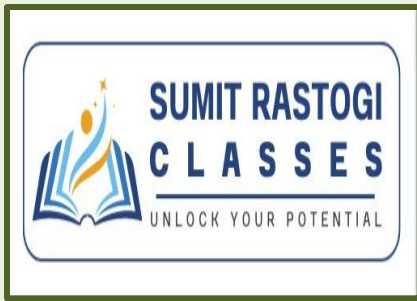




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COST ACCOUNTING

MCQ – ALL PAST PAPERS

CHAPTER - 1: INTRODUCTION TO COST ACCOUNTING

1. Prime Cost = ₹12,50,000; Works Cost = ₹20,00,000 and office overheads are 30% of factory overheads. What is the Cost of Production?
- (A) ₹22,25,000
(B) ₹25,00,000
(C) ₹22,00,000
(D) ₹20,00,000

Ans. (A) ₹22,25,000

W.N.: Factory Overheads = 20,00,000 – 12,50,000 = 7,50,000;
Office OH = 30% = 2,25,000;
Cost of Production = ₹22,25,000

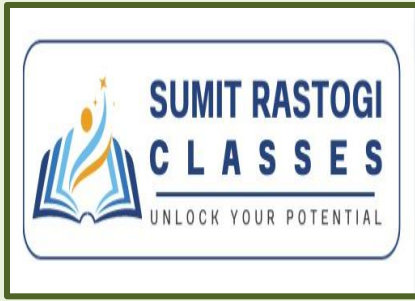
2. Factory cost is ₹3,80,000 and cost of production is ₹4,10,000. Office and administrative are 20% of factory overheads. What would be amount of prime cost? Assume no stock adjustments.
- (A) ₹2,25,000
(B) ₹2,30,000
(C) ₹2,22,000
(D) ₹2,20,000

Ans. (B) ₹2,30,000

W.N.: Amount of office and administrative overheads = 4,10,000 – 3,80,000 = ₹30,000
Factory overheads = Office and Administrative Overhead/20% = ₹30,000/20% = ₹1,50,000
Prime Cost = ₹3,80,000 - ₹1,50,000 = ₹2,30,000

3. At the level of 60,000 units of output, factory overheads were ₹3,75,000 out of which 40% was fixed. Find the amount of factory overheads at 78,000 units of output.
- (A) ₹4,42,500
(B) ₹4,30,000
(C) ₹4,22,000
(D) ₹4,20,000

Ans. (A) ₹4,42,500



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W.N.: $3,75,000 \times 60\% = 2,25,000$ is variable for 60,000 units

Unit Variable cost = ₹3.75;

Fixed Cost = 1,50,000

At 78,000 units, OH cost = $\{(3.75 \times 78,000) + 1,50,000\} = ₹4,42,500$

4. Which of the following best describes a fixed cost?

- (A) It may change in total where such change is unrelated to changes in production.
- (B) It may change in total where such change is related to change in production.
- (C) It is constant per unit of change in production.
- (D) It may change in total where such change depends on production within the relevant range.

Ans. (A) It may change in total where such change is unrelated to changes in production.

5. The main purpose of Cost Accounting is:

- (A) to maximise profit.
- (B) to help in inventory valuation.
- (C) to help in the fixation of selling price.
- (D) to provide information to management for decision making.

Ans. (D) to provide information to management for decision making.

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

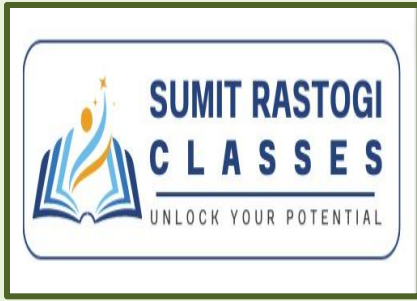
- (A) Purchase returns
- (B) Carriage inwards
- (C) Sales commission
- (D) Interest paid

Ans. (D) Interest paid

7. Costs which are ascertained after they have been incurred are known as:

- (A) Sunk costs
- (B) Imputed costs
- (C) Historical costs
- (D) Opportunity costs

Ans. (C) Historical costs



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8. Prime costs plus variable overheads is known as:

- (A) Factory cost
- (B) Marginal cost
- (C) Cost of production
- (D) Total cost

Ans. (B) Marginal cost

9. Maximum possible productive capacity of a plant when no operating time is lost is its:

- (A) Normal capacity
- (B) Practical capacity
- (C) Theoretical capacity
- (D) Capacity based on Sales Expectancy

Ans. (C) Theoretical capacity

10. Cost units used in power sector is called:

- (A) Number of hours
- (B) Kilometer (KM)
- (C) Number of electric points
- (D) Kilowatt-hour (KWH)

Ans. (D) Kilowatt-hour (KWH)

11. Cost units of Automobile Industry is:

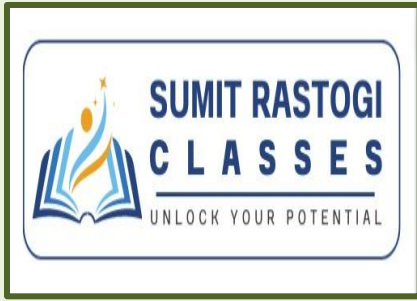
- (A) Cubic meter
- (B) Number of vehicles
- (C) Bed Night
- (D) Number of calls

Ans. (B) Number of vehicles

12. The allotment of whole items of cost of centers or cost unit is called:

- (A) Overhead absorption
- (B) Cost allocation
- (C) None of these
- (D) Cost apportionment

Ans. (B) Cost Allocation



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

- (A) Administration Cost
- (B) None of these
- (C) Selling & Distribution cost
- (D) Production cost.

Ans. (A) Administration Cost

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

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

Ans. (A) Sales manager's salary

15. Cost which relates to an item where the input has an explicit physical relationship with the output is known as:

- (A) Imputed Cost
- (B) Engineered cost
- (C) Managed cost
- (D) Opportunity cost

Ans. (B) Engineered Cost

16. The sum of direct labour and factory overhead is termed as:

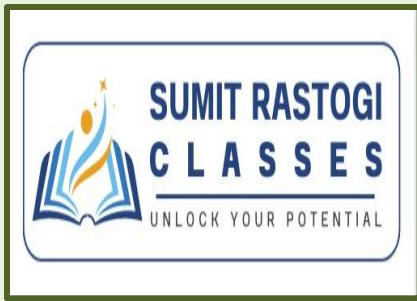
- (A) Sunk cost
- (B) Fixed cost
- (C) Conversion cost
- (D) Variable cost

Ans. (C) Conversion cost

17. For the purpose of cost sheet preparation, costs are classified based on:

- (A) Nature
- (B) Functions
- (C) Relevance
- (D) Variability

Ans. (B) Functions



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18. _____ centre is defined as a business entity's segment by which both revenues are earned and costs are incurred.

- (A) Cost
- (B) Revenue
- (C) Profit
- (D) Investment

Ans. (C) Profit

19. _____ is the value of benefit sacrificed in favour of an alternative course of action.

- (A) Opportunity Cost
- (B) Sunk Cost
- (C) Standard Cost
- (D) Marginal Cost

Ans. (A) Opportunity Cost

20. _____ Cost is the difference in total cost that results from two alternative courses of action.

- (A) Sunk Cost
- (B) Differential Cost
- (C) Opportunity Cost
- (D) Fixed Cost

Ans. (B) Differential Cost

21. _____ is must for meaningful inter-firm comparison.

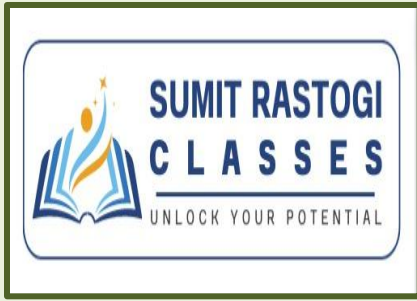
- (A) Standard Costing
- (B) Budgetary Costing
- (C) Marginal Costing
- (D) Uniform Costing

Ans. (D) Uniform Costing

22. The charging of discrete, identifiable items of cost to the cost centers is called _____.

- (A) Cost Allocation
- (B) Cost Absorption
- (C) Cost Apportionment
- (D) Cost Control

Ans. (A) Cost Allocation



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23. A _____ is a record which contains the relevant details pertaining to the plants and equipments.

- (A) Bin Card
- (B) Plant Register
- (C) Stores Ledger
- (D) Cost Sheet

Ans. (B) Plant Register

24. _____ is the process of regulating the action so as to keep the element of cost within the set parameters.

- (A) Cost Control
- (B) Cost Allocation
- (C) Cost Reduction
- (D) Cost Absorption

Ans. (A) Cost Control

25. _____ costs are historical costs which are incurred in the past.

- (A) Sunk Cost
- (B) Marginal Cost
- (C) Opportunity Cost
- (D) Differential Cost

Ans. (A) Sunk Cost

26. Notional remuneration to owner is expense debited only in _____.

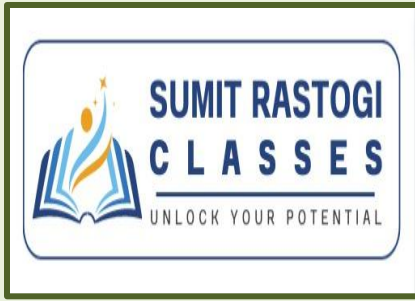
- (A) Financial Accounts
- (B) Cost Accounts
- (C) Management Accounts
- (D) Cash Book

Ans. (B) Cost Accounts

27. Ticket counter in a Cinema Hall is an example of _____ centre.

- (A) Cost
- (B) Profit
- (C) Revenue
- (D) Investment

Ans. (C) Revenue



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28. Which of the following are the actual costs of acquiring assets or producing goods or services?

- (A) Historical Costs
- (B) Imputed Costs
- (C) Replacement Costs
- (D) Engineered Cost

Ans. (D) Engineered Cost

29. The allotment of whole item of Cost to a Cost Centre or Cost Unit is called as:

- (A) Cost Allocation
- (B) Cost Apportionment
- (C) Overhead Absorption
- (D) Cost Classification

Ans. (A) Cost Allocation

30. Profit is the resultant of two varying factors viz, _____ and _____.

- (A) Sales and Cost
- (B) Assets and Liabilities
- (C) Production and Investment
- (D) Cost and Revenue

Ans. (A) Sales and Cost

31. Which of the following is applicable for cost control?

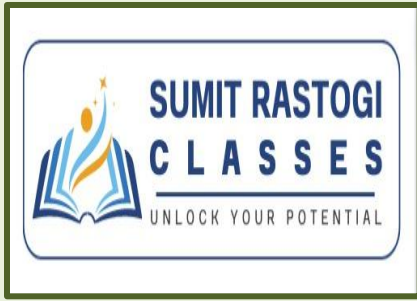
- (A) It is a corrective function
- (B) It is related with the future
- (C) It challenges the standard cost
- (D) It ends when the targets are achieved

Ans. (D) It ends when the targets are achieved

32. Which one of the following classifications is meant for distinction between Direct Cost and Indirect Cost?

- (A) Variability
- (B) Function
- (C) Element
- (D) Controllability

Ans. (C) Element



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33. Which one of the following costs is the value of the best alternative course of action that was not chosen?

- (A) Sunk Cost
- (B) Relevant Cost
- (C) Economic Cost
- (D) Imputed Cost

Ans. (C) Economic Cost

34. Fixed costs are treated as:

- (A) Conversion Costs
- (B) Prime Costs
- (C) Period Costs
- (D) Both (A) and (B)

Ans. (C) Period Costs

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

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

Ans. (C) It ends when targets are achieved

36. Basic objective of Cost Accounting is _____.

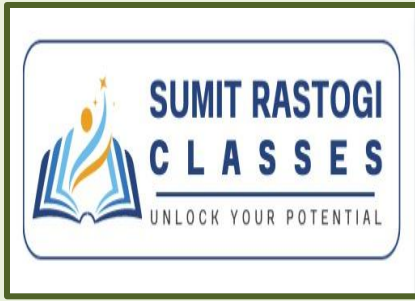
- (A) Tax Compliance
- (B) Financial Audit
- (C) Cost Ascertainment
- (D) Interim Audit

Ans. (C) Cost Ascertainment

37. A company has 1,000 units of obsolete items which are carried in inventory at the original purchase price of ₹36,000 although their market value as scrap is only ₹4,000. If the items are re-worked for ₹12,000, they can be sold for ₹22,000. Find the relevant cost for selling the items.

- (A) ₹16,000
- (B) ₹12,000
- (C) ₹10,000
- (D) ₹14,000

Ans. (A) ₹16,000



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38. Selling price of a product is ₹500. A profit margin of 25% on cost is expected. Find out the cost price of the product.

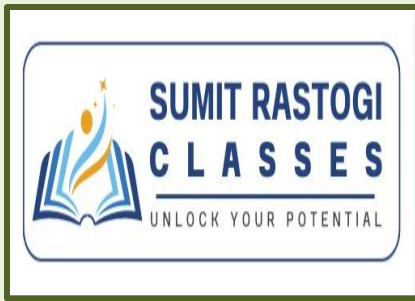
- (A) ₹400
- (B) ₹625
- (C) ₹375
- (D) ₹250

Ans. (A) ₹400

39. What does the term 'Opportunity Cost' refer to in cost accounting?

- (A) Fixed manufacturing costs
- (B) Variable selling expenses
- (C) Actual monetary expenditure
- (D) Cost of the next best alternative foregone

Ans. (D) Cost of the next best alternative foregone



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CHAPTER - 2: MATERIAL COSTING

1. A company buys in lots of 6,250 units, which is a 3 month's supply. The cost/unit is ₹2.40. Each order costs ₹45 and the inventory carrying cost is 15% of the average inventory value. Calculate the EOQ.

(A) 3,000 units
(B) 2,500 units
(C) 2,000 units
(D) None of these

Ans. (C) 2,500 units

W.N.: $C = 2.40 \times 15\% = ₹0.36$
 $A = 6,250 \times 12/3 = 25,000$ units
 $EOQ = (2AO/C)^{1/2}$
 $EOQ = (2 \times 25,000 \times 45/0.36)^{1/2}$
 $EOQ = 2,500$ units

2. The annual demand for an item is 3200 units. The unit cost is ₹6 and the inventory carrying cost is 25% per annum. If the cost of one procurement is ₹150, determine the time between two consecutive orders, assuming procurement is at EOQ.

(A) 3 Months
(B) 2 Months
(C) 2.5 Months
(D) None of these

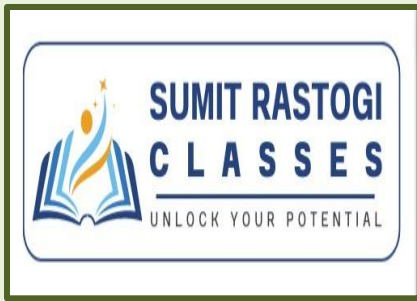
Ans. (A) 3 Months

W.N.: $C = 6 \times 25\% = ₹1.50$
 $EOQ = (2AO/C)^{1/2}$
 $EOQ = (2 \times 3,200 \times 150/1.50)^{1/2}$
 $EOQ = 800$ units
Time between two orders $= 12 \times 800/3200 = 3$ Months

3. The opening stock, closing stock and purchases of materials were respectively 10,000, 16,000 and 84,000 during a production period. Compute the inventory turnover ratio.

(A) 3 Times
(B) 4 Times
(C) 6 Times
(D) None of these

Ans. (C) 6 Times



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W.N.: Material consumed = $10,000 + 84,000 - 16,000 = 78,000$ units
Average Stock = $(10,000 + 16,000)/2 = 13,000$ units
Inventory turnover ratio = $78,000/13,000 = 6$ times.

4. In a factory the monthly requirement for a material is 20,000 units, ordering cost ₹225 per order, purchase price ₹20 per unit and annual carrying cost is 15%, then economic order quantity will be:

(A) 3,000 units
(B) 2,683 units
(C) 6,000 units
(D) 1,732 units

Ans. (C) 6,000 units

W.N.: $C = 20 \times 15\% = 3$

$A = 20,000 \times 12 = 2,40,000$ units

$EOQ = (2AO/C)^{1/2} = (2 \times 2,40,000 \times 225/3)^{1/2} = 6,000$ units

5. Material with invoice value ₹10,000 was received in the Store Dept. The transport cost was ₹200. Since the material leaked in transit, damage to other goods of ₹350 had to be paid to the transporter. What would be the material cost?

(A) 10,200
(B) 11,000
(C) 12,000
(D) 10,000

Ans. (A) 10,200

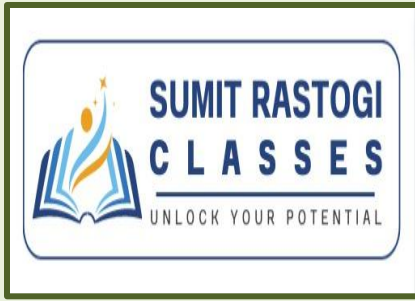
W.N.: Material Cost = $10,000 + 200 = 10,200$

As per CAS, material cost includes purchase cost, transport inward and excludes any damage or penalty paid to any authority.

6. The average annual consumption of a spare part is 18,250 units at a price of ₹36.50 per unit. The storage cost is 20% on an average inventory and the cost of placing an order is ₹50. Find out the quantity required to be purchased at a time.

(A) 400 units
(B) 600 units
(C) 300 units
(D) 500 units

Ans. (D) 500 units



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W.N.: $C = 36.50 \times 20\% = ₹7.3$

$EOQ = (2AO/C)^{1/2}$

$EOQ = (2 \times 18,250 \times 50/7.3)^{1/2} = 500 \text{ units}$

7. Calculate the recorder level from the following data:

Lead time: 3weeks; Safety stock: 100 units; Annual uniform usage: 2,600 units.

- (A) 300 units
(B) 200 units
(C) 250 units
(D) 150 units

Ans. (C) 250 units

W.N.: Reorder Level = Safety Stock - Lead Time Consumption
 $= (2600/52) \times 3 + 100 = 150 + 100 = 250 \text{ Units.}$

8. The average quarterly consumption of a material is 5,200 units. Unit cost is ₹65. Storage cost is 15% p.a., and the ordering cost is ₹150 per order. Find the Economic Order Quantity (EOQ).

- (A) 300 units
(B) 800 units
(C) 250 units
(D) 150 units

Ans. (B) 800 units

W.N.: $C = 65 \times 15\% = ₹9.75$

Annual consumption = $5,200 \times 4 = 20,800$

$EOQ = (2AO/C)^{1/2}$

$EOQ = (2 \times 20,800 \times 150/9.75)^{1/2} = 800 \text{ units.}$

9. At EOQ total ordering cost per annum is ₹4,000. Find EOQ in units if carrying cost per unit per annum is ₹2.

- (A) 3000 units
(B) 6000 units
(C) 2500 units
(D) 4000 units

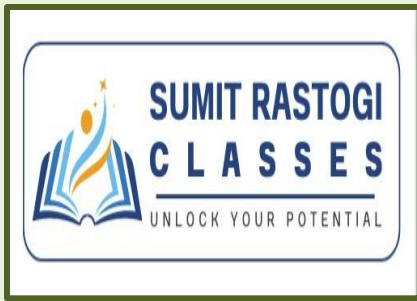
Ans. (D) 4000 units

W.N.: At EOQ,

Ordering cost = Carrying cost

$4,000 = EOQ \times 2 \times 1/2$

$EOQ = 4,000 \text{ units}$



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10. Daily consumption of a material is 64 to 80 units. It takes 30 to 40 days for receipt of material after initiating the order and reorder quantity is 4,000 units. Calculate the maximum stock level if the reorder level is 3,200 units.

- (A) 3000 units
- (B) 6000 units
- (C) 5,280 units
- (D) 4000 units

Ans. (C) 5,280 units

W.N.: Maximum Stock level = (Reorder level + Reorder quantity) – (Minimum rate of consumption x Minimum Reorder period)
= (3,200 + 4,000) – (64 x 30)
= 7,200 – 1,920 = 5,280 units

11. At the economic ordering quantity level, the following is true:

- (A) The ordering cost is minimum.
- (B) The carrying cost is minimum.
- (C) The ordering cost is equal to the carrying cost.
- (D) The purchase price is minimum.

Ans. (C) The ordering cost is equal to the carrying cost

12. Maximum Level = (_____ + Reorder Quantity) – (Minimum Consumption Rate x Minimum Reorder Period).

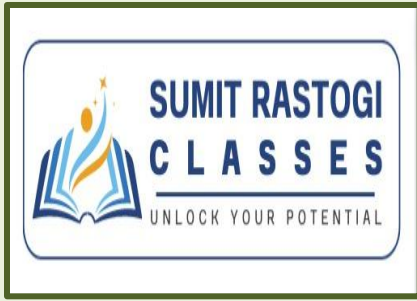
- (A) Reorder level.
- (B) Reorder period.
- (C) Reorder quantity.
- (D) None

Ans. (A) Reorder level

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

- (A) Recovered by inflating the raw material rate.
- (B) Recovered by inflating the wage rate.
- (C) Charged to factory overheads.
- (D) Charged to costing profit and loss account

Ans. (D) Charged to costing profit and loss account



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14. 10,000 units of material 'X' are consumed per year having per unit cost of ₹20. Cost of processing an order is ₹50 while annual interest rate is 5%. If annual carrying cost per unit of material 'X' is 15% (other than interest), Calculate the EOQ and number of orders per year.

