventory holding period in days would be**

- a. 100 days
- b. 73 days
- c. 50 days
- d. 10 days

**167. Over applied FOH will always result when a predetermined FOH rate is applied and:**

- a. Production is greater than defined capacity
- b. Actual overhead costs are less than budgeted overhead
- c. Budgeted capacity is less than normal capacity
- d. Actual overhead incurred is less than applied Overhead

**168. The flux method of labor turnover denotes:**

- a. Workers appointed against the vacancy caused due to discharge or quitting of the organization
- b. Workers appointed in replacement of existing employees
- c. Workers employed under the expansion schemes of the company
- d. The total change in the composition of labor force

**169. Which of the following statement is TRUE about FOH applied rates?**

- a. They are used to control overhead costs
- b. They are based on actual data for each period
- c. They are predetermined in advance for each period
- d. None of the given

**170. Cost of Goods Manufactured can be calculated as follow**

- a. Total factory Cost Add Opening Work in process inventory Less Closing Work in process inventory
- b. Total factory Cost Less Opening Work in process inventory Add Closing Work in process inventory
- c. Total factory Cost Less Opening Work in process inventory Less Closing Work in process inventory
- d. Total factory Cost Add Opening Work in process inventory Add Closing Work in process inventory

**171. \_\_\_\_\_ is the time worked over and above the employee's basic working week.**

- a. Flex time
- b. Overtime
- c. Shift allowance
- d. Commission

**172. In furniture manufacturing use of nail, pins, glue, and polish which use to increase its esteem value that cost is treated as:**

- a. Direct material cost
- b. Indirect material cost
- c. FOH cost
- d. Prime cost



**173. If labor is satisfied with high wages it may ultimately lead to:**

- a. Increased production and productivity
- b. Increased efficiency
- c. Reduced labor and overhead costs
- d. All of the given options

**174. Which of the following is a mechanical device to record the exact time of the workers?**

- a. Clock Card
- b. Store Card
- c. Token System
- d. Attendance Register

**174. Which of the following is a mechanical device to record the exact time of the workers?**

- a. Clock Card
- b. Store Card
- c. Token System
- d. Attendance Register

**175. Which of the following is / are element / s of production payroll?**

- a. Direct labor force wages
- b. Administrative wages
- c. Selling wages
- d. All of the given options

**176. If a predetermined FOH rate is not applied and the volume of production is reduced from the planned capacity level, the cost per unit expected to:**

- a. Remain unchanged for fixed cost and increase for variable cost
- b. Increase for fixed cost and remain unchanged for variable cost
- c. Increase for fixed cost and decrease for variable cost
- d. Decrease for both fixed and variable costs

- 177. Which of the following is NOT an assumption of the basic economic-order quantity model?**
- Annual demand is known
  - Ordering cost is known
  - Carrying cost is known
  - Quantity discounts are available
- 178. In order to ensure efficient functioning of the stores department and steady flow of materials to the production departments, the restocking of stores is duty of:**
- Managers
  - Storekeeper
  - Production In charge
  - Sales supervisor
- 179. In cost Accounting, abnormal loss is charged to:**
- Factory overhead control account
  - Work in process account
  - Income Statement
  - Entire production
- 180. A high inventory turnover may indicate:**
- An efficient use of the investment in inventory
  - A high risk of stock-outs
  - Stock position of store room
  - All of the given options
- 181. Which of the following cost is used in the calculation of cost per unit?**
- Total production cost
  - Cost of goods available for sales
  - Cost of goods manufactured
  - Cost of goods Sold
- 182. If, COGS = ₹ 50,000 GP Margin = 25% of sales what will be the value of Sales?**
- ₹ 200,000
  - ₹ 66,667
  - ₹ 62,500
  - None of the given options

**183. When a manufacturing Company has highly automated manufacturing plant producing many different products, the most appropriate basis for applying FOH cost to work in process is:**

- a. Direct labor hours
- b. Direct labor costs
- c. Machine hours
- d. Cost of material used

**184. All of the following are cases of labor turnover EXCEPT:**

- a. Workers appointed against the vacancy caused due to discharge or quitting of the organization
- b. Workers employed under the expansion schemes of the company
- c. The total change in the composition of labor force
- d. Workers retrenched

**185. The Term Minimum Level Represents.**

- a. The quantity below which the stock of any item should not be allowed to fall
- b. The quantity below which the stock of any item should be allowed to fall
- c. The estimated time period in number of days or in weeks or in months.
- d. The Lead time period in number of days or in weeks or in months.

