1. Define: Marginal Cost
    - In economics, marginal cost is the change in the total cost that arises when the quantity produced is incremented by one unit; that is, it is the cost of producing one more unit of a good
2. Define: Product Cost
    - **Product cost** refers to the **costs** incurred to create a **product**. These **costs** include direct labor, direct materials, consumable **production** supplies, and factory overhead.
3. Define: Period Cost
    - A **period cost** is any **cost** that cannot be capitalized into prepaid expenses, inventory, or fixed assets.
4. Define: Opportunity Cost
    - the loss of potential gain from other alternatives when one alternative is chosen
5. Define: Fixed Cost
    - A **fixed cost** is a **cost** that **does** not change with an increase or decrease in the number of goods or services produced or sold.
6. Define: Variable Cost
    - A **variable cost** is a corporate expense that changes in proportion to production output.
7. Define: Semi Variable Cost
    - A **semi-variable cost** is a **cost** that contains both fixed and **variable cost** elements
8. Define: Discretionary Cost
    - A **discretionary cost** is a **cost** or capital **expenditure** that can be curtailed or even eliminated in the short term without having an immediate impact on the short-term profitability of a business.
9. Define: Imputed Cost
    - An imputed cost is a cost that is incurred by virtue of using an asset instead of investing it or undertaking an alternative course of action.
10. Define: Explicit Cost:
    - An explicit cost is a direct payment made to others in the course of running a business, such as a wage, rent, and materials, as opposed to implicit costs, where no actual payment is made.
11. Define: Standard Cost
    - A **standard cost** is an estimated expense that normally occurs during the production of a product or performance of a service.
12. What is Cost Accounting?
    - Cost accounting is defined as "a systematic set of procedures for recording and reporting measurements of the cost of manufacturing goods and performing services in the aggregate and in detail.
13. What is Management Accounting?
    - In management accounting or managerial accounting, managers use the provisions of accounting information in order to better inform themselves before

they decide matters within their organizations, which aids their management and performance of control functions.

14. What is Normal Loss?
    - **Normal loss** is the **loss** that occurs due to the nature of the goods consigned.
15. What is Abnormal Loss?
    - An **abnormal loss** refers to a situation where a business or firm is making profits below the normal limits.
16. What is Abnormal Gain?
    - Meaning Of **Abnormal Gain** More output over the expected or normal output realized is called an **abnormal gain**
17. Define: Job Costing
    - Job costing is accounting which tracks the costs and revenues by "job" and enables standardized reporting of profitability by the job.
18. Define: Batch Costing
    - **Batch costing** is another form of job **costing**. Under this method, homogeneous products are taken as **a cost** unit.
19. Define: Process Costing
    - Process costing is an accounting methodology that traces and accumulates direct costs and allocates indirect costs of a manufacturing process.
20. Define: Operating Costing
    - Operating costs are the expenses which are related to the operation of a business, or to the operation of a device, component, piece of equipment or facility.
21. Define: Marginal Costing
    - marginal cost is the change in the total cost that arises when the quantity produced is incremented by one unit; that is, it is the cost of producing one more unit of a good.
22. What is Standard Costing?
    - **Standard Costing** is a **costing** method that is used to compare the **standard costs** and revenues with the actual results, in order to arrive at the variances along with its causes, to inform the management about the deviations and take corrective measures, for its improvement.
23. What is Budgetary Control?
    - **Budgetary control** is the process of determining various actual results with budgeted figures for the enterprise for the future period and standards set then comparing the budgeted figures with the actual performance for calculating variances if any.
24. What is Absorption Costing?
    - **Absorption costing** is a cost accounting **method** for valuing inventory. **Absorption costing** includes or “absorbs” all the costs of manufacturing a product including both fixed and **variable** costs.
25. Give the formula of Break-Even Point in Units
    - **Break-Even point** (sales **dollars**) = Fixed Costs ÷ Contribution Margin.