(A) 50 orders
(B) 15 orders
(C) 18 orders
(D) 20 orders

Ans. (D) 20 orders

W.N.: $C = 20 \times 20\% = ₹4$ (Carrying cost includes interest)
 $EOQ = (2AO/C)^{1/2} = (2 \times 10,000 \times 50/4)^{1/2} = 500$ units
No. of orders = $10,000/500 = 20$ Orders

15. Which of the following is considered to be a normal loss of material?

(A) Loss due to accident
(B) Pilferage
(C) Loss due to breaking the bulk
(D) None of these

Ans. (D) None of these

16. In which of the following methods, issue of materials is priced at pre-determined rate?

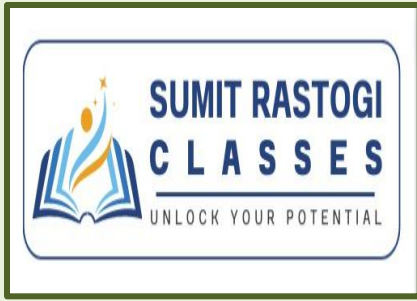
(A) Specific price method
(B) Standard price method
(C) Inflated price method
(D) Replacement price method.

Ans. (B) Standard price method

17. _____ Level of stores inventory is maximum usage multiplied by maximum lead time.

(A) Maximum
(B) Average
(C) Minimum
(D) Reorder

Ans. (D) Reorder



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18. For identifying slow moving stocks, it is necessary to compute the _____ ratio.

- (A) Stock Turnover Ratio
- (B) Current Ratio
- (C) Quick Ratio
- (D) Profitability Ratio

Ans. (A) Stock Turnover Ratio

19. X factory outsources the manufacture of a major component to a contractor. The transportation of the component of X Factory's premises is borne by X. This transportation cost will be treated as _____ cost (give the element of the cost).

- (A) Labour
- (B) Direct Expenses
- (C) Overhead
- (D) Material

Ans. (D) Material

20. In the _____ method of pricing material issues, where the prices are falling profits will rise.

- (A) FIFO
- (B) LIFO
- (C) Average Cost
- (D) Standard Cost

Ans. (B) LIFO

21. In a textile factory, yarn is starched before it is made into textile. The cost of starch is _____ (give the element of cost).

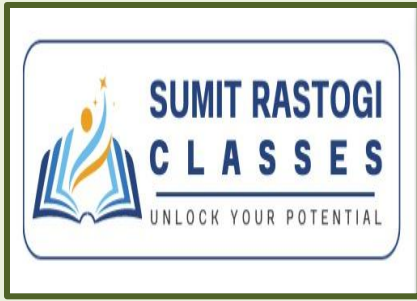
- (A) Direct Expense
- (B) Factory Overhead
- (C) Direct Labour Cost
- (D) Direct Material Cost

Ans. (D) Direct Material Cost

22. VED Analysis is primarily used for control of _____.

- (A) Labour
- (B) Cash
- (C) Spare Parts
- (D) Finished Goods

Ans. (C) Spare Parts



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23. When raw material is accounted at standard cost, variances due to normal reasons will be treated as _____ (give the element of cost).

- (A) Direct Expense
- (B) Factory Overhead
- (C) Direct Material Cost
- (D) Direct Labour Cost

Ans. (C) Direct Material Cost

24. Material Transfer Note is a _____ for transferring the materials from one job to other job.

- (A) Source Document
- (B) Authorization Document
- (C) Control Document
- (D) Cost Record

Ans. (A) Source Document

25. _____ discount allowed to the bulk purchase.

- (A) Cash
- (B) Seasonal
- (C) Trade
- (D) Special

Ans. (C) Trade

26. _____ Analysis is used primarily for control of spare parts.

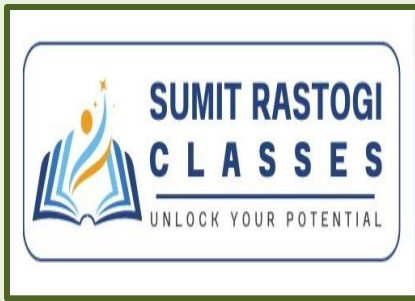
- (A) ABC
- (B) VED
- (C) HTML
- (D) FSN

Ans. (B) VED

27. Primary packing is a part of:

- (A) Direct Material Cost
- (B) Selling Overhead
- (C) Production Cost
- (D) Distribution Overhead

Ans. (C) Production Cost



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28. S & Co., which is using batch costing, provides the following information:

Annual demand for the components	4,800 units
Setting up cost per batch	₹50
Manufacturing cost per unit	₹100
Carrying cost per unit	12% per annum

On the basis of the above, Economic Batch Quantity of the firm is:

- (A) 100 units
- (B) 200 units
- (C) 300 units
- (D) 400 units

Ans. (B) 200 units

29. In which of the following methods of pricing, costs lag behind the current economic values?

- (A) Replacement Price Method
- (B) Weighted Average Price Method
- (C) FIFO Price Method
- (D) LIFO Price Method

Ans. (C) FIFO Price Method

30. Following information is available:

Opening Stock	- ₹4,000
Closing Stock	- ₹6,400
Material Consumed	- ₹31,200

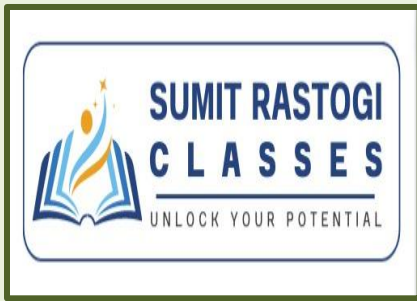
On the above basis, what is the Inventory Turnover Ratio?

- (A) 7.8
- (B) 5
- (C) 6
- (D) 3

Ans. (C) 6

W. N.:

Inventory Turnover Ratio = Material Consumed / Average stock of material
 $= 31,200 / [4,000 \div 6,400 / 2] = 31,200 / 5,200 = 6$



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31. A Company requires 1,00,000 units of an item annually. The cost per unit is ₹10. Ordering cost is ₹500 per order and inventory carrying cost is 50% per unit per annum. The Economic Order Quantity (EOQ) in this case is:

- (A) 4,470 units
- (B) 4,472 units
- (C) 6,420 units
- (D) 6,472 units

Ans. (B) 4,472 units

W. N.: Annual Demand = 1,00,000 units

Carrying Cost = $10 \times 50\% = ₹5$

$EOQ = (2 \times \text{Annual Demand} \times \text{Ordering Cost} / \text{Carrying Cost})^{1/2}$

$EOQ = (2 \times 1,00,000 \times 500 / 5)^{1/2}$

$EOQ = 4,472 \text{ units (Approx.)}$

32. Which of the following method is used for evaluation of equivalent production when prices are fluctuating in the market?

- (A) FIFO Method
- (B) LIFO Method
- (C) Simple Average Method
- (D) Weighted Average Method

Ans. (D) Weighted Average Method

33. NOB Ltd., is committed to supply 45,000 bearings per annum to CINY Ltd., it is estimated that it costs 20 paise as inventory holding cost per bearing per month. If its Economics Batch Quantity (EBQ) is 3,000 units (bearings), what will be the minimum inventory holding cost at optimum run size?

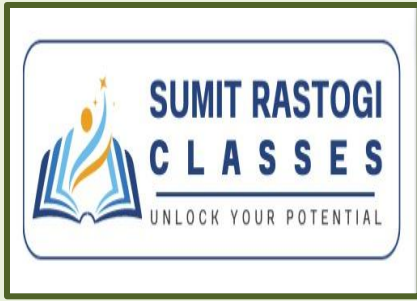
- (A) ₹3,600
- (B) ₹4,200
- (C) ₹5,800
- (D) None of the above

Ans. (B) ₹4,200

34. If the raw material prices are suffering from inflation, which of the following methods of valuing stock will give the lowest gross profit?

- (A) LIFO Method
- (B) FIFO Method
- (C) Replacement Cost
- (D) Inflated Price Method

Ans. (A) LIFO Method



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35. The reorder level is _____ units for the following information:

Maximum usage 300 units; Minimum usage 200 units; Reorder period 8 to 10 days.

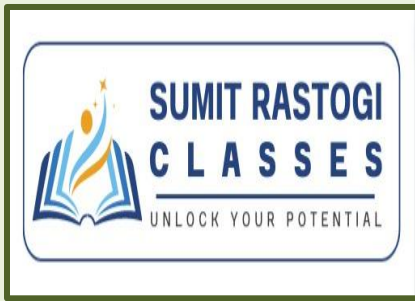
- (A) 3,000
- (B) 2,400
- (C) 1,600
- (D) 5,000

Ans. (A) 3,000

36. When material prices fluctuate widely, which of the following methods smoothens out the effect of fluctuations?

- (A) FIFO Method
- (B) LIFO Method
- (C) Weighted Average Method
- (D) Simple Average Method

Ans. (C) Weighted Average Method



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CHAPTER - 3: LABOUR COSTING

1. X executes a piece of work in 120 hrs. as against 150 hrs. allowed to him. His hourly rate is ₹10 and he gets a Dearness Allowance of ₹30 per day of 8 hrs. worked in addition to his wages. You are required to calculate the Total Wages Payable under the Rowan Premium Plan.
- (A) ₹1,890
(B) ₹1,900
(C) ₹2,000
(D) None of these.

Ans. (A) ₹1,890

W. N.: No. of days worked = 120 Hrs. / 8 Hrs./day = 15 days.

DA = 15 days × ₹30 = ₹450

Rowan Premium Plan Wages =

(Time Taken × Rate/Hr.) + (Time Saved × Time Taken / Time Allowed) × Rate/Hr. + DA
= (120 Hrs. × ₹10) + (30/150 × 120 × ₹10) + ₹450 = 1,200 + 240 + 450 = ₹1,890.

2. In a certain week, the time allowed to a worker for job X was 48 hours. He took 30 hours for the job. If the hourly effective rate of earnings of the worker under Rowan Plan is ₹55, find the normal hourly rate of wages:
- (A) ₹40/hr.
(B) ₹30/hr.
(C) ₹20/hr.
(D) ₹50/hr.

Ans. (A) ₹40/hr.

W. N.: Let the normal wage rate be R.

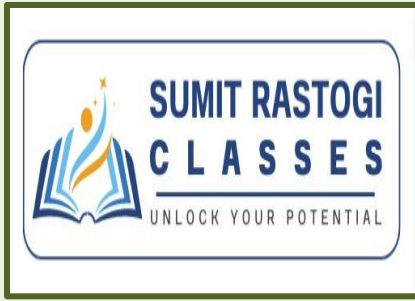
Total wages under Rowan plan = (30 × R) + [(48 - 30) × 30/48] × R

41.25 R = 55 × 30 hours.

R = 1650/41.25 = 40.

Normal wage rate = ₹40/hr.

3. In a workshop the normal working hours is 8 hours for which ₹450 is paid as wages. However, calculation of wages payable is made on piece rate basis that 30 pieces will be produced per hour. When a worker produces below standard, 90% of the piece rate is paid but when he produces above standard, 110% of piece rate is paid. On a particular day, a worker produces 260 pieces in the allotted time of 8 hours. What will be his earning?



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- (A) ₹536
- (B) ₹500
- (C) ₹525
- (D) ₹536.25

Ans. (D) ₹536.25

W. N.:

Normal price rate = $450/240 = 1.875$.

Standard Production = 8hrs × 30 pieces = 240 pieces

260 pieces in 8 hours is above standard of 240 pieces.

Hence, Wages = $110\% \times 1.875 \times 260 = ₹536.25$

4. A worker has a time rate of ₹15/hour. He has taken 48 hrs. to finish a job where standard time is 60 hours. His total wages including Rowan Bonus for the week is:

- (A) ₹792
- (B) ₹840
- (C) ₹820
- (D) ₹864

Ans. (D) ₹864

W.N.: Total earnings of a worker under Rowan Scheme

= $(48 \text{ hours} \times 15) + (12 \text{ hours} / 60 \text{ hours} \times 48 \text{ hours} \times ₹15) = ₹720 + ₹144 = ₹864$.

5. A worker has completed his job within 35 hours instead of 40 standard hours. The earnings under Rowan Bonus Plan of the worker will be, if the wages rate per hour is ₹36:

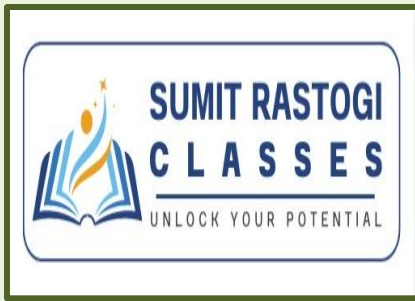
- (A) ₹1,350
- (B) ₹1,417.50
- (C) ₹1,440
- (D) ₹1,260

Ans. (B) ₹1,417.50

W.N.: Total earnings of a worker under Rowan Scheme

= $(35 \text{ hours} \times ₹36) + (5 \text{ hours} / 40 \text{ hours} \times 35 \text{ hours} \times ₹36)$

= $₹1,260 + ₹157.50 = ₹1,417.50$



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6. In a factory, a worker produced 14 units in a day of 8 hours. Wages rate per hour is ₹40. Standard output per hour is 2 units. Under differential piece rate system, a worker is paid at 83% when his performance is below standard and 125% of piece rate when his performance is at or above standard. Find out the labour cost of the worker for the day.
- (A) ₹232
(B) ₹232.40
(C) ₹233
(D) ₹232.50

Ans. (B) ₹232.40

W. N.:

Standard Production per day = $8 \times 2 = 16$ units.

Efficiency of the worker = 87.5%. It is less than 100%

Hence, he is paid at low piece rate. Earning = $14 \times 20 \times 83\% = ₹232.40$

7. The number of employees at the beginning and end of year 2014 was 380 and 420. During the year, 18 employees resigned, 6 were terminated and there were 16 replacements. Find the Labour Turnover ratio under the Flux Method.
- (A) 10%
(B) 20%
(C) 8%
(D) 0%

Ans. (A) 10%

W.N.: Addition = $420 - (380 - 18 - 6) = 64$.

Replacement = 16;

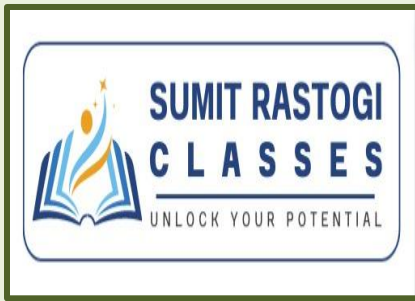
Labour Turnover Ratio (Flux) = $0.5 \times (64 + 16)/400 = 10\%$

Note: Answer is calculated based on average of addition and replacement, Students can alternatively calculate the same based on Addition & Separation OR Separation & Replacement.

8. A worker has produced 154 units in 10 hours instead of 15 hours. If the normal wages rate is ₹30 per hour find his remuneration under Rowan Premium Plan.
- (A) ₹400
(B) ₹300
(C) ₹410
(D) ₹420

Ans. (A) ₹400

W.N.: Remuneration under Rowan Plan = $10 \times 30 + (15-10) \times 10/15 \times 30 = ₹400$



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9. Under Rowan Plan, calculate the total earnings and effective rate of earnings per hour of three operators X, Y and Z from the following particulars:

The actual time taken by three operators are as follows:

X = 90 hours

Y = 80 hours

Z = 60 hours

The standard time fixed for producing 1 dozen articles is 100 hours, the rate of wages is ₹2 per hour.

(A) ₹4

(B) ₹3

(C) ₹2.80

(D) ₹4.20

Ans. (C) ₹2.80

W.N.: $X = (90 \times 2) + [100 - 90/100] 90 \times 2 = 180 + 18 = ₹198$

Effective rate = $198/90 = ₹2.20$

$Y = (80 \times 2) + [100 - 80/50] 80 \times 1 = 160 + 32 = ₹192$

Effective rate = $192/80 = ₹2.40$

$Z = (60 \times 2) + [100 - 60/50] 60 \times 1 = 120 + 48 = ₹168$

Effective rate = $168/60 = ₹2.80$

10. MUS Sky Ltd. furnished you the following details:

Number of employees at the beginning of 2013 250

Number of employees at the end of 2013 400

Employees resigned 40

Employees discharged 10

Employees replaced due to resignation and discharges 40

From the above Calculate Labour Turnover Rate for the factory by Separation Method and Replacement Method.

(A) 12%

(B) 12.5%

(C) 12.31%

(D) 13%

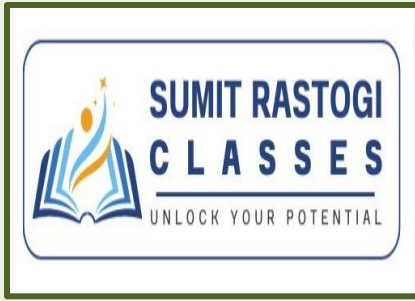
Ans. (C) 12.31%

W.N.: Average workers = $(250 + 400)/2 = 325$

Labour turnover rate:

Separation method = $50 \times 100/325 = 15.38\%$

Replacement Method = $40 \times 100/325 = 12.31\%$



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11. Standard time for a job = 20 hours. Rate per hour = ₹2. The actual time taken by a worker is 15 hours. Calculate his earning under Barth Variable Sharing Plan.

(A) ₹30
(B) ₹34
(C) ₹34.64
(D) ₹35

Ans. (C) ₹34.64

W.N.: Earnings as per Barth plan

$$= (\text{standard hours} \times \text{Actual Hours})^{1/2} \times \text{Rate per hour} = (20 \times 15)^{1/2} \times 2 = ₹34.64$$

12. Standard Time allowed = 3 minutes per unit. Normal time rate = ₹30 per hour; Taylor's differential piece rate basis: 80% and 120% for below and above standard respectively. Worker W produces 225 units in an eight-hour day. Calculate his earnings for the day.

(A) ₹400
(B) ₹405
(C) ₹350
(D) ₹425

Ans. (B) ₹405

W.N.: Standard units per day = $20 \times 8 = 160$.

Actual = 225

Units per hour = $60/3 = 20$ units

Piece rate = $30/20 = ₹1.50$

Taylor's differential rate earnings = $120\% \times 1.50 \times 225 = ₹405$ for the day.

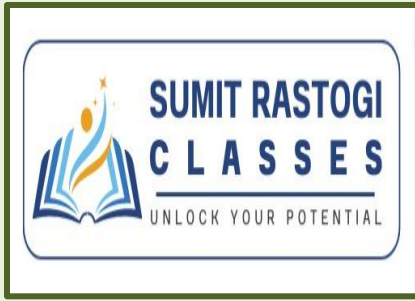
13. A worker has produced 144 units in place of 120 units in 10 hours and normal wage rate is ₹75 per hour. Find his total earnings under Rowan Plan.

(A) ₹400
(B) ₹405
(C) ₹875
(D) ₹425

Ans. (C) ₹875

W.N.: Standard time for 144 units = $144 \times 10/120 = 12$ hours

Total wages under Rowan plan = $(10 \times 75) + [12 - 10] \times 10/12 \times 75 = ₹875$



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14. There was 5000 workers in a factory on 1st April 2016. New entrants in service during the year 2016-17 were 250 and separations were 130. Calculate Labour Turnover Rate using Flux method.

- (A) 12%
- (B) 12.5%
- (C) 12.31%
- (D) 3.75%

Ans. (D) 3.75%

W.N.: Workers on 31st March, 2017 = 5,000 + 250 - 130 = 5,120

Average workers = $(5,000 + 5,120) / 2 = 5,060$

Labour Turnover Ratio (Flux) = $0.5 \times (250 + 130) / 5,060 = 3.75\%$

15. When a direct worker is paid on a monthly fixed salary basis, the following is true:

- (A) There is no idle time lost.
- (B) There is no idle time cost.
- (C) Idle time cost is separated and treated as overhead.
- (D) The salary is fully treated as factory overhead cost.

Ans. (B) There is no idle time cost.

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

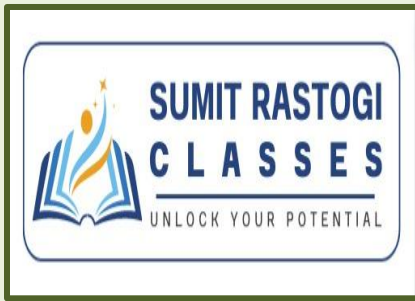
- (A) Recovered by inflating the raw material rate.
- (B) Recovered by inflating the wage rate.
- (C) Charged to factory overheads.
- (D) Charged to costing profit and loss account.