**186. Which of the following would be considered a major aim of a job order costing system?**

- a. To determine the costs of producing each job or lot
- b. To compute the cost per unit
- c. To include separate records for each job to track the costs
- d. All of the given option.

**187. The Economic order quantity can be calculated by**

- a. Formula Method
- b. Table Method
- c. Graph Method
- d. All of the given

**188. A chemical process has normal wastage of 10% of input. In a period, 2,500 Kg of material were input and there was abnormal loss of 75 Kg. What quantity of good production was achieved?**

- a. 2,175 kg
- b. 2,250 kg
- c. 2,425 kg
- d. 2,500 kg

**189. Which of the following is likely to be classified as a direct material cost of a motor car wheel?**

- The metal used to manufacture it.
- The metal used to manufacture one of the tools used in the car wheel factory.
- The cost of operating the raw material stores in the factory.
- The cost of the quality operation on the finished car wheels.

**190. The first in, first out method of pricing raw material issues, exhibits which one of the following features?**

- The issue price is recalculated each time new deliveries are made into stock.
- The issue price is always at the latest price.
- The goods are always issued strictly in the physical order in which they are received.
- The issue price is always at the earliest price.

**191. Which of the following is not a method of pricing raw material issues from stock?**

- Standard costing.
- Unit cost.
- Marginal cost.
- Continuous weighted average.

**192. While preparing the Cost of Goods Sold and Income Statement, the over applied FOH is;**

- Add back, subtracted
- Subtracted, add back
- Add back, add back
- Subtracted, subtracted

**193. Which of the following ratios expressed that how many times the inventory is turning over towards the cost of goods sold?**

- Net profit ratio
- Gross profit ratio
- Inventory turnover ratio
- Inventory holding period

**MCQ # 194, 195, 196 and 197 are based on the following data:**

**The following is the Income Statement of a Company for last month:**

<b>Particulars</b>	
<b>Sales</b>	<b>4,000,000</b>
<b>Less: variable expenses</b>	<b>1,800,000</b>

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<b>Contribution margin</b>	<b>2,200,000</b>
<b>Less: fixed expenses</b>	<b>720,000</b>
<b>Net income</b>	<b>1480,000</b>

**The company has no beginning or ending inventories. A total of 80,000 units were produced and sold last month.**

**194. What is the company's contribution margin ratio?**

- a. 30%
- b. 50%
- c. 150%
- d. None of given options

**195. What is the company's break-even in units?**

- a. 48,000 units
- b. 72,000 units
- c. 80,000 units
- d. None of the given options

**196. How many units would the company have to sell to attain target profits of ₹ 600,000?**

- a. 48,000 units
- b. 88,000 units
- c. 106,668 units
- d. None of given options

**197. What is the company's margin of safety in ₹?**

- a. ₹ 1,600,000
- b. ₹ 2,400,000
- c. ₹ 25,60,000
- d. None of the given options

**198. The margin of safety can be defined as:**

- a. The excess of budgeted or actual sales over budgeted or actual variable expenses
- b. The excess of budgeted or actual sales over budgeted or actual fixed expenses
- c. The excess of budgeted sales over the break-even volume of sales
- d. The excess of budgeted net income over actual net income