26. What is By-Product?
    - A by-product or byproduct is a secondary product derived from a production process, manufacturing process, or chemical reaction; it is not the primary product or service being produced.
27. What is a Joint Product?
    - A joint product is a product that results jointly with other products from processing a common input.
28. What is Relevant Cost?
    - A relevant cost is a cost that differs between alternatives being considered.
29. What is Sunk Cost?
    - A **sunk cost** is a **cost** that an entity has incurred, and which it can no longer recover.
30. What is the Cost Centre?
    - A **cost center** is a department or function within an organization that **does** not directly add to profit but still **costs** the organization money to operate.
31. What is the Cost Unit?
    - The unit cost is the price incurred by a company to produce, store and sell one unit of a particular product.
32. What is the Cost Object?
    - A cost object is a term used primarily in cost accounting to describe something to which costs are assigned.
33. Define Overhead.
    - Overheads are the expenditure which cannot be conveniently traced to or identified with any particular cost unit, unlike operating expenses such as raw material and labor.
34. State types of overheads
    - Fixed overhead costs
    - Variable overhead costs
    - Semi-Variable overhead costs
35. What ABC System of Inventory Control?
    - **ABC** method of **inventory control** involves a **system** that **controls inventory** and is used for materials and throughout the distribution **management**.
36. What is the Perpetual System of Inventory Accounting?
    - **Perpetual inventory** is a method of accounting for **inventory** that records the sale or purchase of **inventory** immediately through the use of computerized point-of-sale **systems** and enterprise asset management software
37. What is Economic Order Quantity? (EOQ)
    - The **economic order quantity** is the optimum **quantity** of an item to be purchased at one time in **order** to minimize the combined annual costs of **ordering** and carrying the item in inventory.
38. Calculate EOQ: 50 items required every day for a machine. A fixed cost of Rs.50 for placing an order. The inventory carrying cost per item amounts to Rs.0.02 per day. Assume 365 days.

- Economic order quantity = $\sqrt{\frac{2CO}{I}}$

  Where C= Annual Requirement per unit
  O= Cost Per Order
  I= Carrying cost per unit per annum

  For this sum
  C= 50 item per day so 50*365= 18250
  O= Cost per order is 50Rs.
  I = Carrying cost 0.02 per day so 0.02*365= 7.30

  EOQ = $\sqrt{\frac{2CO}{I}}$
  $= \sqrt{\frac{2*18250*50}{7.30}}$
  $= \sqrt{250000}$
  = 500

39. Find Inventory Turnover Ratio : Op .Stock Rs.90000, Purchases Rs.270000 & Cl. Stock Rs.110000

- Inventory Turnover ratio = $\frac{Cost\ of\ Good\ Sold}{Avg.\ Stock}$

  So now cost of good sold = (Opening Stock + Purchase + Direct Expenses) - Closing Stock
  = (90000+270000+0)-110000
  = 250000
  Now Avg. Stock = (Opening Stock+Closing Stock)/2
  = $\frac{90000+110000}{2}$
  = 100000

  Finding Inventory Ratio = $\frac{250000}{100000}$
  =2.5

40. What is idle time?
    - **Idle time** is the **time** associated with employees waiting, or when a piece of machinery cannot be used.
41. What does the conversion cost?
    - **Conversion costs** is a term used in **cost** accounting that represents the combination of direct labor **costs** and manufacturing overhead **costs**

42. What is the Halsey Wage Incentive Plan?
    - under **Halsey's plan**, minimum **wages** are guaranteed to every worker. Standard time is fixed for the workers. If the workers finish the work before the standard time they are given a bonus. But no penalty if they fail to do that.

43. What are Allocation, Apportionment, and Absorption of overhead?

Allocation:
- 'The assignment of whole items of cost directly to a cost center.'
- Allocation of overheads should meet both of the following conditions:
  - The cost center must have caused the overhead cost to be incurred
  - The exact amount incurred in a cost center must be known.

Apportionment:
- Apportionment may be defined as 'the distribution of overheads to more than one cost center, on some equitable basis.'

Absorption of Overheads:
- There are two steps in the absorption of overheads:
  1. Computation of Overheads Absorption Rate:
     - Absorption rates are computed for the purpose of absorption of overheads in the costs of the cost units. There are mainly six methods for determining absorption rates.
  2. Application of rates to cost units:
     - In order to arrive at the overhead cost of each cost unit, the overhead rate is multiplied by the number of units of the base in the cost unit.