Ans. (D) charged to costing profit and loss account.

17. Idle time is:

- (A) Time spent by workers in office
- (B) Time spent by workers in factory
- (C) Time spent by workers off their work
- (D) Time spent by workers on their job

Ans. (C) Time spent by workers off their work



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18. A work measurement study was carried out in a firm for 10 hours. The information generated was: Units produced 350; Idle time 15%; Performance rating 120%; and Relaxation Allowance 10% of standard time. What is the standard time for each unit produced?

- (A) 1.943 minutes
- (B) 2 minutes
- (C) 2.1 minutes
- (D) 1.90 minutes

Ans. (A) 1.943 minutes

Calculation of Standard Time for each unit:

Total Time = 10 × 60 =	600 Minutes
Less: Idle Time @15%	(90)
Actual Time	510
Normal Time = 510 × 120%	612
Add: Relaxation Allowance (10% or 1/10 on Standard Time = 1/9 on Normal Time)	68
Standard Time for the job	680
Therefore, Standard Time for each unit=	680/350 = 1.943 minutes

19. For reducing the labour cost per unit, which of the following factors is the most important?

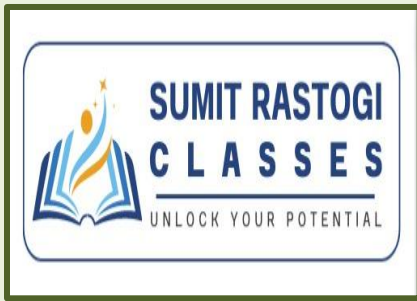
- (A) Low wage rates
- (B) Longer hours of work
- (C) Higher input-output ratio
- (D) Strict control and supervision

Ans. (C) Higher input-output ratio

20. Time and motion study is conducted by the:

- (A) Time-keeping department
- (B) Payroll department
- (C) Personnel department
- (D) Engineering department

Ans. (D) Engineering department



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21. Overtime is:

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

Ans. (A) Actual hours being more than normal hours

22. A work measurement study was carried out in a firm for 10 hours. The information generated was: Units produced 600; Idle time 15%; Performance rating 120%; and Relaxation Allowance 10% of standard time. What is the standard time for each unit produced?

- (A) 1.943 minutes
- (B) 1.133 minutes
- (C) 2.1 minutes
- (D) 1.90 minutes

Ans. (B) 1.133 minutes

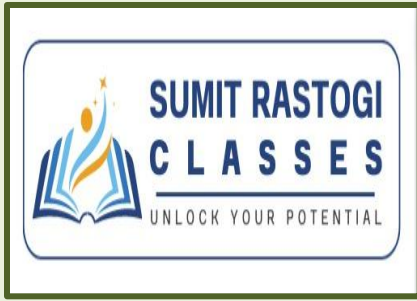
Calculation of Standard Time for each unit:

Total Time = 10 × 60 =	600 Minutes
Less: Idle Time @15%	(90)
Actual Time	510
Normal Time = 510 × 120%	612
Add: Relaxation Allowance (10% or 1/10 on Standard Time = 1/9 on Normal Time)	68
Standard Time for the job	680
Therefore, Standard Time for each unit= 680/600 = 1.133 minutes	

23. MR. KUNT a worker has time of ₹45 per hour, he takes 40 hours to complete a job. If time allowed for job is 48 hours, what will be total earning of Mr. Kunt under Rowan Plan (Bonus Scheme)?

- (A) ₹2,100
- (B) ₹2,160
- (C) ₹2,200
- (D) None of the above

Ans. (a) ₹2,100



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24. Which one of following does not account for increasing labour productivity:

- (A) Job satisfaction
- (B) Motivating workers
- (C) Proper supervision and control
- (D) High labour turnover

Ans. (D) High labour turnover

25. Cost of abnormal idle time is charged to _____.

- (A) Cost of Production
- (B) Factory Overheads
- (C) Profit and Loss Account
- (D) Work-in-Progress Account

Ans. (C) Profit and Loss Account

26. The Objective of Wage Incentives is to improve _____.

- (A) Productivity
- (B) Selling Price
- (C) Capital Structure
- (D) Working Capital

Ans. (A) Productivity

27. Under _____, employees receive a half proportion of time saved.

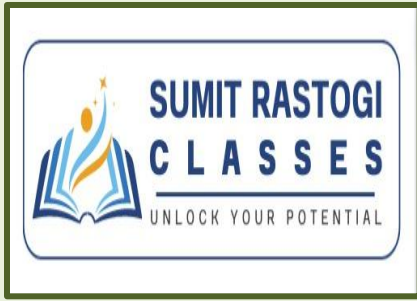
- (A) Rowan Plan
- (B) Halsey Plan
- (C) Rucker Plan
- (D) None of these

Ans. (B) Halsey Plan

28. When time saved is equal to time taken then earnings of a worker under Halsey Plan and Rowan Plan are the _____.

- (A) Same
- (B) Double
- (C) Different
- (D) Half

Ans. (A) Same



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29. One of the disadvantages of overtime working is incurring _____.

- (A) Excess Labour Cost
- (B) Idle Time
- (C) Labour Turnover
- (D) Labour Efficiency

Ans. (A) Excess Labour Cost

30. As per the Payment of Bonus Act, 1965 the maximum limit of bonus is _____ per cent of gross earnings.

- (A) 10
- (B) 20
- (C) 15
- (D) 18

Ans. (B) 20

31. Time allowed for a job is 80 hours. A Worker takes 68 hours to complete the job. Time rate per hour is ₹15. Total earnings of the worker under the Rowan Bonus Plan are _____.

- (A) 1,020
- (B) 1,200
- (C) 1,173
- (D) 1,110

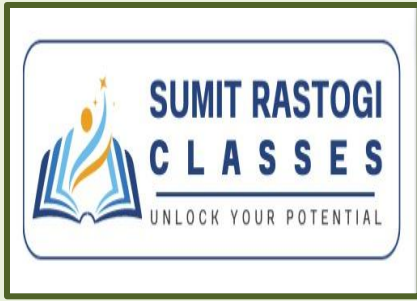
Ans. (C) 1,173

W. N.: Rowan Plan = $TT \times R + (TS \times TT \times R/TA)$
 $= 68 \times 15 + (12 \times 68 \times 15/80) = 1,020 + 153 = ₹1,173$

32. In P Ltd., labour force at the beginning of July 2023 was 3,800 and at the end of July 2023 was 4,200. During the month, 50 workers left while 80 workers were discharged. 560 workers were engaged out of which only 60 were appointed in the vacancy created by the number of workers separated and the rest on the account of expansion scheme. On the basis of the above information, Labour Turnover Ratio of the firm by Flux Method is _____.

- (A) 14.00%
- (B) 3.25%
- (C) 1.50%
- (D) 8.63%

Ans. (D) 8.63%



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W. N.:

Labour Turnover Ratio by Flux Method

= $\frac{1}{2} [\text{No. of additions} + \text{No. of Separation}] / \text{No. of Avg. worker during the period}$

= $\frac{1}{2} (560 + 130) / 4,000 \times 100 = 8.63\%$

37. During August 2024, there were 21 working days of 8 hours per day in a firm. The workforce consists of 20 workers and due to a machine breakdown ,480 hours were recorded as idle time during the month. During August, the workforce produced 10,800 units of output. The expected time per unit of output is 15 minutes (i.e.0.25 hours). The production volume ratio of the firm for the month of August 2024 is _____.

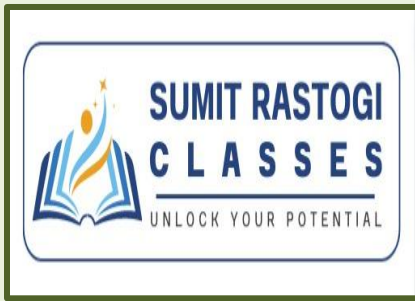
(A) 80.36%

(B) 85.71%

(C) 89.73%

(D) 93.75%

Ans. (A) 80.36%



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CHAPTER - 4: DIRECT EXPENSE

1. Calculate the direct expenses as per CAS-10 from the following information. Royalty paid on sales: ₹1,25,000; Royalty paid on production: ₹1,00,000; Design Charges ₹26,000; Machine shop expenses ₹45,000; Software Development charges related to production: ₹55,000.
- (A) ₹3,51,000
(B) ₹4,51,000
(C) ₹3,50,000
(D) ₹4,25,000

Ans. (A) ₹3,51,000

As per CAS-10, the direct expenses will be the sum of all the items mentioned.

Total direct expenses = 1,25,000 + 1,00,000 + 26,000 + 45,000 + 55,000 = ₹3,51,000.

2. The following is an example of direct expenses as per CAS-10:
- (A) Special raw material which is a substantial part of the prime cost.
(B) Travelling expenses to site.
(C) Overtime charges paid to direct worker to complete work before time.
(D) Catalogue of prices of finished products.

Ans. (B) Travelling expenses to site.

3. SANUM P.L.C producing product-ZEMO provides the following information:

Royalty paid on sales	35,000
Design Charges paid for the product	8,000
Higher Charges for Equipment used for Production	3,000

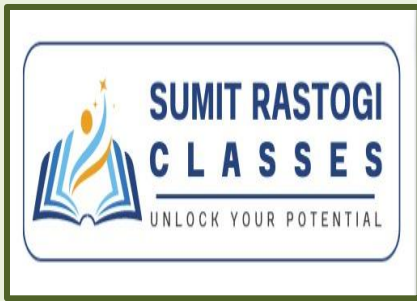
Direct Expenses will be:

- (A) ₹58,000
(B) ₹55,000
(C) ₹46,000
(D) None of these

Ans. (C) ₹46,000

4. B Ltd. Pays 10 per unit royalty to the designer of a product which it manufactures and sells. The royalty charge would be classified in the company's accounts as a:
- (A) Direct expense
(B) Production overhead
(C) Administrative overhead
(D) Selling overhead

Ans. (A) Direct Expense



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5. Following information is furnished by the Dhoora Ltd.

Production and Sales are 50,000 units and 42,000 units respectively. Royalty paid on units produced @₹5 per unit and @₹7.50 per unit sold. Hire charges of equipment used for production on ₹1,80,000 and Design charges 48,000. Compute the direct expenses according to CAS-10.

- (A) 1,80,000
(B) 3,15,000
(C) 2,50,000
(D) 7,93,000

Ans. (D) 7,93,000

6. SOTON Ltd., producing NB provides the following information:

	₹
Royalty paid on sales	50,000
Design charges paid for the product	20,000
Hire charges of equipment used for production	6,000
Direct Expenses will be:	

- (A) ₹76,000
(B) ₹80,000
(C) ₹60,000
(D) None of the above

Ans. (A) ₹76,000

7. Navi & Co. pays ₹8 per unit royalty to the designer of a product which it manufactures and sells. The royalty charge would be classified in the company's accounts as _____.

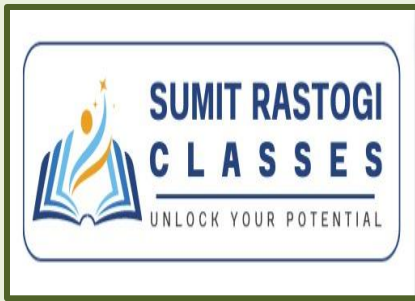
- (A) Direct Expense
(B) Indirect Expense
(C) Production Overhead
(D) Selling Overhead

Ans. (A) Direct Expense

8. AB Ltd. pays a royalty of ₹ 5 lakhs to the State Government on the basis of production. It will be treated as:

- (A) Direct Expenses
(B) Administration Cost
(C) Direct Material Cost
(D) Factory Overheads

Ans. (A) Direct Expenses



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CHAPTER - 5: OVERHEAD COSTING

1. T Ltd. uses pre-determined overhead rate of ₹15 per labour hour. The actual labour hours are 5750 and the actual overhead cost is ₹85,000. There is:
- (A) ₹1,250 over absorption
 - (B) ₹1,250 under absorption
 - (C) ₹1,000 over absorption
 - (D) ₹1,000 under absorption

Ans. (A) ₹1,250 over absorption

W. N.:

Absorbed OH = $15 \times 5750 = 86,250$

Actual OH = 85,000

Over Absorption = ₹1,250

2. For a department, the standard Overhead rate is 2.50 per hour and the overhead allowances are as follows:

Activity Levels (Hours)	Budgeted overhead allowances (₹)
6,000	20,000
14,000	36,000
22,000	52,000

Calculate the fixed cost.

- (A) ₹4000
- (B) ₹5000
- (C) ₹8000
- (D) ₹6000

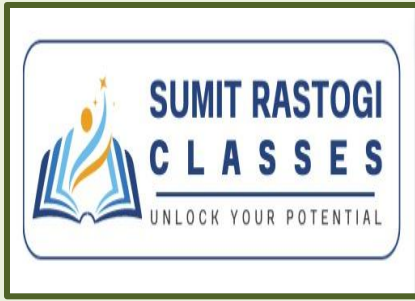
W.N.:

Difference in activity levels = 8,000 hours.

Difference in overhead amounts = ₹16,000

Variable overhead = $16,000 / 8,000 = ₹2$ per Hour.

Fixed overheads = $20,000 - 6,000 \times 2 = ₹8,000$



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3. The following data relating to a machine is available:

Cost of the machine is ₹20,000; Estimated scrap value is ₹2,000. Working life = 6 years. The machine had to be discarded at the end of 4 years due to obsolescence and was sold for ₹4,000. What is the resultant loss? (Use straight line depreciation on net value).

- (A) ₹4000
(B) ₹5000
(C) ₹8000
(D) ₹6000

Ans. (A) ₹4000

W. N.:

Depreciation per annum = $(20,000 - 2,000) / 6 = ₹3,000$

WDV at the end of 4 years = $20,000 - (3,000 \times 4) = ₹8,000$

Sale value = ₹4,000

Loss = $8,000 - 4,000 = ₹4,000$

4. A concern producing a single product estimates the following expenses for a production period.

	Figures ₹
Direct Material	50,000
Direct Labour	50,000
Direct Expenses	5,000
Overhead Expenses	2,10,000

What will be the overhead recovery rate based on prime cost?

- (A) 400% of prime cost
(B) 205% of prime cost
(C) 800% of prime cost
(D) 200% of prime cost

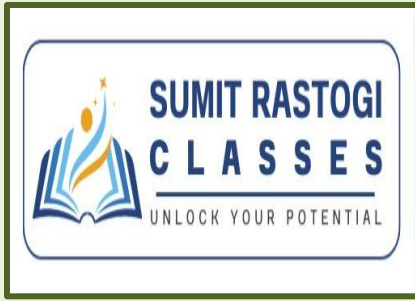
Ans. (D) 200% of prime cost

W. N.:

Prime cost = Direct material + Direct Labour + Direct Expenses = 1,05,000.

Overhead expenses = 2,10,000.

Overhead recovery rate based on prime cost = $2,10,000 / 1,05,000 = 2$ times or 200% of prime cost.



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5. The following information is given:

The total number of operators working in a department = 300
The number of working days per year = 300
The number of hours per day = 8
The Total Departmental Overhead = ₹3,42,000
Normal Idle Time = 5% of the Total Number of days
Find the Overhead Rate per Direct Labour Hour.

- (A) ₹0.5/hr.
(B) ₹1/hr.
(C) ₹2/hr.
(D) ₹1.5/hr.

Ans. (A) ₹0.5/hr.

No. of working hours per annum = $300 \times 8 \times 0.95 \times 300 = 6,84,000$ hours.

Overhead Cost = ₹3,42,000.

Direct labour hour rate = $3,42,000 / 6,84,000 = ₹0.5/\text{hr.}$

6. The actual machine hours worked in June 2014, is for 35,000 units and the predetermined overhead recovery is @₹3 per unit, when actual overhead is ₹1,57,500, the outcome will be:

- (A) ₹52,500 under absorbed
(B) ₹53,500 over absorbed
(C) ₹1,57,500 over absorbed
(D) ₹1,05,000 under absorbed.

Ans. (A) ₹52,500 under absorbed

W. N.:

Absorbed Overheads = $35,000 \times 3 = ₹1,05,000$

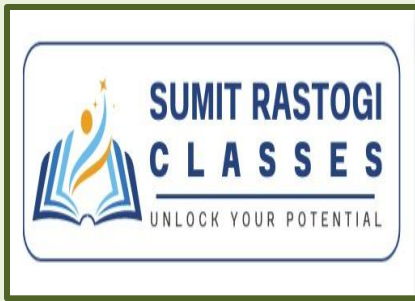
Actual Overheads = ₹1,57,500

Under absorbed overheads = ₹52,500

7. Warehouse expense is an example of:

- (A) Production overhead
(B) Administration overhead
(C) Selling overhead
(D) Distribution overhead

Ans. (D) Distribution overhead



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8. Calculate the variable overhead per hour and the amount of fixed overheads from the following information:

Activity Level (Hours)	Total Budgeted Overhead (₹)
21,000	1,25,000
28,000	1,53,000

- (A) ₹40,000
 (B) ₹41,000
 (C) ₹45,000
 (D) ₹42,000

Ans. (B) ₹41,000

W. N.:

Difference in activity levels = 7000 hours.
 Difference in overhead amounts = ₹28,000
 Variable overhead = $28,000 / 7000 = ₹4$ per Hour:
 Fixed overheads = $1,25,000 - 21,000 \times 4 = ₹41,000$

9. The following particulars are furnished to you by M/S Limelight & Co. Ltd in respect of a current machine:

Cost of Machine ₹30,000
 Estimated scrap value ₹3,000
 Working life of the machine 5 years

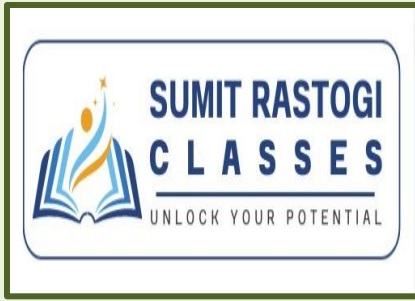
The machine is treated as obsolete after three years of service and sold for ₹6,000. How would you treat the loss of the transaction in cost Account?

- (A) ₹7,800
 (B) ₹1,000
 (C) ₹4,500
 (D) ₹4,200

Ans. (A) ₹7,800

W. N.:

Depreciation per annum = $(30,000 - 3,000) / 5 = ₹5,400$
 WDV at the end of 4 years = $30,000 - (5,400 \times 3) = ₹13,800$
 Sale value = ₹6,000
 Loss = $13,800 - 6,000 = ₹7,800$
 Entire loss may be charged to costing profit and loss a/c in the year of sale or maybe spread over the balance period of life of the machine.



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10. At the level of 60,000 units of output, factory overheads were ₹3,75,000 out of which 40% was fixed. Find the amount of factory overheads at 78,000 units of output.

(A) ₹7,80,000
(B) ₹5,00,000
(C) ₹4,50,000
(D) ₹4,42,500

Ans. (D) ₹4,42,500

W. N.:

$3,75,000 \times 60\% = 2,25,000$ is variable for 60,000 units.

Unit Variable cost = ₹3.75; Fixed Cost = 1,50,000.

At 78,000 units, OH cost = $\{(3.75 \times 78,000) + 1,50,000\} = ₹4,42,500$.

11. Find the actual overhead for the month of October 2016, when actual machine hours worked is 10000 and there is under-recovery of overhead of ₹30,000 by using machine hour rate of ₹30.

(A) ₹7,80,000
(B) ₹5,00,000
(C) ₹3,30,000
(D) ₹4,42,500

Ans. (C) ₹3,30,000

W. N.:

Overheads absorbed = $10,000 \times 30 = ₹3,00,000$

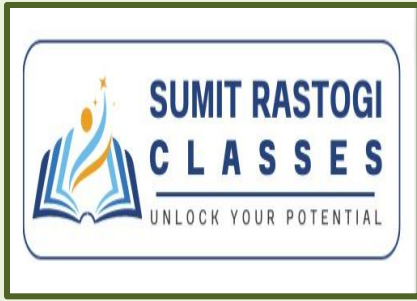
Overheads under absorbed = ₹30,000

Actual Overheads = ₹3,30,000

12. A & Co calculates the price of job by adding overheads to the prime cost and adding 30% to total costs as a profit margin. Job No. LM0-24 was sold for ₹6,760 and incurred overheads of ₹2,776. The prime cost of the job is _____.