**199. The contribution margin ratio is calculated by using which one of the given formula?**

- a.  $(\text{Sales} - \text{Fixed Expenses}) / \text{Sales}$
- b.  $(\text{Sales} - \text{Variable Expenses}) / \text{Sales}$
- c.  $(\text{Sales} - \text{Total Expenses}) / \text{Sales}$
- d. None of the given options

**200. Data of a company XYZ is given below**

**Particulars**

<b>Sales</b>	<b>15,00,000</b>
<b>Variable cost</b>	<b>9,00,000</b>
<b>Fixed Cost</b>	<b>4,00,000</b>

**Break Even Sales in ` \_\_\_\_\_**

- a. ` 1, 00,000
- b. ` 2, 00,000
- c. `13, 00,000
- d. None of the given options

**201. The break-even point is the point where:**

- a. Total sales revenue equals total expenses (variable and fixed)
- b. Total contribution margin equals total fixed expenses
- c. Total sales revenue equals to variable expenses only
- d. Both a & b

**202. The break-even point in units is calculated using \_\_\_\_\_**

- a. Fixed expenses and the contribution margin ratio
- b. Variable expenses and the contribution margin ratio
- c. Fixed expenses and the unit contribution margin
- d. Variable expenses and the unit contribution margin

**203. Marginal costing is also known as:**

- a. Indirect costing
- b. Direct costing
- c. Variable costing
- d. Both (b) and (c)

**204. The difference between total revenues and total variable costs is known as:**

- a. Contribution margin
- b. Gross margin
- c. Operating income
- d. Fixed costs

**205. Percentage of Margin of Safety can be calculated in which one of the following ways?**

- a. Based on budgeted Sales
- b. Using budget profit
- c. Using profit & Contribution ratio
- d. All of the given options

**206. Which of the following represents a CVP equation?**

- a. Sales = Contribution margin (Rs.) + Fixed expenses + Profits
- b. Sales = Contribution margin ratio + Fixed expenses + Profits
- c. Sales = Variable expenses + Fixed expenses + profits
- d. Sales = Variable expenses – Fixed expenses + profits

**207. If 120 units produced, 100 units were sold @ ` 200 per unit. Variable cost related to production & selling is ` 150 per unit and fixed cost is ` 5,000. If the management wants to decrease sales price by 10%, what will be the effect of decreasing unit sales price on profitability of company?**

- a. Remains constant
- b. Profits will increased
- c. Company will have to face losses
- d. None of the given options

**208. A disadvantage of an hourly wage plan is that it:**

- a. Provides no incentive for employees to achieve and maintain a high level of production.
- b. Is hardly ever used and is difficult to apply.
- c. Establishes a definite rate per hour for each employee.
- d. Encourages employees to sacrifice quality in order to maximize earnings.

**209. The cost expended in the past that cannot be retrieved on product or service**

- a. Relevant Cost
- b. Sunk Cost
- c. Product Cost
- d. Irrelevant Cost

**210. When a manufacturing process requires mostly human labor and there are widely varying wage rates among workers, what is probably the most appropriate basis of applying factory costs to work in process?**

- a. Machine hours
- b. Cost of materials used
- c. Direct labor hours
- d. Direct labor dollars

**211. The main purpose of cost accounting is to:**

- a. Maximize profits.
- b. Help in inventory valuation
- c. Provide information to management for decision making
- d. Aid in the fixation of selling price

**212. The combination of direct material and direct labor is :-**

- a. Total production Cost
- b. Prime Cost
- c. Conversion Cost
- d. Total manufacturing Cost

**213. \_\_\_\_\_ method assumes that the goods received most recently in the stores or produced recently are the first ones to be delivered to the requisitioning department.**

- a. FIFO
- b. Weighted average method
- c. Most recent price method
- d. LIFO

**214. Fixed cost per unit decreases when:**

- a. Production volume increases.
- b. Production volume decreases.
- c. Variable cost per unit decreases.
- d. Variable cost per unit increases.

**215. Prime cost + Factory overhead cost is:**

- a. Conversion cost.
- b. Production cost.
- c. Total cost.
- d. None of given option.