(A) ₹1,956
(B) ₹2,424
(C) ₹3,984
(D) ₹5,200

Ans. (B) ₹2,424



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13. Selling and distribution overheads 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 the above

Ans. (D) Any of the above

14. Charging to a cost center those overheads that result solely for the existence of that cost center is known as:

- (A) Allotment
- (B) Allocation
- (C) Absorption
- (D) Apportionment

Ans. (B) Allocation

15. Which of the following is a service department?

- (A) Refining department
- (B) Machining department
- (C) Receiving department
- (D) Finishing department

Ans. (C) Receiving department

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

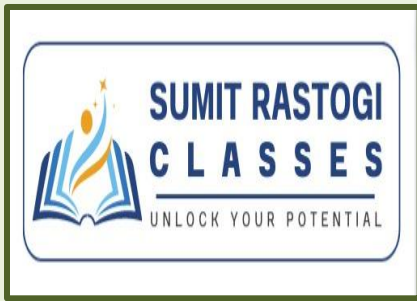
- (A) Direct labour rate
- (B) percentage of direct wages basis
- (C) Machine hour rate:
- (D) A rate per units of output

Ans. (D) A rate per units of output

17. Which of the following is usually classed as Discretionary Fixed Costs?

- (A) Supervisors' wages
- (B) Depreciation
- (C) Rent
- (D) Research and Development Cost

Ans. (D) Research and Development Cost



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18. In a certain factory, normal capacity was 50000 units. Actual capacity utilization was 5200 units. Fixed production overheads should be absorbed based on _____ capacity.

- (A) Actual
- (B) Practical
- (C) Normal
- (D) Maximum

Ans. (A) Actual

19. At the level of 60,000 units of output, factory overheads were ₹3,75,000 out of which 40% was fixed. Find the amount of factory overheads at 78,000 units of output.

- (A) ₹4,17,500
- (B) ₹4,32,500
- (C) ₹4,42,500
- (D) ₹4,57,500

Ans. (C) ₹4,42,500

20. Variable overheads are absorbed by products based on _____ level of capacity utilization.

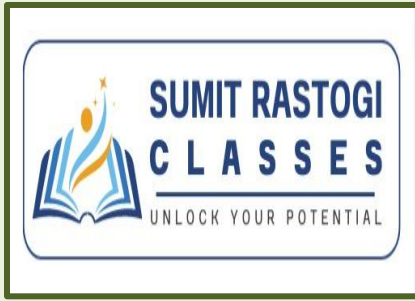
- (A) Maximum
- (B) Practical
- (C) Actual
- (D) Normal

Ans. (C) Actual

21. Under absorption of overheads means that actual overheads are _____ absorbed overheads.

- (A) Equal to
- (B) More than
- (C) Less than
- (D) Same as

Ans. (B) More than



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22. _____ is that part of practical capacity which is not utilized due to factors like temporary lack of orders, bottlenecks and machine breakdown etc.

- (A) Idle Capacity
- (B) Installed Capacity
- (C) Normal Capacity
- (D) Actual Capacity

Ans. (A) Idle Capacity

23. _____ is a method of dealing with overheads which involves spreading common costs over cost centres on the basis of benefit received.

- (A) Overhead Analysis
- (B) Overhead Allocation
- (C) Overhead Apportionment
- (D) Overhead Absorption

Ans. (B) Overhead Apportionment

24. RST & Co. has set up a laboratory for testing of products for compliance with standards. Salary of this laboratory staff is a part of _____.

- (A) Direct Expenses
- (B) Works Overhead
- (C) Quality Control Cost
- (D) Research and Development Cost

Ans. (C) Quality Control Cost

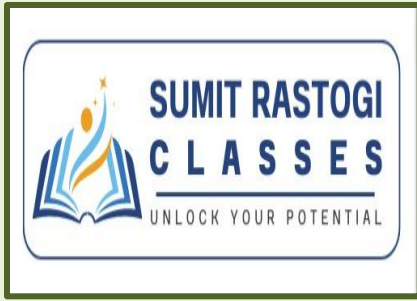
25. Following information is available:

Overhead Incurred	₹3,00,000
Overhead Recovered	₹2,00,000
Cost of Sales	₹5,00,000
Finished Goods	₹4,00,000
Work-in-Progress	₹3,50,000

From the above, Supplementary Overhead Rate to recover the under absorbed overhead is _____.

- (A) ₹0.20
- (B) ₹0.08
- (C) ₹0.25
- (D) ₹0.29

Ans. (C) ₹0.08

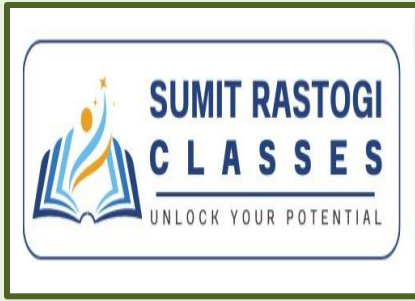


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26. Charging to a cost centre those overheads that result solely for the existence of that cost centre is known as _____.

- (A)** Allocation
- (B)** Absorption
- (C)** Allotment
- (D)** Apportionment

Ans. (A) Allocation



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CHAPTER - 6: COST ACCOUNTING STANDARD

1. _____ deals with the principles and methods of determining the production or operation overheads.
(A) CAS-3
(B) CAS-5
(C) CAS-9
(D) CAS-16

Ans. (A) CAS-3

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

OR

Which of the following CAS deals with the principles and methods of Determining depreciation and amortization cost?

- (A) CAS-12
(B) CAS-9
(C) CAS-16
(D) CAS-1

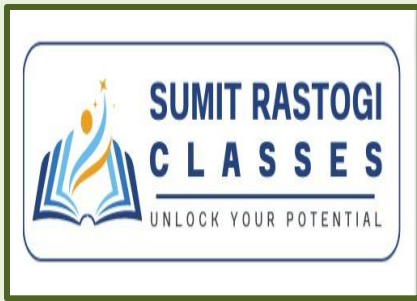
Ans. (C) CAS-16

3. Standard deals with the cost of service cost center is:
(A) CAS-9
(B) CAS-13
(C) CAS-16
(D) CAS-2

Ans. (B) CAS-13

4. Which of the following CASs deals with the principles and methods of determining the material cost?
(A) CAS-6 (Limited Revision 2017)
(B) CAS-10 (Limited Revision 2017)
(C) CAS-14 (Limited Revision 2017)
(D) CAS-15

Ans. (A) CAS-6 (Limited Revision 2017)



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5. Which of the following standards deals with the principles and methods of determining the manufacturing cost of excisable goods?

- (A) CAS-5
- (B) CAS-12
- (C) CAS-22
- (D) CAS-15

Ans. (C) CAS-22

6. CAS-2 deals with the principles and methods of determining the _____ of a manufacturing facility of an entity.

- (A) Cost
- (B) Profitability
- (C) Capacity
- (D) Efficiency

Ans. (C) Capacity

7. CAS-8 deals with the principles and methods of determining the _____.

- (A) Direct Material Cost
- (B) Direct Labour Cost
- (C) Overheads
- (D) Cost of Utilities

Ans. (D) Cost of Utilities

8. CAS _____ stands for cost of service cost centre.

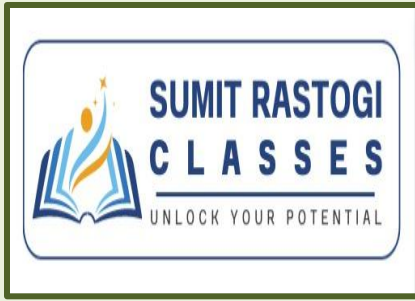
- (A) 10
- (B) 13
- (C) 15
- (D) 8

Ans. (B) 13

9. CAS _____ stands for cost of utilities.

- (A) 8
- (B) 22
- (C) 14
- (D) 12

Ans. (A) 8



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10. CAS-19 deals with the principles and method of determining _____.

- (A) Joint Costs
- (B) Direct Labour Cost
- (C) Capacity Determination
- (D) Overheads

Ans. (A) Joint Costs

11. The objective of CAS _____ is to bring uniformity and consistency in the period and methods of determining the direct expenses with reasonable accuracy.

- (A) 10
- (B) 13
- (C) 15
- (D) 8

Ans. (A) 10

12. Which of the following CASs deals with the principles and methods of determining joint cost?

- (A) CAS-4 (Revised 2018)
- (B) CAS-8 (Limited Revision 2017)
- (C) CAS-15
- (D) CAS-19

Ans. (D) CAS-19

13. _____ deals with the principles and methods of determining pollution control cost.

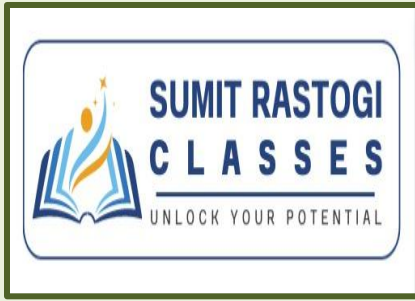
- (A) CAS-22
- (B) CAS-15
- (C) CAS-14
- (D) CAS-16

Ans. (C) CAS-14

14. Which of the following Cost Accounting Standard (CASs) deals with Determination of Average (Equalized) Cost of Transportation?

- (A) CAS-5
- (B) CAS-6
- (C) CAS-9
- (D) CAS-16

Ans. (A) CAS-5



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15. RST & Co. has set up a laboratory for testing of products for compliance with standards. The salary of this laboratory staff is a part of _____.

- (A) Direct Expenses
- (B) Work Overhead
- (C) Quality Control Costs
- (D) Research and Development Cost

Ans. (C) Quality Control Costs

16. Which one of CASs deals with the principle and methods of determining repairs and maintenance cost?

- (A) CAS-4 (Revised 2018)
- (B) CAS-12 (Limited Revision 2017)
- (C) CAS-15
- (D) CAS-19

Ans. (B) CAS-12 (Limited Revision 2017)

17. Which section of the Companies Act ,2013 deals with the adoption adherence to Cost Accounting Standard (CAS)?

- (A) Section 136
- (B) Section 148
- (C) Section 154
- (D) Section 182

Ans. (B) Section 148

18. Which CAS deals with the classification, measurement and assignment of selling and distribution overheads?

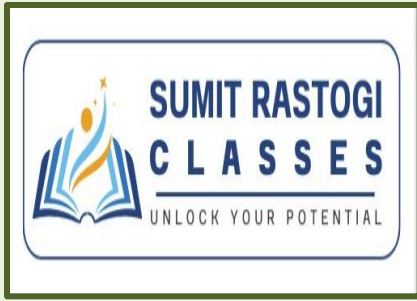
- (A) CAS 3
- (B) CAS 15
- (C) CAS 8
- (D) CAS 10

Ans. (A) CAS 3

19. CAS deals with _____.

- (A) Repairs and Maintenance
- (B) Cost of service cost centre
- (C) Administration Overheads
- (D) Classification of Cost

Ans. (A) Repairs and Maintenance



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20. What does CAS-11 emphasize regarding the treatment of abnormal administrative overheads

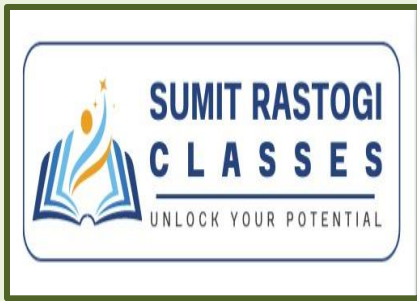
- (A) Attestation by external auditors
- (B) Exclusion from cost calculations
- (C) Inclusion in cost calculations
- (D) Separate disclosure in footnotes

Ans. (B) Exclusion from cost calculations

21. What does CAS-15 cover?

- (A) Borrowing Costs
- (B) Standard Costs
- (C) Cost of Transportation
- (D) Selling and Distribution Overheads

Ans. (D) Selling and Distribution Overheads



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CHAPTER - 7: COST BOOK KEEPING

1. When you attempt a reconciliation of profits as per Financial Accounts and Cost Accounts, the following is done:
- (A) Add the under absorption of overheads in Cost Accounts if you start from the profits as per Financial Accounts.
 - (B) Add the under absorption of overheads in Cost Accounts if you start from the profits as per Cost Accounts.
 - (C) Add the over absorption of overheads in Cost Accounts if you start from the profits as per Financial Accounts.
 - (D) Add the over absorption of overheads in Cost Accounts if you start from the profits as per Cost Accounts.

Ans. (A) Add the under absorption of overheads in Cost Accounts if you start from the profits as per Financial Accounts.

2. A System of accounting under which separate ledger are maintained for Cost and Financial Accounts is called _____.
- (A) Integrated Accounting System
 - (B) Non-Integrated Accounting System
 - (C) Contra Entry System
 - (D) Double Entry System

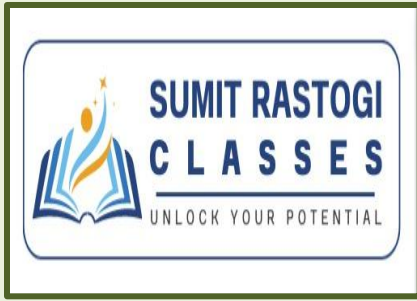
Ans. (B) Non-Integrated Accounting System

3. What entry will be passed under integrated system for purchase of stores on credit?
- (A) Dr. Stores Cr. Creditors
 - (B) Dr. Purchases Cr. Creditors
 - (C) Dr. Stores Ledger Control A/c Cr. Creditors
 - (D) Dr. Stores Ledger Control A/c Cr. General Ledger Adjustment A/c

Ans. (C) Dr. Stores Ledger Control A/c Cr. Creditors

4. There is a loss as per financial accounts ₹10,600, donations not shown in cost accounts ₹6,000. What would be the profit or loss as per cost accounts?
- (A) Loss ₹16,600
 - (B) Profit ₹16,600
 - (C) Loss ₹4,600
 - (D) Profit ₹4,600

Ans. (C) Loss ₹4,600



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5. 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

Ans. (B) Deducted from financial profit

6. In Reconciliation Statement income shown only in financial accounts is:

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

Ans. (B) Deducted from financial profit

7. In Reconciliation Statement expenses shown only in financial accounts are:

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

Ans. (A) added to financial profit

8. BETA LTD. Made a profit of ₹2,00,000 during the year. Ending 31.03.22 as per costing records. If interest on investments, and Income Tax paid were ₹15,000 and ₹90,000 respectively, what will be the profit as per financial records?

- (A) ₹3,09,000
- (B) ₹1,25,000
- (C) ₹1,17,000
- (D) None of the above

Ans. (B) ₹1,25,000

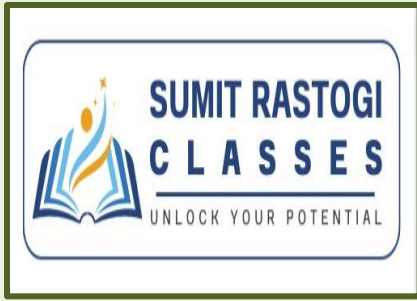
W.N.:

Profit as per financial records = 2,00,000 + 15,000 - 90,000 = ₹1,25,000

9. 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 bonds
- (D) All of the above

Ans. (B) Over absorption of work overhead



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10. Under non-integrated accounting system, the account made to compete double entry is:

- (A) Work-in-progress control account
- (B) Finished goods control account
- (C) Stores ledger control account
- (D) General ledger control account

Ans. (D) General ledger control account

11. Which of the following Items is not included in the preparation of cost sheet?

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

Ans. (D) Interest paid

12. Where the cost and financial accounts are maintained independently of each other, it is indispensable to _____ them, as there are differences in the profits of two sets of books.

- (A) Compare
- (B) Reconcile
- (C) Adjust
- (D) Balance

Ans. (B) Reconcile

13. Under integrated accounting system, the accounting entry for payment of wages is to debit _____ and to credit cash account.

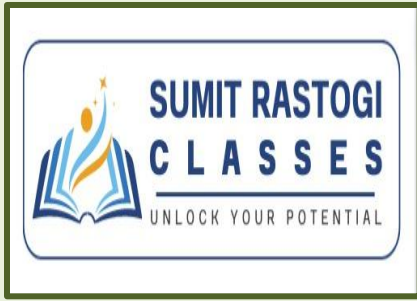
- (A) Wages Control Account
- (B) Work-in-Progress Control Account
- (C) Factory Overheads Control Account
- (D) Costing Profit and Loss Account

Ans. (A) Wages Control Account

14. Notional remuneration to owner is expense debited only in _____.

- (A) Financial Accounts
- (B) Cost Accounts
- (C) Both Cost and Financial Accounts
- (D) None of the above

Ans. (B) Cost Accounts



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15. Under integral accounts, issue of direct material is debited to the following account:

- (A) Purchase Account
- (B) Stores Ledger Control Account
- (C) Factory Overhead Control Account
- (D) Work-in-progress Control Account

Ans. (D) Work-in-progress Control Account

16. Which of the following does not form part of prime cost?

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

Ans. (A) Cost of packing

17. GINT Ltd. made a loss of ₹2,00,000 during the year ending on March 31, 2024. As per costing records. If interest on investments and Directors' fees were ₹10,000 and ₹40,000 respectively, what will be the profit/Loss as per financial records?

- (A) Loss ₹3,80,000
- (B) Loss ₹2,30,000
- (C) Profit ₹1,40,000
- (D) None of the above

Ans. (B) Loss ₹2,30,000

18. In a Non- Integrated System, what is the primary objective of Overhead Ledger?

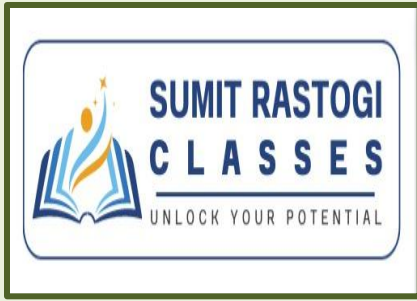
- (A) Managing general ledger entries
- (B) Recording direct costs
- (C) Controlling Indirect costs
- (D) Maintaining financial transactions

Ans. (C) Controlling Indirect costs

19. In a Integrated accounting system, the accounting entry for indirect wages incurred would be_____.

- (A) Direct Wages Control Account and Credit Work-in progress Account
- (B) Debit Overheads Control Account and Credit Wages Control Account
- (C) Debit Work in progress Account and Credit Wages Control Account
- (D) Debit Wages Control Account and Credit Wages Control Account

Ans. (B) Debit Overheads Control Account and Credit Wages Control Account



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20. Audit fees paid to cost auditors is part of _____.

- (A) Selling and Distribution
- (B) Production Cost
- (C) Administration Cost
- (D) Notional Cost

Ans. (C) Administration cost

21. In Reconciliation Statement, transfer to reserve are _____.

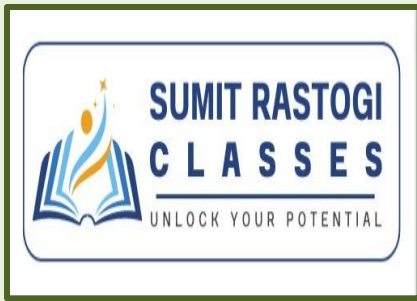
- (A) Added to Financial Profit
- (B) Deducted from Financial Profit
- (C) Not to be considered
- (D) Added to Costing Profit

Ans. (B) Deducted from Financial Profit

22. When costing loss is ₹5,600, factory overheads are over-absorbed by ₹800 and administration overheads are under-absorbed by ₹600, the loss as per financial accounts will be:

- (A) ₹4,200
- (B) ₹5,400
- (C) ₹5,800
- (D) ₹7,000

Ans. (B) ₹5,400



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CHAPTER - 8: JOB COSTING

1. 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

Ans. (B) By specific job

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

- (A) Process costing
- (B) Batch costing
- (C) Job costing
- (D) operating costing

Ans. (C) Job costing

3. In job costing to record the issue of direct materials to a job which of the following document is used?

- (A) Purchase order
- (B) Goods receipt note
- (C) Material requisition
- (D) Purchase requisition

Ans. (C) Material requisition

4. Which of the following statement is true?

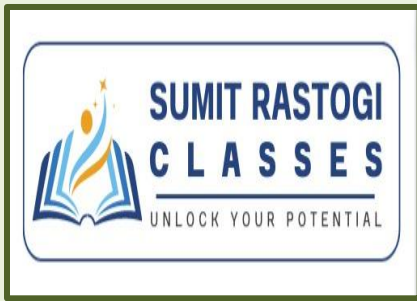
- (A) Batch costing is a variant of job costing
- (B) Job cost sheet may be used for estimating profit of job
- (C) Job costing cannot be used in conjunction with marginal costing
- (D) In cost plus contracts, the contractor runs a risk of incurring a loss

Ans. (B) Job cost sheet may be used for estimating profit of job

5. Most of the expenses are direct in _____.

- (A) Job costing
- (B) Batch costing
- (C) Contract costing
- (D) Standard costing

Ans. (A) Job costing



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6. Where production is as per requirement of customers, the costing method used in such industries is _____.

- (A) Process Costing
- (B) Job Costing
- (C) Batch Costing
- (D) Operating Costing

Ans. (B) Job Costing

7. Direct materials and direct labour cost of job No. 111 are ₹760 and ₹550 respectively. Overheads are charged @60% of direct labour. If the profit is included @ 20% of the price charged to customer, then calculate the price of job no. 111.

- (A) ₹1,968
- (B) ₹2,120
- (C) ₹2,050
- (D) ₹2,240

Ans. (C) ₹2,050

8. State which of the following are characteristics of job costing:

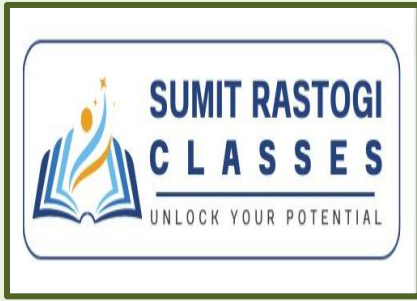
- (1) Homogenous products.
 - (2) Customer-driven production
 - (3) Complete production possible within a single accounting period
- (A) (1) only
 - (B) (1) and (2) only
 - (C) (2) and (3) only
 - (D) All of them

Ans. (C) (2) and (3) only

9. Which of the following statements is true?

- (A) Batch costing is a variant of job costing
- (B) Job cost sheet may be used for estimation 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.

Ans. (B) Job cost sheet may be used for estimation profit of jobs.



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10. A & Co. calculates the prices of jobs by adding overheads to the prime for ₹ 6,760 and incurred overheads of ₹2,776. The prime cost of the job is cost and adding 30% to total costs as a profit margin. Job No. LM-24 was sold

(A) ₹1,956
(B) ₹2,424
(C) ₹3,984
(D) ₹5,200

Ans. (B) ₹2,424

W.N.:

Total Costs $6,760 \times 100/130 = 5,200$

Prime Costs = $5,200 - 2,776 = ₹2,424$

11. R & Co. calculates prices of different jobs by adding overheads to the prime cost and adding 30% to total costs as a profit margin. Job No. "W-50" was sold for 845 and incurred overheads of 347. What was the Prime Cost of the Job?

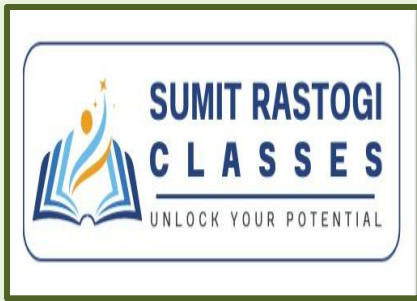
(A) ₹245
(B) ₹303
(C) 498
(D) ₹650

Ans. (B) ₹303

W.N.:

Total Cost $845 \times 100/130 = ₹650$

Prime Cost = $650 - 347 = ₹303$



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CHAPTER - 9: BATCH COSTING

1. Monthly demand of a product is 500 units. Set up cost per batch is ₹60 cost of manufacturing per unit is ₹20. Rate of interest is 10% p.a. Based on these parameters. The Economics Batch Quantity would be:
- (A) 600 units
(B) 500 units
(C) 1500 units
(D) 1000 units

Ans. (A) 600 units

W.N.:

Storage cost per unit = $20 \times 10\% = 2$

Annual Demand = $500 \times 12 = 6000$ units

EBQ = Optimum production run (batch) size

= $(2 \times \text{set-up cost} \times \text{annual Demand} / \text{Annual storage cost per unit})^{1/2}$

= $(2 \times 60 \times 6000 / 2)^{1/2} = 600$ units

2. OPTIMA LTD. is committed to supply 24000 bearings per annum to BKT Ltd. on a steady basis. It is estimated that it costs ₹2.40 as inventory holding cost per bearing per annum and that the set-up cost per run of bearing manufacture is ₹648. What would be the optimum run (batch) size for hearing manufacture?
- (A) 2600 bearings
(B) 5000 bearings
(C) 1500 bearings
(D) 3600 bearings

Ans. (D) 3600 bearings

W.N.:

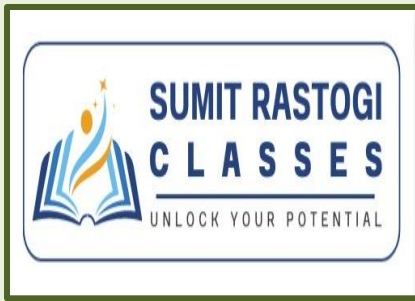
EBQ = Optimum production run (batch) size

= $(2 \times \text{set-up cost} \times \text{annual Demand} / \text{Annual storage cost per unit})^{1/2}$

= $(2 \times 648 \times 24,000 / 2.40)^{1/2} = 3600$ bearings

3. Batch Costing is applied effectively in the following situation:
- (A) Paper Manufacturing
(B) Drug Manufacturing
(C) Designer Clothes Manufacturing
(D) Oil Manufacturing

Ans. (B) Drug Manufacturing



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4. The following data are given for an industry using batch costing.

Annual Consumption of Components	-	2400 Units
Setting Up Cost Per Batch	-	₹100
Manufacturing Cost/Unit	-	₹200
Carrying Cost/Unit	-	6% Per Annum

Economic Batch Quantity would be:

- (A) 300 units
(B) 400 units
(C) 200 units
(D) 250 units

Ans. (C) 200 units

W.N.:

Storage cost per unit = $200 \times 6\% = 12$

EBQ = Optimum Production run (batch) size

= $(2 \times \text{set-up cost} \times \text{annual Demand} / \text{Annual storage cost per unit})^{1/2}$

= $(2 \times 100 \times 2400 / 12)^{1/2}$

= 200 units

5. A television company manufactures several components in batches. The following data relate to one component:

Annual demand	32,000 units
Set up cost/batch	₹120
Annual rate of interest	12%
Cost of production per unit	₹16

Calculate the Economic Batch Quantity (EBQ).

- (A) 3000 units
(B) 4000 units
(C) 2000 units
(D) 2500 units

Ans. (C) 2000 units

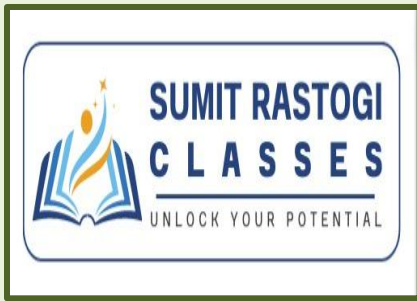
W.N.: Storage cost per unit = $16 \times 12\% = 1.92$

EBQ = Optimum production run (batch) size

= $(2 \times \text{set-up cost} \times \text{annual Demand} / \text{Annual storage cost per unit})^{1/2}$

= $(2 \times 120 \times 32,000 / 1.92)^{1/2}$

= 2000 units



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6. In a factory weekly demand of a component is 2500 units. Setting up cost per batch is ₹400 and manufacturing cost per unit is ₹260. If annual carrying cost per unit is 10% of manufacturing cost, calculate Economic Batch Quantity.

(A) 3000 units
(B) 4000 units
(C) 2000 units
(D) 2500 units

Ans. (C) 2000 units

Storage cost per unit = $260 \times 10\% = 26$

Annual Demand = $2500 \times 52 = 1,30,000$ units

EBQ = Optimum production run (batch) size

= $(2 \times \text{set-up cost} \times \text{annual Demand} / \text{Annual storage cost per unit})^{1/2}$

= $(2 \times 400 \times 1,30,000 / 26)^{1/2}$

= 2000 units

7. Sheena Ltd., is committed to supply 25,000 instruments per annum to Karishma Ltd. on regular basis. It is estimated that inventory holding cost per instrument per month amounts to 20 paise and that's set up cost per run of instrument manufacturing is ₹330. What should be the optimum run size for instrument manufacturing.

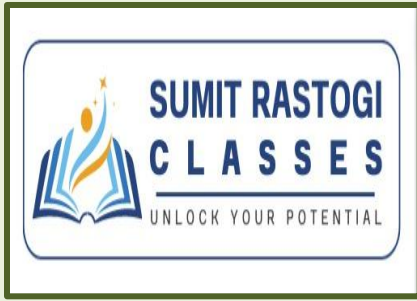
(A) 2622
(B) 3200
(C) 2400
(D) 2750

Ans. (A) 2622

8. A factory has to produce and supply 24000 units of a component annually to a customer. The carrying cost per unit is ₹2 per component per month. The production run set up cost is ₹1,800 per production run. Find out the economic batch size that must be produced to minimize total cost based on the above information.

(A) 1800 units (Appx.)
(B) 1897 units (Appx.)
(C) 1870 units (Appx.)
(D) 1888 units (Appx.)

Ans. (B) 1897 units (Appx.)



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9. Batch costing is applied effectively in the following situation:

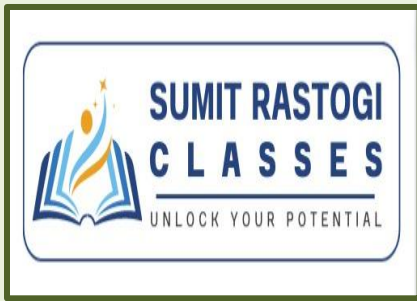
- (A)** Paper Manufacturing
- (B)** Drug Manufacturing
- (C)** Designer clothes Manufacturing
- (D)** Oil Refining

Ans. (B) Drug manufacturing

10. In a drug manufacturing company, which method of costing can be applied effectively?

- (A)** Job Costing
- (B)** Batch Costing
- (C)** Contract Costing
- (D)** Operating Costing

Ans. (B) Batch Costing



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CHAPTER - 10: CONTRACT COSTING

1. A JBC machine was used on a contract site for the period of 7 months and depreciation on it was charged to the contract ₹78,750. If the working life of the machine is 5 years and salvage value is ₹25,000, then the cost of JBC machine will be:

(A) ₹7,00,000
(B) ₹4,18,750
(C) ₹6,75,000
(D) ₹3,93,750

Ans. (A) ₹7,00,000

W.N.:

Depreciation for one year $78,750 \times 12/7 = ₹1,35,000$

Depreciation for 5-year $1,35,000 \times 5 = ₹6,75,000$

Cost of machine = Total Depreciation + Salvage Value = ₹6,75,000 + 25,000 = ₹7,00,000

2. In the context of Contract A/c, work completed and not yet certified will be shown

(A) at cost plus = 2/3rd of the notional profit under 'Completed Work'.
(B) at cost plus notional profit less retention money under 'Completed Work'.
(C) at cost under 'Completed Work'.
(D) at cost under 'WIP A/c'.

Ans. (D) at cost under 'WIP A/c'.

3. _____ is to provide for any future decrease in price etc., so that the benefit may be passed on to the contractee.

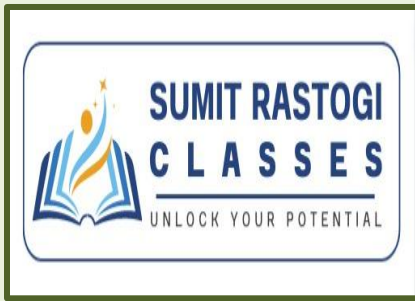
(A) Reserve Clause
(B) Escalation Clause
(C) Contract Clause
(D) Retrospective Clause

Ans. (B) Escalation Clause

4. Cost plus contract is usually entered into those cases where:

(A) Cost of certified and uncertified work
(B) Cost can be easily estimated
(C) Cost of certified work
(D) None of the above

Ans. (D) None of the above



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5. A Contract is expected to be 80% complete in its first year of construction, as certified. The Contractee pays 75% of the work certified as and when certified and makes final payment on the completion of the Contract. The following information is available for the first year:

Cost of Work Uncertified	80,000
Profit transferred to Profit and Loss Account at the end of year 1 on incomplete contract	60,000
Cost of work to date	8,80,000

Compute the Notional Profit.

- (A) ₹60,000
(B) ₹1,20,000
(C) ₹1,00,000
(D) ₹2,10,000

Ans. (B) ₹1,20,000

6. In contract costing, the cost unit is _____.
(A) Batch
(B) Per Contract
(C) Process
(D) Unit of Product

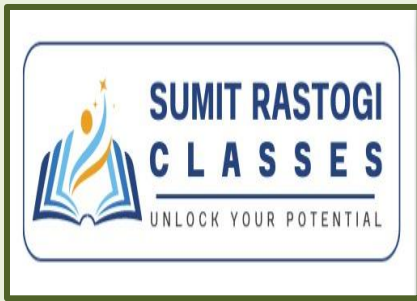
Ans. (B) Per Contract

7. State which of the following is/are characteristics of the contract costing:
(1) Homogeneous products
(2) Customer-driven production
(3) Short timescale from commencement to completion of the cost unit.
(A) (1) and (2) only
(B) (1) and (3) only
(C) (2) only
(D) (3) only

Ans. (C) (2) only

8. Where 70% of the contract price is certified, the profit to be credited to P&L account will be equal to _____.
(A) $\frac{1}{3} \times$ Notional Profit
(B) $\frac{2}{3} \times$ Notional Profit
(C) $\frac{2}{3} \times$ Notional Profit $\times$ Cash Received/Work Certified
(D) All of the above

Ans. (C) $\frac{2}{3} \times$ Notional Profit $\times$ Cash Received/Work Certified



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CHAPTER - 11: PROCESS COSTING

1. A chemical process has a normal yield of 90%. In a period, 5000 kgs of material were introduced and there was an abnormal loss of 150 kgs. The quantity of good production is
- (A) 4850 kgs
(B) 4500 kgs
(C) 4650 kgs
(D) 4350 kgs

Ans. (D) 4350 kgs

2. When material used in production being 1,000 units @₹5 per unit of which 100 units scrapped is sold @₹0.50 per unit after incurring additional cost of ₹200, the effective cost per unit will be:
- (A) ₹6.00
(B) ₹5.72
(C) ₹5.60
(D) ₹5.90

Ans. (B) ₹5.72

Working:

Material = $1000 \times 5 = 5,000$

Scrap = $100 \times 0.50 = (50)$

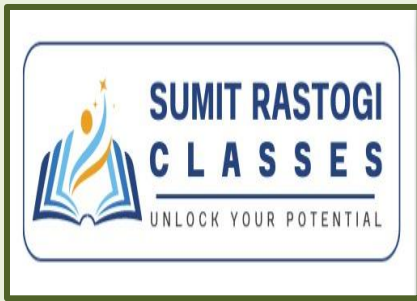
Additional Cost = 200

Total Cost = ₹5,150

Units = $1000 - 100 = 900$

Effective cost per unit = $5150/900 = 5.72$

3. In process, conversion cost means:
- (A) Cost of direct material, direct labour, direct expenses
(B) Direct labour, direct expenses, indirect material, indirect labour, indirect expenses
(C) Prime Cost + factory overhead
(D) All costs up to the product reaching the consumer, less direct material costs
- Ans. (B) Direct labour, direct expenses, indirect material, indirect labour, indirect expenses



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4. In a process 6,000 units are introduced during a period. 5% of input is normal loss. Closing work-in-process 60% complete is 800 units. 4,900 completed units are transferred to next process. Equivalent production for the period is:
- (A) 6,800 units
(B) 5,700 units
(C) 5,680 units
(D) 5,380 units

Ans. (D) 5,380 units

5. In a process 800 units are introduced during 2016-17. 5% of input is normal loss. Closing work-in-progress 60% complete is 100 units. 660 completed units are transferred to next process. Equivalent production for the period is:
- (A) 760 units
(B) 744 units
(C) 540 units
(D) 720 units

Ans. (D) 720 units

Working Note:

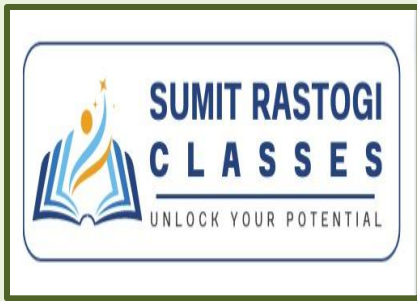
Units transferred	=	660
Closing WIP = 100 x 60%	=	60
Total Equivalent units	=	720

6. In a process 10,000 units are introduced during a period. 10% of input is normal loss. Closing work-in-progress 70% complete is 1500 units. 7500 completed units are transferred to next process. Equivalent production for the period is:
- (A) 9550 units
(B) 9000 units
(C) 8550 units
(D) 8500 units

Ans. (C) 8550 units

Working Note:

Units transferred	=	7500
Closing WIP = 1500 x 70%	=	1050
Total Equivalent Units	=	8550



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7. In a process 4,000 units are introduced during a period. 5% of input is normal loss. Closing work-in-progress 60% complete is 500 units. 3300 completed units are transferred to next process. Equivalent production for the period is:
- (A) 3550 units
 - (B) 3600 units
 - (C) 3800 units
 - (D) 3950 units

Ans. (B) 3600 units

Working Note:

Units transferred = 3300, Closing WIP = $500 \times 60\% = 300$

Total Equivalent units = **3,600**

8. In a process 2,000 units are introduced during a period. 5% of input is normal loss. Closing work-in-progress 60% complete is 250 units. 1650 completed units are transferred to next process. Equivalent production for the period is:
- (A) 2250 units
 - (B) 1860 units
 - (C) 1350 units
 - (D) 1800 units

Ans. (D) 1800 units

Working Note:

Units transferred = 1650, Closing WIP = $250 \times 60\% = 150$

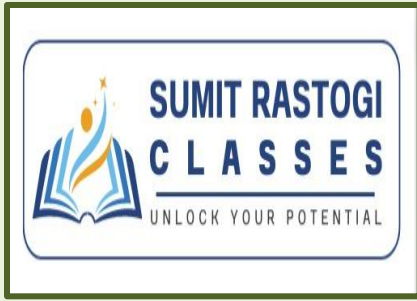
Total Equivalent units = **1800**

9. Which of the following is an example of by-product?
- (A) Curd and butter in a dairy
 - (B) Mustard seeds and mustard oil
 - (C) Edible oils and oil cakes
 - (D) Diesel and petrol in an oil refinery

Ans. (C) Edible oils and oil cakes

10. Under net realizable value method of apportioning joint costs to joint products, the selling & distribution cost is -
- (A) Ignored
 - (B) Added to joint cost
 - (C) Deducted from sales value
 - (D) Deducted from further processing cost

Ans. (C) Deducted from sales value



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11. If the actual output is more than the normal output, the difference between the two is _____.

- (A) Normal Loss
- (B) Abnormal Gain
- (C) Abnormal Loss
- (D) Standard Loss

Ans. (B) Abnormal Gain

12. The amount realized from sale of the abnormal wastage is credited to _____.

- (A) Process Account
- (B) Normal Loss Account
- (C) Abnormal Wastage Account
- (D) Costing Profit and Loss Account

Ans. (C) Abnormal Wastage Account

13. A factory transferred out 8,800 completed units during November 2014. Opening stock was 400 unit 75% completed; Closing stock was 800 units 50% completed. Assuming FIFO method, what is the equivalent production in November 2014?

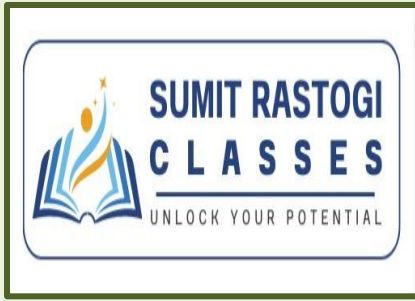
- (A) 8900 units
- (B) 8800 units
- (C) 8400 units
- (D) 8600 units

Ans. (A) 8900 units

14. In a production process, normal loss is 10% of input and abnormal gain amounted to 600 units. If final output of the processes 16800 units, find out the quantity of actual loss, if any.

- (A) 1800 units
- (B) 1400 units
- (C) 1900 units
- (D) 1200 units

Ans. (D) 1200 units



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15. Output of a process is 2,500 units, normal loss is 10% of input and abnormal loss is 200 units. How many units were introduced in the process?

- (A) 2700 units
- (B) 2500 units
- (C) 3000 units
- (D) 2000 units

Ans. (C) 3000 units

16. A process account is credited with value for _____ loss when scrap value is zero (indicate the type of loss).

- (A) Normal
- (B) Standard
- (C) Abnormal
- (D) None of the above

Ans. (C) Abnormal

17. If the actual loss in a process is less than the normal loss, the difference is known as _____.

- (A) Normal Loss
- (B) Standard Loss
- (C) Abnormal Gain
- (D) None of the above

Ans. (C) Abnormal Gain

18. What is the name the type of loss for which a Process Account is credited with value for such loss when scrap value is zero?

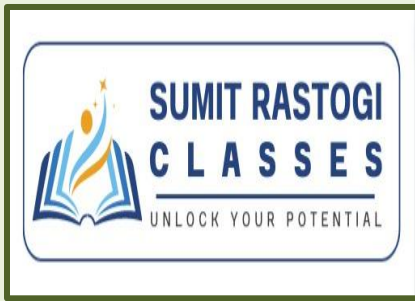
- (A) Abnormal Loss
- (B) Normal Loss
- (C) Standard Loss
- (D) None of the above

Ans. (A) Abnormal Loss

19. Equivalent Production represents the production of a process in terms of _____ units.

- (A) Finished
- (B) Complete
- (C) Standard
- (D) Equivalent

Ans. (B) Complete



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20. In a process 5,000 units are introduced during a period. 5% input is normal loss. Closing stock work-in-progress 60% complete 625 units. 4,125 completed units are transferred to next process. Equivalent production for the period is:

- (A) 4,000 units
- (B) 4,500 units
- (C) 4,600 units
- (D) 4,750 units

Ans. (B) 4,500

21. In a process 12,000 units are introduced during a period. 5% of input is normal loss. Closing work-in-progress 60% complete is 1,500 units. 9,900 completed units at transfer to next process. Equivalent production for the period is ____.