**216. Find the value of purchases if Raw material consumed ₹ 90,000; Opening and closing stock of raw material is ₹ 50,000 and 30,000 respectively.**

- a. ₹ 10,000
- b. ₹ 20,000
- c. ₹ 70,000
- d. ₹ 1,60,000

**217. If Cost of goods sold = ₹ 40,000; GP Margin = 20% of sales Calculate the Gross profit margin.**

- a. ₹ 32,000
- b. ₹ 48,000
- c. ₹ 8,000
- d. ₹ 10,000

**218. Annual requirement is 7800 units; consumption per week is 150 units. Unit price ₹ 5, order cost ₹ 10 per order. Carrying cost ₹ 1 per unit and lead time is 3 week, The Economic order quantity would be:**

- a. 395 units
- b. 300 units
- c. 250 units
- d. 150 units

**219. Juniper Limited's budgeted overhead in the last period was ₹ 170,000. Its overhead absorbed and incurred for the same period were ₹ 180,000 and ₹ 195,000 respectively. What is its amount of over- or under-absorption of overhead?**

- a. Under-absorption of ₹ 15,000
- b. Under-absorption of ₹ 25,000
- c. Over-absorption of ₹ 15,000
- d. Over-absorption of ₹ 25,000

**220. Which of the following are the characteristics of management accounting?**

- (1) It must follow generally accepted accounting principles.**
- (2) It is concerned with information for the internal use of management.**
- (3) It emphasizes relevance and flexibility of data.**

- a. (1) and (2)
- b. (1) and (3)
- c. (2) and (3)
- d. (1), (2) and (3)

**221. Remuneration based on piece work is not suitable when:**

- (1) The amount of output cannot be accurately measured.**
  - (2) The nature of work is repetitive.**
  - (3) The quantity of work is more important than quality.**
- a. (1) only
  - b. (3) only
  - c. (1) and (3)
  - d. (2) and (3)

**222. The distinction between direct and indirect labour helps to :**

- a. Measure efficiency of performance
- b. Determine product cost more accurately
- c. Ensure better cost analysis for decisions and control
- d. All of the above

**223. Which would be an implicit cost for a firm? The cost:**

- a. Of worker wages and salaries for the firm.
- b. Paid for leasing a building for the firm.
- c. Paid for production supplies for the firm.
- d. Of wages foregone by the owner of the firm.

**224. The difference between gate time and time booked for jobs in respect of a worker in due to the following reasons except :**

- a. Change-over time
- b. Illness
- c. Waiting for materials, instructions, etc.
- d. Breakdown of machine

**225. The period of time for which a work station is available for production but is not utilized due to shortage of tooling, materials, operators, etc. is known as :**

- a. Down time
- b. Operation time
- c. Idle time
- d. Set-up time



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**226. The objective of work study is:**

- a. Material conservation
- b. Time saving
- c. Quality improvement and cost reduction
- d. All of the above

**227. Time study serves the following purposes except:**

- a. Standardizing jobs, operation etc.
- b. Assessing labour time
- c. Fixation of factory overhead rate
- d. Fixation of wage rates and introduction of incentive schemes

**228. The methods of job evaluation include:**

- a. Grading
- b. Ranking
- c. Points value
- d. All of the above

**229. Merit rating helps the following except:**

- a. Determining right worker for the right job/work
- b. Delinking rewards with merits
- c. Simplifying wage structure
- d. Improving labour relations and reducing labour turnover

**230. The factors to be taken into consideration in formulating incentive schemes include:**

- a. Quantity and quality of output
- b. Incidence of overhead, and effect upon workers
- c. Simplicity and legal provisions
- d. All of the above

**231. Contribution margin contributes to meet which one of the following options?**

- a. Variable cost
- b. Fixed cost
- c. Operating cost
- d. Net profit

**232. Favorable conditions for the operation of piece rates include :**

- a. Homogeneous products
- b. Long, uninterrupted run of production
- c. Inspection
- d. High proportion of indirect labour