- (A) 13,500 units
- (B) 11,160 units
- (C) 8,100 units
- (D) 10,800 units

Ans. (D) 10,800 units

22. The term 'By-Products' is sometimes used synonymously with the term _____.

- (A) Joint Products
- (B) Minor Products
- (C) Co-products
- (D) Main Products

Ans. (B) Minor Products

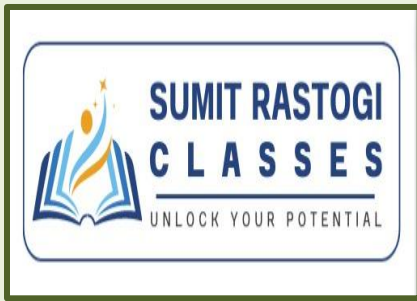
23. _____ are the cost of providing two or more products or services whose production could not be segregated for physical reasons.

- (A) Prime Costs
- (B) Joint costs
- (C) Co-products
- (D) Main Products

Ans. (B) Joint costs

24. State which of the following is/are example(s) of By-products.

- (1) Gas and Tars in Coke Ovens
- (2) Molasses in Sugar Industry
- (3) Curd and butter in a dairy
- (4) Edible oils and oil cakes



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- (A) (1) and (2) only
- (B) (3) and (4) only
- (C) (1), (2) and (4) only
- (D) (2) and (4) only

Ans. (C) (1), (2) and (4) only

25. The method of apportioning joint costs on the basis of output of each joint product at the point of split-off is known as:

- (A) Physical Unit Method
- (B) Average Cost Method
- (C) Sales Value Method
- (D) Marginal Cost and Contribution Method

Ans. (A) Physical Unit Method

26. Which one of the following is an example of by-product?

- (A) Mustard seeds and mustard oil
- (B) Diesel and petrol in an oil industry
- (C) Edible oils and oil cakes
- (D) Curd and butter in a dairy

Ans. (C) Edible oils and oil cakes

27. Under net realisable value method of apportionment of joint costs to joint products, the selling and distribution cost is_____.

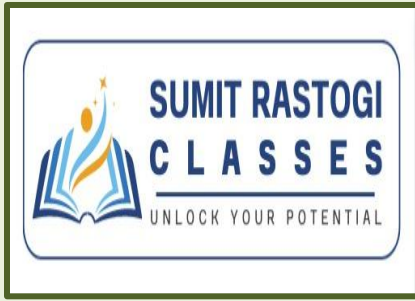
- (A) Added to joint cost.
- (B) Deducted from sales value.
- (C) Added to sales value.
- (D) Deducted from further processing cost.

Ans. (B) Deducted from sales value.

28. In process 'B' 75 units of a commodity were transferred from process. 'A' at a cost of ₹1,310. The additional expenses incurred by the process were ₹190. 20% of the units entered are normally lost and sold at ₹4 per unit. The output of the process was 70 units. What is the value of output transferred to next process?

- (A) ₹1,500
- (B) ₹1,680
- (C) ₹24
- (D) ₹3

Ans. (B) ₹1,680



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CHAPTER - 12: OPERATING COSTING

1. A hospital is open for 365 days, but bed occupancy is 25 patients per day for 120 days and 20 beds occupied for another 80 days. Extra beds occupied during the year is 400. The patient-days of the hospital is:
- (A) 4,000
(B) 3,500
(C) 5,000
(D) 4,600

Ans. (C) 5,000

Working Note:

Patient-days in a year = (25 beds × 120 days) + (20 beds × 80 days) + 400 beds
= 3,000 + 1,600 + 400
= 5,000 patient-days

2. A hotel having 100 rooms of which 80% are normally occupied in summer and 25% in winter. Period of summer and winter be taken as 6 months each and normally days in a month be assumed to be 30. The total occupied room days will be:
- (A) 1,525 Room days
(B) 18,900 Room days
(C) 36,000 Room days
(D) None of the above

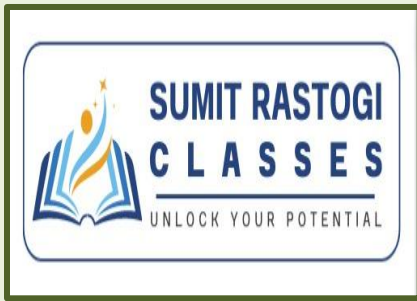
Ans. (B) 18900 Room Days

Working Note:

Room Days = (100 × 6 × 30 × 80%) + (100 × 6 × 30 × 25%)
= 14,400 + 4,500
= 18,900 room days

3. Absolute Tonne-km. is an example of:
- (A) Composite unit in power sector
(B) Composite unit for oil and natural gas
(C) Composite unit for bus operation
(D) Composite unit of transport sector

Ans. (D) Composite unit of transport sector



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4. The most appropriate cost unit for pricing and costing goods transport is _____.

- (A) Passenger-Kilometre
- (B) Tonne-Kilometre
- (C) Kilometre
- (D) None of the above

Ans. (B) Tonne-Kilometre

5. GYANI Transporter is running 8 buses between two cities which are 90 kilometers apart. Seating capacity of each bus is 52 passengers, but actual capacity is 80%. Calculate the total passenger kilometers for the month of May 2018.

- (A) 17,95,024 passenger-km
- (B) 19,12,640 passenger-km
- (C) 18,57,024 passenger-km
- (D) 20,10,880 passenger-km

Ans. (C) 18,57,024 passenger-km

6. The method of Costing used in undertaking like Gas Companies, Cinema Houses etc. is known as _____.

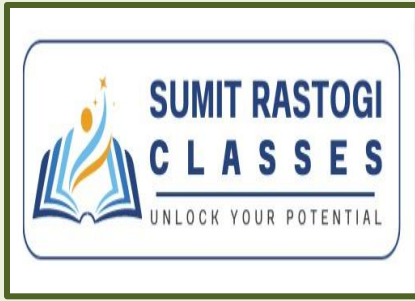
- (A) Job Costing
- (B) Operating Costing
- (C) Batch Costing
- (D) Process Costing

Ans. (B) Operating Costing

7. Hotel Dream House is having 250 rooms of which 70% are normally occupied in summer and 40% are occupied in winter. Period of summer and winter be taken as 6 months each and normal days in a month be assumed to be 30. What is the value of total occupied room days?

- (A) 31,500 room days
- (B) 45,000 room days
- (C) 36,000 room days
- (D) 49,500 room days

Ans. (D) 49,500 room days



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8. A Lorry starts with a load of 40 Metric Tonnes (MT) of goods from station 'A'. It unloads 16 MT in Station 'B' and the balance goods in Station 'C'. On the return trip, it reaches Station 'A' with the load of 32 MT, loaded at Station 'C'. The distance between A to B, B to C and C to A are 40 kms, 60 kms and 80 kms respectively. On the basis of above information, "Commercial MT-kilometres" are-
- (A) 5,600 MT-Kilometers
 - (B) 5,760 MT-Kilometers
 - (C) 6,200 MT-Kilometers
 - (D) 6,450 MT-Kilometers

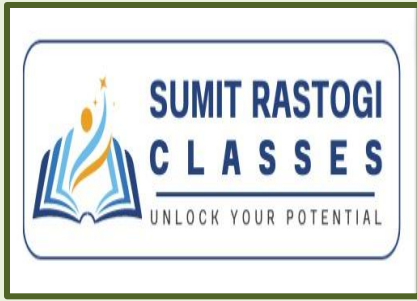
Ans. (B) 5,760 MT-Kilometers

9. Blue Star Transport Co. Operates two trucks. During a particular period, the two trucks travelled a total of 25,000kms. carrying goods. The average load was 3 tonnes per journey. In total they made 20 journeys. Total costs were 2,25,000 In this case, the average cost per tonne-kms is _____.
- (A) ₹2.22
 - (B) ₹6.67
 - (C) ₹3.00
 - (D) ₹9.00

Ans. (C) ₹3.00

10. When the concern is rendering service, then the method of costing to be applied is _____ costing.
- (A) Job
 - (B) Operating
 - (C) Contract
 - (D) Marginal

Ans. (B) Operating



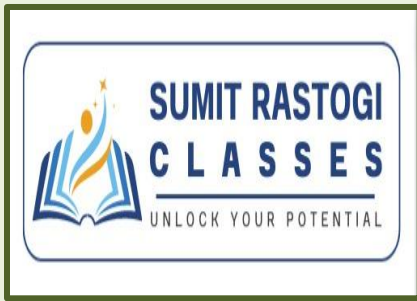
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11. A Truck starts with a load of 40 Metric Tonnes (MT) of goods from Station 'X'. It unloads 16 MT in Station 'Y' and the balance goods in Station 'Z'. On return trip, it reaches Station 'X' with a load of 32 MT, loaded a Station 'Z'. The distance between X to Y, Y to Z and Z to X are 40 kms, 6 kms and 80 kms respectively. On the basis of above information, "Absolute MT-Kilometres" are
- (A) 6,450 MT-Kms
 - (B) 6,200 MT-Kms
 - (C) 5,760 MT-kms
 - (D) 5,600 MT-Kms

Ans. (D) 5,600 MT-Kms

Working Note:

Absolute MT Kilometres = $(40 \times 40) + (24 \times 60) + (32 \times 80) = 1,600 + 1,440 + 2,560$
= 5,600 MT Kilometres



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CHAPTER - 13: MARGINAL COSTING

1. If break-even sales is 60% of current sales and profit is ₹60,000, then the amount of contribution will be:
- (A) ₹1,00,000
(B) ₹1,50,000
(C) ₹36,000
(D) ₹1,86,000

Ans. (B) ₹1,50,000

W.N.:

Break-even sales = 60%

Therefore, Margin of safety = 40%

After, BEP all contribution is towards profit, So,

At 40%, Contribution = ₹60,000

At 100%, Contribution = ₹1,50,000

2. A production process has the capacity to produce either 4,000 units of A or 3,500 units of B or 5,000 units of C. Only one product can be made in a production period. The contributions per unit of A, B and C are ₹10, ₹11 and ₹8 respectively. The opportunity cost of A would be:
- (A) ₹44,000
(B) ₹50,000
(C) ₹38,000
(D) ₹40,000

Ans. (D) ₹40,000

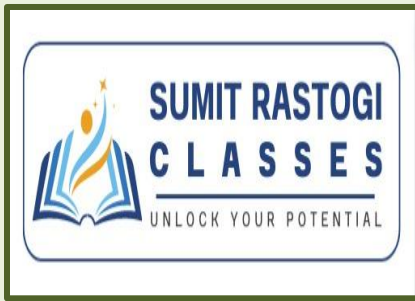
W.N.:

Opportunity Cost = Cost of Next Best Alternative

Contribution B : $3500 \times 11 = ₹38,500$

Contribution C : $5000 \times 8 = ₹40,000$

Opportunity Cost: ₹40,000



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3. The BEP is 15,000 units, Fixed Cost is ₹22,500, variable cost per units ₹45 the P/V ratio will be:
(A) 33.33%
(B) 55%
(C) 15%
(D) None of these

Ans. (D) None of these

W.N.:

$$\begin{aligned}\text{Contribution Per Unit} &= \text{Fixed Cost/BEP} = 22,500/15,000 &= ₹1.5 \\ \text{Selling Price} &= \text{Variable Cost} + \text{Contribution Per Unit} = (45 + 1.5) &= ₹46.50 \\ \text{P/V Ratio} &= (\text{Contribution/Sales}) \times 100 = (1.5/46.50) \times 100 &= 3.23\%\end{aligned}$$

4. The PV ratio of Delta Ltd., is 50% and the MOS is 40%. The company sold 500 units for ₹5,00,000. Calculate BEP.
(A) 500 units
(B) 400 units
(C) 300 units
(D) None of these

Ans. (C) 300 units

W.N.:

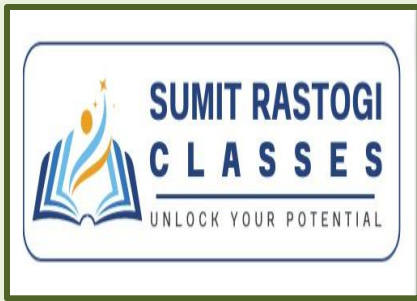
$$\begin{aligned}\text{Average sales price} &= 5,00,000/500 = ₹1,000/\text{unit} \\ \text{Given MOS} &= 40\% \\ \text{BES} &= 100\% - 40\% = 60\% \text{ of Sales of ₹5,00,000} = ₹3,00,000 \\ \text{BEQ} &= 3,00,000/1,000 = 300 \text{ units}\end{aligned}$$

5. Product Z has a P/V ratio of 28%. Fixed operating costs directly attributable to Product Z during the Quarter II of the financial year will be ₹2,80,000. Calculate the Sales Revenue required to achieve a quarterly profit of ₹70,000.
(A) ₹10 Lakhs
(B) ₹15 Lakhs
(C) ₹12.50 Lakhs
(D) None of these

Ans. (C) ₹12.50 Lakhs

W.N.:

$$\begin{aligned}\text{Required sales} &= \text{Desired contribution/P/V ratio} = \text{Fixed Cost} + \text{Desired Profit} \\ &= 2,80,000 + 70,000/28\% = ₹12,50,000\end{aligned}$$



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6. A Ltd. has fixed costs of ₹6,00,000 per annum. It manufactures a single product which sells for ₹200/unit. Its contribution to Sales ratio is 40%. A Ltd.'s break-even in units is:

(A) 7,500
(B) 3,000
(C) 8,000
(D) 1,500

Ans. (A) 7,500

W.N.:

Break even unit = Fixed Cost/Contribution per unit
= ₹6,00,000/₹80 = 7,500 units

7. Fixed cost is ₹2,25,000; Profit is ₹1,85,000; BEP is ₹9,00,000 then margin of safety will be:

(A) ₹7,15,000
(B) ₹4,90,000
(C) ₹6,75,000
(D) ₹7,40,000

Ans. (D) ₹7,40,000

W.N.:

PV Ratio = Fixed Cost x 100/BEP = 2,25,000 × 100/9,00,000 = 25%

Margin of safety = Profit/PV ratio = 1,85,000/25% = ₹7,40,000

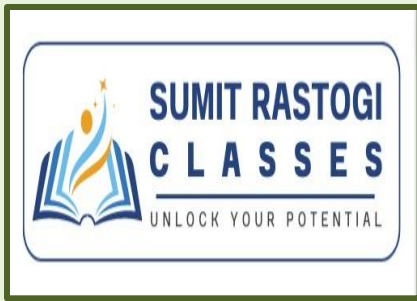
8. When in a company, sale price per unit is ₹69.50, Variable cost ₹35.50 and Fixed cost is 18,02,000, the break-even volume would be:

(A) 58,500 units
(B) 53,000 units
(C) 63,250 units
(D) 28,750 units

Ans. (B) 53,000 units

W.N.:

Cont. per unit = 69.50 – 35.50 = ₹34, BEP = 18,02,000/34 = 53,000 units



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9. In two consecutive periods, sales and profit were ₹1,60,000 and ₹8,000 respectively in the first period and ₹1,80,000 and ₹14,000 respectively during the second period. If there is no change in fixed cost between the two periods, then PV ratio must be:

(A) 20%
(B) 25%
(C) 30%
(D) 40%

Ans. (C) 30%

W.N.:

PV Ratio = Change in profit $\times$ 100 / Change in sales

$$= (14,000 - 8,000) \times 100 / (1,80,000 - 1,60,000) = 6,000 \times 100 / 20,000 = 30\%$$

10. A firm has fixed expenses ₹90,000 sales ₹3,00,000 and profit ₹60,000. The P/V ratio of the firm is:

(A) 10%
(B) 20%
(C) 30%
(D) 50%

Ans. (D) 50%

W.N.:

$$\text{Contribution} = 90,000 + 60,000 = 1,50,000,$$

$$\text{PV Ratio} = 1,50,000 \times 100 / 3,00,000 = 50\%$$

11. Marginal costing technique follows the following basis of classification:

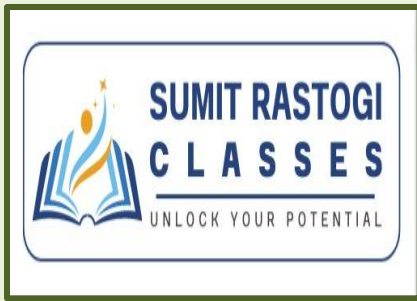
(A) Element-wise
(B) Function-wise
(C) Behavior-wise
(D) Identifiability-wise

Ans. (C) Behavior-wise

12. Z Ltd. is planning to sell 1,00,000 units of product A for ₹12.00 per unit. The fixed costs are ₹2,80,000. In order to realize a profit of ₹2,00,000, what would the variable costs be?

(A) ₹4,80,000
(B) ₹7,20,000
(C) ₹9,00,000
(D) ₹9,20,000

Ans. (B) ₹7,20,000



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W.N.:

Contribution required = 2,80,000 + 2,00,000 = ₹4,80,000

Sales = 1,00,000 × 12 = ₹12,00,000, Variable cost = 12,00,000 - 4,80,000 = ₹7,20,000

- 13. The sales and profit of a firm for the year 2016 are ₹1,50,000 and ₹20,000 and for the year 2017 are ₹1,70,000 and ₹25,000 respectively. The P/V Ratio of the firm is:**

- (A) 15%
- (B) 20%
- (C) 25%
- (D) 30%

Ans. (C) 25%

W.N.:

PV Ratio = Change in profit × 100 / Change in sales = 5,000 × 100 / 20,000 = 25%

- 14. Product A generates a contribution to sales ratio of 40%. Fixed cost directly attributable to Product A ₹60,000. The sales revenue required to achieve a profit of ₹15,000 is:**

- (A) ₹2,00,000
- (B) ₹1,85,000
- (C) ₹1,87,000
- (D) ₹2,10,000

Ans. (C) ₹1,87,500

- 15. PQR Ltd. manufactures a single product which it sells for ₹40 per unit. Fixed cost is ₹60,000 per year. The contribution to sales ratio is 40%. PQR Ltd.'s Break Even Point in units is:**

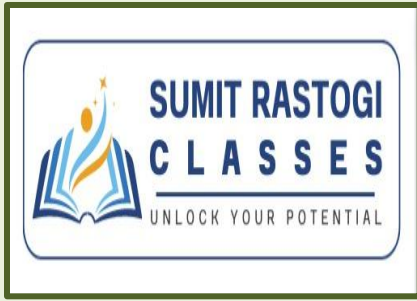
- (A) 3,500
- (B) 3,700
- (C) 3,750
- (D) 4,000

Ans. (C) 3,750

- 16. The break-even point of GOMIN LTD. is 3,20,000. The fixed cost is ₹1,28,000 and the variable cost per unit is ₹12. What will be the P/V Ratio?**

- (A) 30%
- (B) 40%
- (C) 45%
- (D) 50%

Ans. (B) 40%



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17. Which of the following factors are responsible for change in the breakeven point:

- (A) Change in fixed cost
- (B) Change in variable cost
- (C) Change in selling price
- (D) All of the above

Ans. (D) All of the above

18. The P/V Ratio of ABC Ltd. is 40%. The fixed cost is ₹32,000 and the variable cost per unit is ₹6. Breakeven point of the company is -

- (A) ₹64,000
- (B) ₹80,000
- (C) ₹1,28,000
- (D) ₹1,60,000

Ans. (B) ₹80,000

19. Difference between Sales and BEP is known as _____.

- (A) Contribution
- (B) Margin of Safety
- (C) Profit Volume Ratio
- (D) Operating Profit

Ans. (B) Margin of Safety

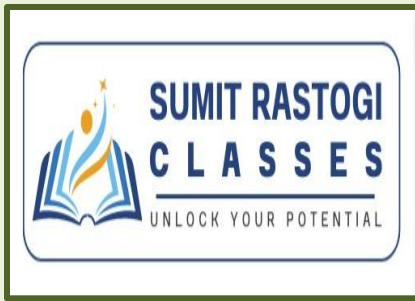
20. The following figures have been given for Profit and Sales from the accounts of ZEESLIN LTD.

YEAR	SALES (₹)	PROFIT (₹)
2011	2,00,000	20,000
2012	3,00,000	40,000

Calculate the sales required to earn a Profit of ₹50,000.

- (A) ₹50,000
- (B) ₹3,00,000
- (C) ₹3,50,000
- (D) ₹2,00,000

Ans. (C) ₹3,50,000



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21. Asheeka Ltd. has annual turnover of ₹200 lakh and an average C/S Ratio of 40%. It makes 10% profit on sales before charging depreciation and interest which amount to ₹10 lakh and ₹15 lakh respectively. What will be the Fixed Cost of Asheeka Ltd.?

- (A) ₹85 Lakhs
- (B) ₹25 Lakhs
- (C) ₹20 Lakhs
- (D) ₹50 Lakhs

Ans. (A) ₹85 Lakhs

22. Contribution earned on Break-even sales equal to _____ of the firm.

- (A) Variable Costs
- (B) Profit
- (C) Sales Revenue
- (D) Fixed Costs

Ans. (D) Fixed Costs

23. MENZ LTD. earned a profit of ₹3,00,000 during the year 2013-14. If the marginal cost and selling price of a product are ₹80 and ₹100 per unit respectively, find out the amount of 'Margin of Safety'.

- (A) ₹25,00,000
- (B) ₹20,00,000
- (C) ₹15,00,000
- (D) ₹10,00,000

Ans. (C) ₹15,00,000

24. SHRIJINI LTD. having a Margin of safety of 4 lakh makes a profit of 80,000. If it's fixed cost is 5 lakh, what will be Break-even Sales of SHRIJINI LTD.?

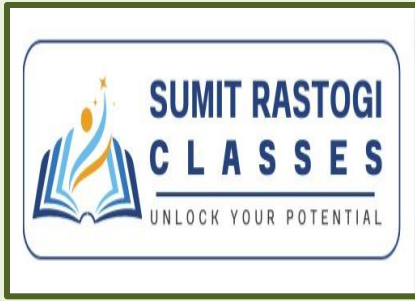
- (A) ₹25,00,000
- (B) ₹20,00,000
- (C) ₹15,00,000
- (D) ₹10,00,000

Ans. (A) ₹25,00,000

25. _____ Cost is the difference in total cost that results from two alternative courses of action.

- (A) Opportunity
- (B) Differential
- (C) Sunk
- (D) Marginal

Ans. (B) Differential



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26. Product Z has a P/V ratio of 28%. Fixed operating cost directly attributable to Product Z during the 2nd Quarter of the financial year will be ₹2,80,000. Calculate the Sales Revenue required achieving a quarterly profit of ₹70,000.

- (A) ₹11,80,000
- (B) ₹13,20,000
- (C) ₹12,50,000
- (D) ₹14,00,000

Ans. (C) ₹12,50,000

27. Given: Sales 2,00,000; Fixed Cost 40,000; BEP 1,60,000. Ascertain the profit.

- (A) ₹10,000
- (B) ₹50,000
- (C) ₹40,000
- (D) ₹60,000

Ans. (A) ₹10,000

28. If BEP is ₹39,00,000 at 65% level of sales and profit is ₹8,40,000 at 100% level of sales, find out the P/V ratio.

- (A) ₹10,000
- (B) ₹50,000
- (C) ₹40,000
- (D) ₹60,000

Ans. (A) ₹10,000

29. In a company, in 2015-16 sales a mountain to ₹40,00,000 as compared to ₹27,00,000 in 2014-15. Profits in 2014-15 were ₹2,80,000, which amounted to 35% of the profits of 2015-16. Calculate P/V ratio.

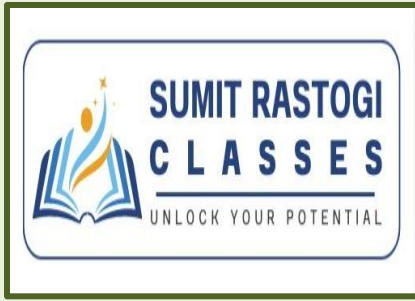
- (A) 50%
- (B) 40%
- (C) 20%
- (D) 30%

Ans. (B) 40%

30. Profit volume ratio _____ with increase in fixed cost (indicate the nature of change).

- (A) Increases
- (B) Becomes zero
- (C) Decreases
- (D) Constant

Ans. (D) Constant



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31. In the graph showing the angle of incidence, when the quantity is zero, the total cost line cuts the costs axis (y axis) at _____. (Indicate the value)

- (A) Fixed Cost
- (B) Variable Cost
- (C) Total Revenue
- (D) Contribution

Ans. (A) Fixed Cost

32. In absorption costing _____ is added to inventory.

- (A) Contribution
- (B) Variable Cost
- (C) Total Revenue
- (D) Fixed Cost

Ans. (D) Fixed Cost

33. At _____ contribution available is equal to total fixed cost.

- (A) Break-even point
- (B) Margin of Safety
- (C) Target Profit
- (D) Angle of Incidence

Ans. (A) Break-even point

34. Differential cost is the change in the cost due to change in _____ from one level to another.

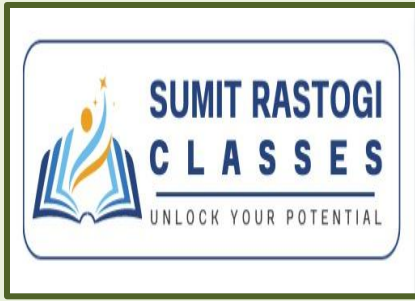
- (A) Selling Price
- (B) Profit
- (C) Activity
- (D) Cost

Ans. (C) Activity

35. Marginal Cost is the _____ of sales over contribution.

- (A) Sum
- (B) Product
- (C) Difference
- (D) Excess

Ans. (D) Excess



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36. Profit volume ratio _____ with increase in fixed cost.

- (A) Increase
- (B) Constant
- (C) Decrease
- (D) Double

Ans. (B) Constant

37. Fixed cost is ₹30,000 and P/V ratio is 20%. Compute break-even point.

- (A) ₹20,000
- (B) ₹1,00,000
- (C) ₹60,000
- (D) ₹1,50,000

Ans. (D) ₹1,50,000

38. The amount of sales of a product is ₹1,00,000. Its variable cost is ₹40,000 and fixed cost is ₹50,000. The amount of BEP sales will be _____.

- (A) ₹60,000
- (B) ₹50,000
- (C) ₹83,333
- (D) ₹90,000

Ans. (C) ₹83,333

39. A company maintains a margin of safety of 30% when P/V ratio is 20%, and Profit is _____ of Sales.

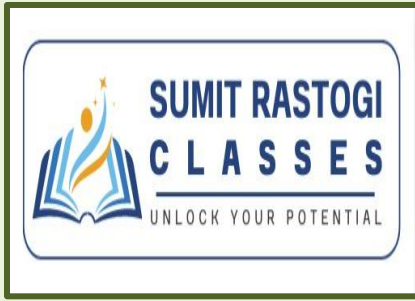
- (A) 5%
- (B) 3%
- (C) 6%
- (D) 4%

Ans. (C) 6%

40. ZOM Ltd. Earned a profit of 80,000 during the month of August. If the selling price and marginal cost of the product are 10 and 6 per unit respectively, what will be the amount of Margin of Safety (MOS)?

- (A) ₹4,00,000
- (B) ₹3,00,000
- (C) ₹1,00,000
- (D) ₹1,25,000

Ans. (C) ₹2,00,000



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41. In the Break-even chart, x-axis represents _____.

- (A) Volume
- (B) Sale Value
- (C) Costs
- (D) Profit

Ans. (C) ₹2,00,000

42. Product 'X' generates a contribution to sales of 40%. Fixed costs directly attributable to 'X' amounts to 60,000 per month. The sales required to achieve a monthly profit of 12,000 will be:

- (A) ₹1,87,500
- (B) ₹2,00,000
- (C) ₹1,65,000
- (D) ₹1,80,000

Ans. (D) ₹1,80,000

43. RONO Ltd. maintains a Margin of Safety (MOS) of 25% on current sales and earns a profit of ₹30 lakhs per annum. If the company has a profit volume (P/V) ratio of 40%, its current sales amount to:

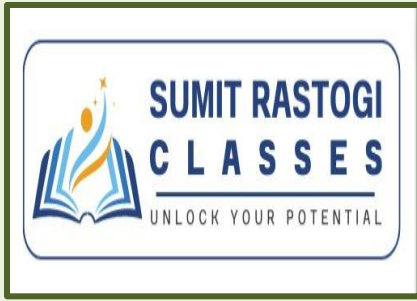
- (A) ₹200 Lakhs
- (B) ₹250 Lakhs
- (C) ₹300 Lakhs
- (D) ₹325 Lakhs

Ans. (C) ₹300 Lakhs

44. Jolly Ltd. manufactures a student level fountain pen and sale each pen 40 per unit. The variable cost of each fountain pen is 22 and the fixed cost for a month b is 16,000. The company wishes to earn a target profit of 20,000 for the month In the above situation sales volume (in units) required is _____.

- (A) 1,500 Units
- (B) 1,800 Units
- (C) 2,000 Units
- (D) 2,400 Units

Ans. (C) 2,000 units



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45. When margin of safety is 20 % and P.V ratio is 60%, the profit will be _____.

- (A) 10%
- (B) 12%
- (C) 30%
- (D) 20%

Ans. (B) 12%

46. An increase in selling price _____.

- (A) Increase the BEP
- (B) Decrease the BEP
- (C) Increase the variable cost per unit
- (D) Does not affect the BEP

Ans. (B) Decrease the BEP

47. SM Ltd. manufactures product 'Z' and sells @₹80 per unit. The variable cost of each product 'Z' is 60 and the fixed cost for a month is 17,000 The company wishes to earn a target profit of ₹15,000 for the month.

In the above situation, sales volume (in units) required is

- (A) 1,000 units
- (B) 1,500 units
- (C) 1,600 units
- (D) 2,000 units

Ans. (C) 1,600 units

W.N.:

Contribution per unit = 80 - 60 = 20 Sales to earn profit of 15,000
= (17,000 + 15,000)/20 = 1,600 units

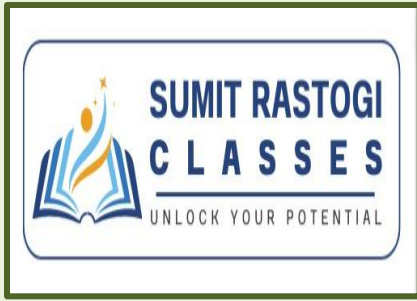
48. The sales amount of product 'R' is 2,00,000. Its variable cost is 80,000 and fixed cost is ₹50,000. The amount of BEP sales will be

- (A) ₹50,000
- (B) ₹60,000
- (C) 83,333
- (D) ₹90,000

Ans. (C) 83,333

W.N.:

Contribution = 2,00,000 - 80,000 ₹1,20,000 PV Ratio = $1,20,000 \times 100 / 2,00,000 = 60\%$
BEP Sales = 50,000/60% = ₹83,333

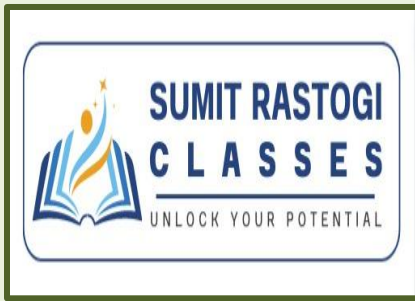


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49. Fixed Costs are also known as

- (A) Prime Costs**
- (B) Direct Costs**
- (C) Period Costs**
- (D) Conversion Costs**

Ans. (C) Period Costs



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CHAPTER - 14: STANDARD COSTING

1. The standard and actual data for product 'MNP' are given as under: standard 40 hours @₹20 per hour. Actual 45 hours @₹22 per hour, so labour efficiency variance is:
- (A) ₹90 Adverse
(B) ₹100 Favourable
(C) ₹90 Favourable
(D) ₹100 Adverse

Ans. (D) ₹100 Adverse

W.N.:

Labour Efficiency variance = (SH - AH) × SR
= (40 - 45) Hrs. × ₹20 = (-) 5Hrs. × 20 = ₹100 Adverse

2. The standard wage rate is ₹40 per hour, Actual wage rate is ₹45 per hour, standard time is 500 hours and actual hours worked is 480 hours. If wages paid for 505 hours, then labour idle time variance will be;
- (A) ₹200 (A)
(B) ₹1,125 (A)
(C) ₹1,000 (A)
(D) ₹225 (F)

Ans. (C) ₹1000 (A)

W.N.:

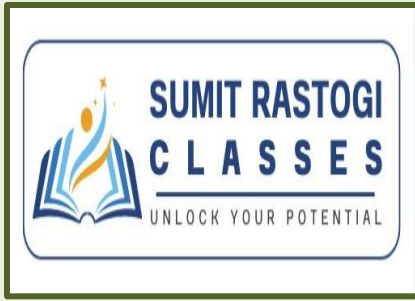
Idle Time Variance = Idle Hours × Std. Hourly Rate = (505 - 480) × 40 = ₹1000 (A)

3. During the month of March, 560 kg. of material was purchased at a total cost of ₹15,904. The stock of material increased by 15 kg. It is the company's policy to value the stocks at standard purchase price. If the material price variance was ₹224 (A), the standard price per kg. of material is:
- (A) ₹28.40
(B) ₹28.80
(C) ₹28.00
(D) ₹29.20

Ans. (C) ₹28.00

W.N.:

Materials Price Variance = (Std. Price - Actual Price) × Actual Quantity
-224 = (Std. Price - [15,904/560]) × 560
-0.40 = Std. Price - 28.40
Std. price = 28.40 - 0.40 = ₹28.00



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4. A certain process needed standard labour of 24 skilled labour hours and 30 unskilled labour hours at ₹60 and 40 respectively as the standard labour rates. Actually, 20 and 25 labour hours were used at ₹50 and 50 respectively. Then, the labour mix variance will be:
- (A) Adverse
 - (B) Favorable
 - (C) Zero
 - (D) Favorable for skilled and unfavorable for unskilled

Ans. (C) Zero

5. In cost accounting, purpose of variance analysis is to:
- (A) Understand reasons for variances.
 - (B) Take remedial measures.
 - (C) Improve future performance.
 - (D) All of the above.

Ans. (D) All of the above

6. Standard quantity of material for one unit output is 10 kg. @₹8 per/kg. Actual output during a given period is 600 units. The standard quantity of material for actual output is:
- (A) 1200 kg
 - (B) 6000 kg
 - (C) 4800 kg
 - (D) 48000 kg

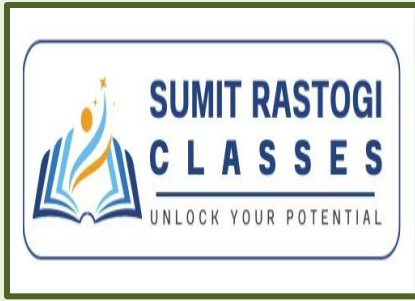
Ans. (B) 6000 kg

W.N.:

Standard Quality = $600 \times 10 = 6,000$ kg

7. The management's time is saved by reporting only the deviations from the predetermined standards is called:
- (A) Management by objectives
 - (B) Budgetary Control
 - (C) Standard Costing
 - (D) Management by Exception

Ans. (D) Management by Exception



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8. During a period 13600 labour hours were worked at a standard rate of ₹8 per hour. The direct labour efficiency variance was ₹8,800 (Adv.). How many standard hours were produced?
- (A) 12,000 hours
(B) 12,500 hours
(C) 13,000 hours
(D) 13,500 hours

Ans. (B) 12,500 hours

9. The difference between hours paid and hours worked is known as:
- (A) Labour rate variance
(B) Labour efficiency variance
(C) Idle time variance
(D) Net efficiency variance

Ans. (C) Idle time variance

10. During a period 2560 labour hours were worked at a standard rate of ₹7.50 per hour. The direct labour efficiency variance was ₹825 (A). How many standard hours were produced?
- (A) 2400
(B) 2450
(C) 2500
(D) 2550

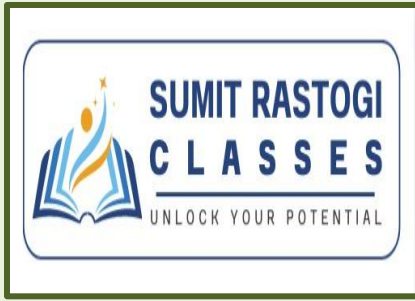
Ans. (B) 2450

W.N.:

Labour Efficiency Variance = Std. Rate (Std. Hours - Actual Hours)
 $-825 = 7.5 (\text{Std. Hours} - 2,560)$, $-110 = \text{Std. Hours} - 2,560$, $\text{Std. Hours} = 2,450$

11. From cost control point of view the standard 'most commonly used is:
- (A) Theoretical standard
(B) Expected standard
(C) Normal standard
(D) Basic standard

Ans. (B) Expected standard



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12. A favorable material price variance coupled with an unfavorable material usage variance would most likely result from
- (A) Changes in the product mix
 - (B) Problems with processing machines
 - (C) The purchase of low-quality materials
 - (D) Problems with labour efficiency

Ans. (C) The purchase of low quality materials

13. In a factory of ZINB Ltd. operating Standard Costing System, 2000 kgs of a material @₹12 per kg were used for a Product, resulting in Material Cost variance of ₹3000 (FAV). The standard material cost of actual production is
- (A) ₹30,000
 - (B) ₹27,000
 - (C) ₹24,000
 - (D) ₹25,000

Ans. (B) ₹27,000

W.N.:

Material Cost Variance = Std. Cost - Actual Cost

3000 = Std. Cost - 2000 x 12, 3000 = Std. Cost - 24,000, Std. Cost = 27,000

14. In a factory of PERT LTD. where standard costing was followed, 4,000 kgs of materials at 15 per kg. were consumed resulting in Material Cost Variance of 1,000 (Adv.) The Standard Material Cost of Actual Production was:
- (A) 61,000
 - (B) 60,000
 - (C) 59,000
 - (D) None of the above

Ans. (B) 60,000

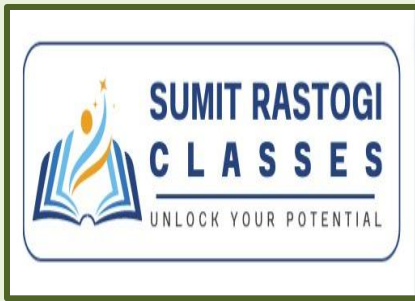
W.N.:

Material cost Variance = Standard cost - Actual Cost

-1000 = Standard cost - (4000 x 15), Standard cost = ₹60,000

15. Standard hours for 100 units of output are 800 @₹4 per/hours and actual hours taken are 760 @₹4.50 per hour. What is the labour rate variance?
- (A) ₹480 (Adverse)
 - (B) ₹400 (Adverse)
 - (C) ₹380 (Adverse)
 - (D) ₹100 (Favorable)

Ans. (C) ₹380 (Adverse)



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

- (A) ₹400 (Adverse)
- (B) ₹400 (Favorable)
- (C) ₹1,040 (Adverse)
- (D) ₹1040 (Favorable)

Ans. (A) ₹400 (Adverse)

17. Where there are two raw materials A and B, and the total material mix variance is favourable and if A has a Favourable mix variance, then B will have a mix variance that is _____.

- (A) Favourable
- (B) Adverse
- (C) Zero
- (D) Constant

Ans. (B) Adverse

18. In a factory of ARITAN LTD. operating Standard Costing System, 2,000 kgs. of a material @₹12 per kg. were used for a product, resulting in price variance of ₹6,000 (FAV) and usage of ₹3,000 (ADV). What is the standard material cost of actual production of a product?

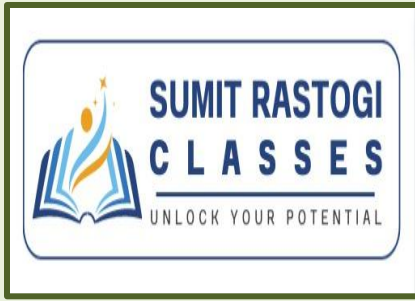
- (A) ₹27,000
- (B) ₹25,000
- (C) ₹24,000
- (D) ₹26,000

Ans. (A) ₹27,000

19. Material usage Variance is the sum of _____ and _____.

- (A) Material Price Variance and Material Yield Variance
- (B) Material Mix Variance and Material Yield Variance
- (C) Material Cost Variance and Material Price Variance
- (D) Material Mix Variance and Material Price Variance

Ans. (B) Material Mix Variance and Material Yield Variance



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20. Sum of material price variance and material usage Variance is equal to _____ variance.

- (A) Variable Costs
- (B) Fixed Costs
- (C) Standard Costs
- (D) Material Costs

Ans. (D) Material Costs

21. Idle time variance is always _____.

- (A) Favourable
- (B) Adverse
- (C) Zero
- (D) Constant

Ans. (B) Adverse

22. In a factory of ASHLIN LTD., where Standard Costing System is followed, the production department consumed 1100 kgs., of a material @8 per kg. for Product-A resulting in material price variance of ₹2,200 (FAV) and material usage variance of ₹1,000 (ADV). What is the Standard Material Cost of Actual Production of a Product-A?

- (A) ₹22,000
- (B) ₹18,000
- (C) ₹10,000
- (D) ₹12,000

Ans. (C) ₹10,000

23. Following details relating to product X during the month of April are available:

Standard cost per unit of X:

Materials: 50 kg. at ₹40/kg.

Actual production: 100 units.