**233. If time allowed for a job is 10 hours, time taken for the job is 8 hours and rate of pay is ₹ 2 per hour, the bonus to the worker is :**

- a. ₹ 1.20
- b. ₹ 2.00
- c. ₹ 3.20
- d. None of the above

**234. Group bonus schemes are generally suitable where:**

- a. Output depends on individual efforts
- b. Output of individual workers can be measured easily
- c. It is necessary to create a collective interest in the work
- d. Normal loss rate is high

**235. In a profit sharing scheme the available surplus is shared by the following except:**

- a. Government
- b. Shareholders
- c. Employees
- d. Firm

**236. Non-monetary incentives may include the following except:**

- a. Health and safety
- b. Housing facilities
- c. Education and training
- d. Dearness allowance

**237. The purposes served by preparation of payroll or wages sheet include :**

- a. Spreading the volume of work to be done
- b. Computation of labour rate for each department
- c. Comparing actual wages with budgeted wages for control
- d. All of the above

**238. The authorized heads of deduction from wages payable include the following except:**

- a. Car allowance
- b. Income tax
- c. Provident fund
- d. Employees' state insurance

**239. Wages analysis include :**

- a. Gross wages per product
- b. Gross wages per operation or department
- c. Gross wages per labour classification
- d. Analysis of constituent of gross wages – direct/ lost time

**240. Which of the following is a direct labour cost?**

- a. Supervisors' salaries in the factory.
- b. Costs of the payroll accounting section.
- c. A bonus paid to the store man.
- d. The wages of an operative paid on the basis of output achieved.

**241. Production overheads are absorbed into production units by the use of an overhead absorption rate. Which one of the following best describes how the absorption rate is calculated?**

- a. Total number of units produced divided by the total cost centre overheads.
- b. Total number of units produced multiplied by the unit overhead cost.
- c. Total cost centre overheads divided by the cost centre activity level.
- d. Total indirect costs for the business divided by the total number of units produced.

**242. Sales commissions are classified as**

- a. Prime costs
- b. Period costs
- c. Product costs
- d. Indirect labour



**243. XYZ Ltd has the following data relating to its assembly plant in the year ended 31 December 2012: ₹000**

**Direct material costs                      500**

**Direct labour cost                         250**

**Assembly plant indirect costs     100**

**In addition, the stores department has total costs of ₹ 30,000 and spends 50% of its time servicing the assembly plant. There were 50,000 labour hours worked and 25,000 machine hours run in the assembly plant in 2012.**

**The overhead cost per direct labour hour was:**

- a.     ₹ 2.0
- b.     ₹ 4.0
- c.     ₹ 2.3
- d.     ₹ 4.6

**244. If a company uses predetermined overhead recovery rates and at the end of a period finds that there has been an under-recovery of overhead, which of the following best explains how the under-recovery has occurred?**

- a.     Actual overhead cost has exceeded the amount used as a basis for the establishment of the predetermined rate.
- b.     Actual overhead cost has been less than the amount used as a basis for the establishment of the predetermined rate.
- c.     Actual activity levels were higher than planned due to an increase in demand.
- d.     An expected price increase in the overhead costs which was built into the overhead recovery rate did not take place.

**245. If there has been an over recovery of overheads, at the end of the accounting period the amount concerned should be?**

- a.     Debited to the company profit and loss account.
- b.     Credited to the company profit and loss account.
- c.     Carried forward to the next accounting period as a cost saving.
- d.     Used to reduce next period's overhead recovery rate.

**246. A variable cost is?**

- a.     One which varies in proportion to the level of fixed cost incurred.
- b.     One which tends to vary with the level of activity.
- c.     One which changes over time.
- d.     One which cannot be estimated with any great degree of accuracy.

**247. the term 'contribution' refers to?**

- The actual amount of profit made per unit.
- The budgeted profit per unit.
- The amount of profit which goes towards meeting the overheads of the business.
- The difference between sales revenue and variable costs per unit.

**248. The break-even point is that at which:**

- The level of activity at which the business operates most economically.
- The level of activity at which the business makes neither a profit nor a loss.
- The fixed costs are lowest.
- The variable cost per unit is minimized.

**249. When a business is faced with a limiting factor (one which limits the activity of an entity) and there is a choice to be made between options to follow, which of the following statements describes the optimal course of action?**

- Choose the option which gives the highest unit profit.
- Choose the option which gives the highest unit contribution.
- Aim to achieve a balance of activities covering all of the options.
- Choose the option which gives highest contribution per unit of limiting factor.

**250. XYZ Ltd has the following alternative planned activity levels:**

	Level A	Level B	Level C
<b>Total costs</b>	₹ 1,00,000	₹ 1,50,000	₹ 2,00,000
<b>Number of units produced</b>	5,000	10,000	15,000

**(Fixed overhead remains constant over the activity range shown.) The fixed overhead cost per unit is:**

- ₹ 20.00
- ₹ 15.00
- ₹ 13.33
- ₹ 10.00

- 251. While preparing the Cost of Goods Sold and Income Statement, the over applied FOH is;**
- a. Add back, subtracted
  - b. Subtracted, add back
  - c. Add back, add back
  - d. Subtracted, subtracted

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1	c
2	a
3	d
4	b
5	c
6	d
7	b
8	c
9	b
10	e
11	b
12	e
13	c
14	c
15	a
16	d
17	c
18	e
19	e
20	b
21	b
22	d
23	a
24	b
25	a
26	d
27	d
28	a

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29	b
30	d
31	a
32	c
33	a
34	b
35	d
36	a
37	b
38	b
39	b
40	d
41	b
42	d
43	a
44	d
45	a
46	d
47	c
48	c
49	c
50	c
51	b
52	c
53	b
54	a
55	b
56	b
57	d

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58	b
59	c
60	c
61	d
62	d
63	a
64	a
65	c
66	b
67	d
68	d
69	d
70	b
71	c
72	b
73	d
74	b
75	d
76	b
77	c
78	d
79	d
80	a
81	a
82	c
83	b
84	d
85	d
86	b

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87	c
88	d
89	b
90	a
91	d
92	c
93	a
94	b
95	c
96	a
97	d
98	a
99	c
100	a
101	d
102	d
103	d
104	c
105	a
106	d
107	b
108	d
109	b
110	b
111	c
112	c
113	a
114	d
115	d

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116	a
117	a
118	b
119	a
120	c
121(a)	d
121(b)	d
122	d
123	a
124	a
125	d
126	d
127	d
128	a
129	b
130	a
131	a
132	b
133	b
134	d
135	c
136	b
137	b
138	b
139	c
140	a
141	a
142	a
143	d

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144	d
145	d
146	a
147	c
148	d
149	c
150	b
151	a
152	d
153	a
154	d
155	b
156	a
157	a
158	b
159	d
160	d
161	d
162	d
163	b
164	b
165	a
166	b
167	d
168	d
169	c
170	a
171	b
172	b

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173	d
174	a
175	d
176	b
177	d
178	b
179	b
180	a
181	c
182	b
183	b
184	d
185	a
186	d
187	d
188	a
189(a)	a
189(b)	d
190	c
191	c
192	b
193	c
194	b
195	d
196	a
197	c
198	c
199	b
200	d

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201	d
202	c
203	d
204	a
205	d
206	c
207	c
208	a
209	b
210	c
211	c
212	b
213	d
214	a
215	b
216	c
217	d
218	b
219	a
220	c
221	a
222	d
223	d
224	b
225	b
226	d
227	c
228	d
229	b

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230	d
231	b
232	b
233	c
234	c
235	a
236	d
237	d
238	a
239	a
240	d
241	c
242	b
243	c
244	a
245	b
246	b
247	d
248	b
249	d
250	d

# Answer for Part-1