Material Price Variance = ₹9,800 (Adverse)

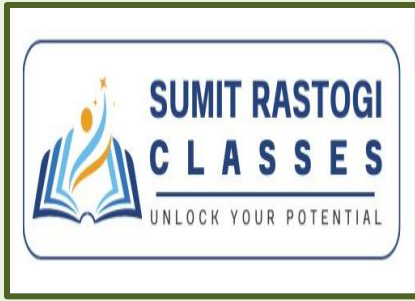
Actual Materials cost: ₹42/kg.

Material Usage variance = ₹4,000 (Favourable)

Calculate the actual quantity of materials used during the month of April.

- (A) 4,900 kg
- (B) 4,000 kg
- (C) 9,800 kg
- (D) 4,500 kg

Ans. (A) 4,900 kg.



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24. Standard cost of material for output of 2,600 units is ₹71,500 and actual output is 2,550 units. If material mix variance is ₹1,095 adverse, find out Material Usage Variance.

- (A) ₹2,470 (Fav.)
- (B) ₹2,550 (Fav.)
- (C) ₹2,550 (Adv.)
- (D) ₹2,470 (Adv.)

Ans. (D) ₹2,470 (Adv.)

25. In standard cost _____ norm is applied as a scale of reference for assessing actual cost to serve as a basis of cost control.

- (A) Pre-determined
- (B) Estimated
- (C) Ideal
- (D) Historical

Ans. (A) Pre-determined

26. When actual cost is less than the standard cost, it is known as _____ variance.

- (A) Unfavourable
- (B) Cost
- (C) Favourable
- (D) Adverse

Ans. (C) Favourable

27. Historical costing uses post period costs while standards, costing uses _____ costs.

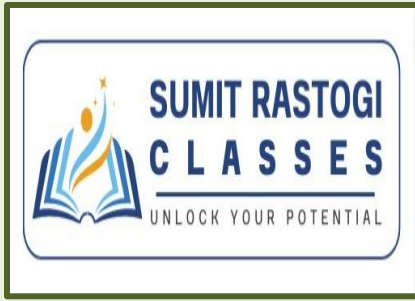
- (A) Historical
- (B) Actual
- (C) Variable
- (D) Pre-determined

Ans. (D) Pre-determined

28. A labour cost standard is based on estimates of the _____ to produce a unit of product and the cost of labour per unit.

- (A) Material Quantity Required
- (B) Machine Efficiency
- (C) Labour Hours Required
- (D) Output Capacity

Ans. (C) Labour Hours Required



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29. Standard Costing is one of the _____ techniques.

- (A) Costing
- (B) Cost Control
- (C) Budgetary Control
- (D) Marginal Costing

Ans. (B) Cost Control

30. Cost Variance is the difference between _____.

- (A) Standard Cost and Actual Cost
- (B) Selling Price and Cost Price
- (C) Budgeted Cost and Actual Cost
- (D) Fixed Cost and Variable Cost

Ans. (A) Standard Cost and Actual Cost

31. A factory of ZINITH Ltd. operates a Standard Costing System, where 1500 kgs. of Raw materials @ 20 per kg. were used for a product resulting in Price variance of ₹6000 (FAV). What will be the Standard Cost of raw materials per kg?

- (A) ₹20
- (B) ₹24
- (C) ₹26
- (D) ₹22

Ans. (B) ₹24

32. _____ is caused due to the poor working conditions.

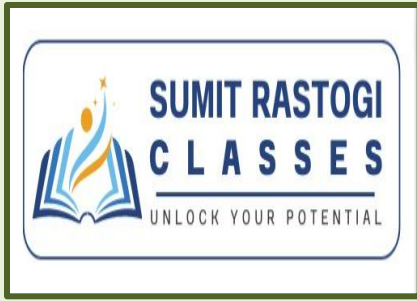
- (A) Labour Rate Variance
- (B) Labour Cost Variance
- (C) Labour Idle Time Variance
- (D) Labour Efficiency Variance

Ans. (D) Labour Efficiency Variance

33. In a factory of BANS LTD. where standard costing was followed, during a period actual 2,500 hours were worked at a standard rate of 8 per hour. The Direct labour efficiency variance was 800 (Adv.). How many standard hours produced?

- (A) 2,670 hours
- (B) 2,600 hours
- (C) 2,400 hours
- (D) 2,200 hours

Ans. (C) 2,400 hours



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34. If standard hours for 100 units of output are 800 @4 per hour and actual hours taken are 7600 ₹4.50 per hour, then the Labour Rate Variance is:

- (A) ₹480 (Adv.)
- (B) ₹400 (Adv.)
- (C) ₹380 (Adv.)
- (D) ₹100 (Fav.)

Ans. (C) ₹380 (Adv.)

35. In the year 2023-24, X & Co. used 2,820 kg of material at a total standard cost of ₹11,562. The material usage variance was 123 (Favourable). In the above case, Standard Weight of Material (SQ) for the period is:

- (A) 2,900 kg.
- (B) 2,850 kg.
- (C) 3,048 kg.
- (D) 2,648 kg.

Ans. (B) 2,850 kg.

36. In the factory of ZAN Ltd. where standard costing is followed, 4,000 kg. of materials at 10 per kg. were actually consumed resulting in materials price variance of ₹2,000 (Adv.). What will be the standard cost of material per kg.?

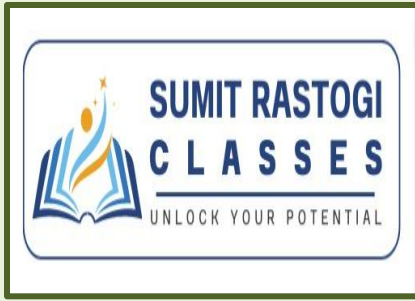
- (A) ₹10.50
- (B) ₹9.50
- (C) ₹9.00
- (D) None of the above

Ans. (B) ₹9.50

37. Which of the following would not be used to estimate standard direct material price?

- (A) Purchase contracts already agreed
- (B) The forecast movement of prices in the market
- (C) The availability of bulk purchase discounts
- (D) Performance standards in operation

Ans. (D) Performance standards in operation



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38. The operations to produce a unit of product R require 9 hours. Budgeted idle time of 10% of total hours paid for is to be incorporated into the standard times for all product. The wage rate is 16 per hour. The standard labour cost of one unit of product R is _____.

- (A) ₹129.60
- (B) ₹144
- (C) ₹158.40
- (D) ₹160

Ans. (D) ₹160

39. _____ variance is the difference between the standard cost of materials specified and the actual cost of materials used.

- (A) Material Cost
- (B) Material Price
- (C) Material Usage
- (D) Material Yield

Ans. (A) Material Cost

40. The operations to produce a unit of product M require 9 active hours. Budgeted idle time 10% of total hours paid for is to be incorporated into the standard times for all products. The wage rate is 8 per hour. The standard labour cost of one unit of product M is

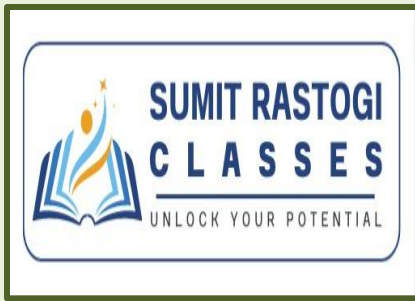
- (A) ₹20.00
- (B) ₹72.00
- (C) ₹79.20
- (D) ₹80.00

Ans. (D) ₹80.00

W.N.:

Standard Time = $9 \text{ hours} \times 100/90 = 10 \text{ hours}$

Standard Labour Cost = $10 \times ₹8 = ₹80$



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CHAPTER - 15: BUDGETARY CONTROL

1. In a company, opening stock of material was 14,000 units, closing stock required to be maintained. 14,000 units and sale is expected to be maintained at 28,000 units, what would be the production units during the period?

(A) 56,000
(B) 14,000
(C) 28,000
(D) 30,000

Ans. (C) 28,000

W.N.:

Expected sale during the period	= 28,000 Units
Closing stock to be maintained	= 14,000 Units
Less: Opening Stock	= 14,000 Units
Unit Production to be carried out	= 28,000 Units

2. Akash Ltd. Is preparing its cash budget for the period. Sales are expected to be ₹1,00,000 in April, 2016; ₹2,00,000 in May, 2016; ₹3,00,000 in June, 2016 and ₹1,00,000 in July, 2016. Half of all sales are cash sales and the other half are on credit. Experience indicates that 70% of the credit sales will be collected in the month following the sale, 20% the month after that and, 10% in the third month after the sale. The budgeted collection for the month of July, 2016 is:

(A) ₹1,30,000
(B) ₹1,80,000
(C) ₹2,60,000
(D) ₹3,60,000

Ans. (B) ₹1,80,000

W.N.:

Collection from July 2016:

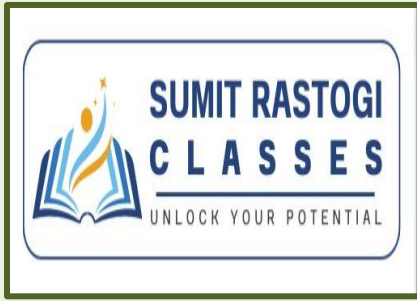
Cash sales will be half of total sales or ₹50,000

From April 50,000 of credit sales, collection should be 10% or ₹5,000

From May 1,00,000 of credit sales, collection should be 20% or ₹20,000

From June 1,50,000 of credit sales, collection will be 70% or ₹1,05,000

Thus, total collections will amount to (50,000 + 5,000 + 20,000 + 1,05,000)
= ₹1,80,000



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3. If an organization has all the resources, it needs for production, then the principal budget factor is most likely to be:

- (A) Non-existing
- (B) Sales demand
- (C) Raw materials
- (D) Labour supply

Ans. (B) Sales Demand

4. Which one of the following is not to be considered for preparing production budget?

- (A) The production plan of the organization
- (B) The Sales Budget
- (C) Research and Development Budget
- (D) Availability of Raw Materials.

Ans. (C) Research and Development Budget

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

- (A) More motivated managers
- (B) Enhanced co-ordination of firm activities
- (C) Improved inter-departmental communication
- (D) More accurate external financial statements

Ans. (D) More accurate external financial statements

6. The main objective of budgetary control is:

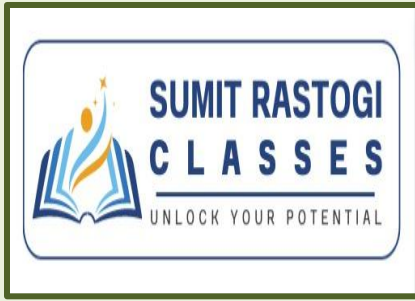
- (A) to define the goal of the firm
- (B) to coordinate different departments
- (C) to plan to achieve its goals
- (D) All of the above

Ans. (B) to coordinate different departments

7. Sales budget is an example of:

- (A) Expenditure budget
- (B) Functional budget
- (C) Capital budget
- (D) Master budget.

Ans. (B) Functional budget



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8. Revision of budgets is:

- (A) Unnecessary
- (B) Cannot determine
- (C) Necessary
- (D) Inadequate data

Ans. (C) Necessary

9. Which of the following is a long-term Budget?

- (A) Master Budget
- (B) Production Budget
- (C) Flexible Budget
- (D) Capital Budget

Ans. (D) Capital Budget

10. In a system whereby all activities are revaluated each time a budget is formulated and starts with the assumption that requirement of funds does not exist is called:

- (A) Performance Budgeting
- (B) Programme Budgeting
- (C) Flexible Budgeting
- (D) Zero-based Budgeting

Ans. (D) Zero-based Budgeting

11. Cash Budget of ABC Ltd. Forewarns of a short-term surplus. Which of the following would be appropriate action to be taken in such a situation?

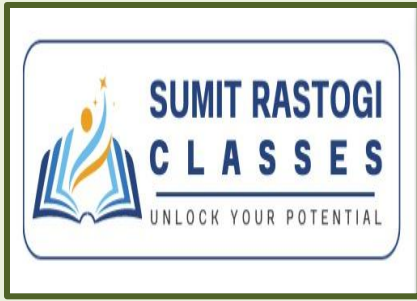
- (A) Purchase new fixed assets
- (B) Repay long-term loans
- (C) Write off preliminary expense
- (D) Pay creditors early to obtain a cash discount

Ans. (D) Pay creditors early to obtain a cash discount

12. In a system whereby all activities are re-evaluated each time a budget is formulated and starts with assumption that requirement of fund does not exist is called:

- (A) Performance Budgeting
- (B) Programme Budgeting
- (C) Flexible Budgeting
- (D) Zero-based Budgeting

Ans. (D) Zero-based Budgeting



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13. The fixed-variable cost classification has a special significance in the preparation of:

- (A) Cash Budget
- (B) Master Budget
- (C) Flexible Budget
- (D) Capital Budget

Ans. (C) Flexible budget

14. A budget that gives a summary of all the functional budget and projected profit and loss A/c is known as:

- (A) Master Budget
- (B) Flexible Budget
- (C) Performance Budget
- (D) Discretionary Budget

Ans. (A) Master Budget

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

- (A) Capital Expenditure Budget
- (B) Production Schedule
- (C) Operating Expenses Budget
- (D) All of these

Ans. (B) Production Schedule

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

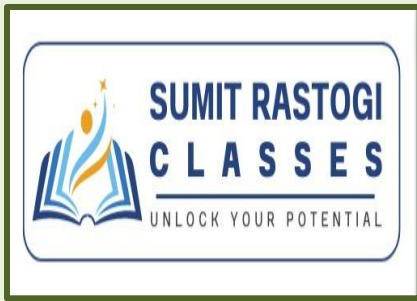
- (A) Sales budget
- (B) Cash budget
- (C) Research and Development budget
- (D) Capital expenditure budget

Ans. (D) Capital expenditure budget

17. The cost per unit of a product manufactured in a factory of ZENION LTD. amounts to ₹160 (75% variable) when production is 10,000 units. If the production increases by 25% what would be the cost of production per unit?

- (A) ₹152
- (B) ₹160
- (C) ₹120
- (D) ₹150

Ans. (A) ₹152



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18. The total production cost of HORIZON LTD. for making 6000 units is ₹35,000 and the total production cost for making 15000 units is ₹69,000. Once the production exceeds 10000 units additional fixed costs of ₹7,000 are incurred. What will be the full production cost per unit for making 12000 units?

- (A) ₹3 per unit
- (B) ₹2 per unit
- (C) ₹5 per unit
- (D) ₹6 per unit

Ans. (C) ₹5 per unit

19. A series of fixed budgets prepared for different levels of activity is known as _____ budget.

- (A) Master
- (B) Flexible
- (C) Cash
- (D) Production

Ans. (B) Flexible

20. In a factory repairs and maintenance expenses were ₹1,50,000 at 60% capacity level out of these 40% was fixed. Calculate the repairs and maintenance expenses for the capacity level of 80%.

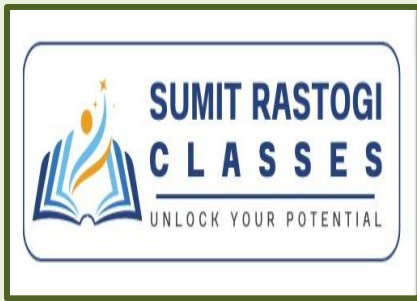
- (A) ₹1,80,000
- (B) ₹1,50,000
- (C) ₹1,20,000
- (D) ₹90,000

Ans. (A) ₹1,80,000

21. The budgeted annual sales of a firm are ₹80 lakhs and 25% of the sales are cash sales. If the average amount of debtors of the firm is ₹5 lakhs, what will be the average collection period of credit sales?

- (A) 5 Month
- (B) 3 Month
- (C) 1 Month
- (D) 2 Month

Ans. (C) 1 Month



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22. If the fixed cost per unit is ₹40 at 40% level of capacity what should be fixed cost per unit at 80% level of capacity?

- (A) ₹40
- (B) ₹80
- (C) ₹10
- (D) ₹20

Ans. (D) ₹20

23. The budgeted cost for repairs and maintenance at 30000 and at 33000 units levels are ₹1,45,000 and ₹1,54,000 respectively. If 35000 units are to be produced, how much amount should be budgeted for repairs and maintenance?

- (A) ₹1,45,000
- (B) ₹1,60,000
- (C) ₹1,54,000
- (D) ₹1,50,000

Ans. (B) ₹1,60,000

24. The document which describes the budgeting organization budgeting procedure etc. is known as_____.

- (A) Budget Manual
- (B) Master Budget
- (C) Cash Budget
- (D) Production Budget

Ans. (A) Budget manual

25. The principal budget factor for consumer goods manufacturer is normally _____.

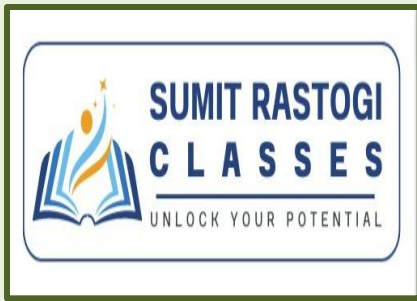
- (A) Sales Demand
- (B) Production capacity
- (C) Availability of Raw Materials
- (D) Availability of Labour

Ans. (A) Sales Demand/Market Demand/Lack of demand

26. _____ is the summary of all functional budgets.

- (A) Master Budget
- (B) Production Budget
- (C) Cash Budget
- (D) Flexible Budget

Ans. (A) Master Budget



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27. _____ leads to budgeting and budgeting leads to budgetary control.

- (A) Planning
- (B) Forecasting
- (C) Organizing
- (D) Directing

Ans. (B) Forecasting

28. Recording of actual performance is a step in _____.

- (A) Budgetary Control
- (B) Budget Preparation
- (C) Cost Accounting
- (D) Financial Accounting

Ans. (A) Budgetary Control

29. All current or proposed programs, listed out in a Zero-based Budget are known as _____.

- (A) Cost Centres
- (B) Profit Centres
- (C) Decision Packages
- (D) Budget Centres

Ans. (C) Decision Packages

30. The Cost per unit of a product manufactured in a factory of BOT Ltd. amounts to 150 (80% variable) when production is 10000 units. If production is increased by 25%. What will be the cost of product per unit?

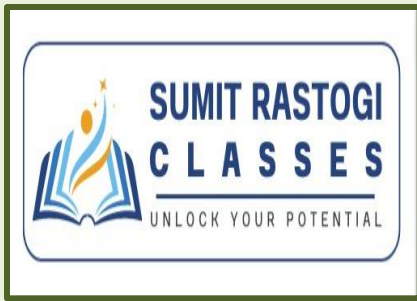
- (A) ₹138
- (B) ₹140
- (C) ₹144
- (D) ₹150

Ans. (C) ₹144

31. A flexible budget recognizes the behaviour of _____ and _____ costs.

- (A) Fixed costs and Variable costs
- (B) Direct costs and Indirect costs
- (C) Historical costs and Standard costs
- (D) Product costs and Period costs

Ans. (A) Fixed costs and Variable costs



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32. _____ is a system for reporting revenue and cost information to the individual responsible for the revenue-causing and/or cost incurring function.

- (A) Standard Costing
- (B) Budgetary Control
- (C) Responsibility Accounting
- (D) Financial Accounting

Ans. (C) Responsibility Accounting

33. _____ is a document which contains standing instructions regarding the procedure to be followed at the time of budget preparation.

- (A) Budget Manual
- (B) Budget Report
- (C) Cost Sheet
- (D) Cash Budget

Ans. (A) Budget Manual

34. The Budget that is prepared first of all is:

- (A) Master Budget
- (B) Budget with key factor
- (C) Cash Budget
- (D) Capital Expenditure Budget

Ans. (B) Budget with key factor

35. Which of the following budget recognizes the difference between fixed, semi-fixed and variable cost and is designed to change in relation to the change in level of activity?

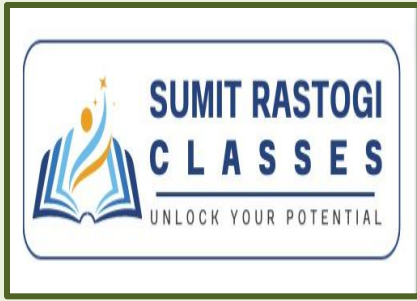
- (A) Master Budget
- (B) Flexible Budget
- (C) Operational Budget
- (D) Activity Budget

Ans. (B) Flexible Budget

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

- (A) More motivated managers
- (B) Improved inter-departmental communication
- (C) Enhanced coordination of firm activities
- (D) More accurate external financial statements

Ans. (D) More accurate external financial statements



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37. The difference between fixed and variable cost has very importance in the preparation of _____.

- (A) Fixed Budget Manual**
- (B) Flexible Budget**
- (C) Master Budget**
- (D) Cash Budget**

Ans. (B) Flexible Budget

38. _____ is a factor whose influence affects all other budgets.

- (A) Key Factor**
- (B) Production**
- (C) Sales**
- (D) Finance**

Ans. (A) Key Factor

39. Which of the following Budgets facilitates classification of fixed and variable cost?

- (A) Cash Budget**
- (B) Flexible Budget**
- (C) Raw Material Budget**
- (D) Capital Expenditure Budgets?**

Ans. (B) Flexible Budget