44. What is output or unit costing?
    - **Unit** or **output costing** is a method of **costing**, which is applied in those undertakings where **units** of **output** are identical and the **cost units** are physical and natural
45. State conditions suitable for adopting output or unit costing
    - Unit Costing
    - Job Costing
    - Contract Costing
    - Process Costing
    - Service Costing
    - Composite Costing
    - Batch Costing
    - Operation Costing
46. State Industries for which Job Costing Method is suitable

- **Job costing** is **suitable** for **industries** that manufacture or execute the work according to the specifications of the customers.

47. State Industries for which Process Costing Method is suitable
    - **Process costing** is **suitable** for **industries** producing homogeneous products and where production is a continuous flow.
48. State Industries for which Operating Costing Method is suitable.
    - **Operating Costing**: This **method** is applied to the organizations which are engaged in rendering services such as – Transport – Railways, Road, Airways; Hospitals; Power House; Canteens; etc.
49. What is Activity Based Costing Method?
    - **Activity-based costing** (**ABC**) is a **costing method** that identifies activities in an organization and assigns the **cost** of each **activity** to all products and services according to the actual consumption by each.
50. What is a composite cost unit for Transport Undertaking?
    - **Composite Cost Unit**: Sometime two measurement **units** are combined together to know the **cost** of service or operation.
51. What is the composite cost unit for hospitals?
    - ____, ____
52. What is Cost Volume Profit Analysis?
    - Cost–volume–profit, in managerial economics, is a form of cost accounting. It is a simplified model, useful for elementary instruction, and for short-run decisions.

53. Numerical
54. Numerical
55. Numerical
56. Numerical
57. Numerical
58. Numerical
59. Give the formula for Inventory Turnover Ratio
    - Inventory Turnover ration = $\frac{Cost\ of\ Good\ Sold}{Avg.\ Stock}$
60. Inventory Ratio of a firm has risen from 10 times to 14 times in the year 2016 as compared to the year 2015. Interpret your findings.
    - According to my finding, the increase in inventory ratio is a good sign
    - We can earn a profit much time

      Ex.

      In 2015 the cost of good sold was 100

      And the avg stock is 10

      So in a year company is able to earn profit 10 times

      Same in 2016 the cost of good sold is 100

      Bt avg stock is 7

So in a year company is able to earn profit 14 times

61. Inventory Ratio of a firm has fallen from 10 times to 8 times in the year 2016 as compared to the year 2015. Interpret your finding
    - Same as above
62. What is the concept of the Just in Time Inventory (JIT)?
    - **Just in time** (**JIT**) **inventory** is a strategy to increase efficiency and decrease waste by receiving goods only as they are needed in the production process, thereby reducing **inventory** costs.
63. Define: Budget
    - A **budget** is defined as a plan or estimate of the amount of money needed for the cost of living or to be used for a specific purpose.
64. What is a Functional Budget?
    - **A functional budget** is a document that applies to a limited area of the company. The word "**functional**" does not mean that the **budget** works, but that it applies to a **function**, department, division, project, or other specific aspects of the business.
65. What is a Master Budget?
    - The **master budget** is the aggregation of all lower-level **budgets** produced by a company's various functional areas, and also includes budgeted financial statements, a cash forecast, and a financing plan.
66. What is a Fixed Budget?
    - A **fixed budget** is a **budget** that does not change or flex for increases or decreases in volume.
67. What is a Flexible Budget?
    - A **flexible budget** is a **budget** that adjusts or flexes with changes in volume or activity.
68. Define: Cash Budget
    - A **cash budget** is an estimation of the **cash** flows for a business over a specific period of time.
69. Fill in the blanks: Aggregate of all direct costs is known as --------------
    - prime cost
70. Fill in the blanks: Fixed cost per unit --------------with the increase in the size of the output.
    - Decrease
71. Fill in the blanks: Method of costing used in garment making is ------------
    - Batch Costing
72. Define: Scrap
    - **scrap** is **defined** as material that's left over after production. **Scrap** has a low sales value, if it has any value at all. ... But there's a difference between spoilage and **scrap**.
73. Fill in the blanks: Two important opposing factors in fixing economic order quantity are ------------ and -------------.
    - Ordering cost, Carrying cost

74. Fill in the blanks: Time not spent on the productive job is known as ------------
    - Ideal Time
75. Fill in the blanks: Under/Over absorption of overheads arises only when overhead absorption is based on -------------
    - Predetermined
76. Fill in the blanks: When actual overheads are less than absorbed overheads, the difference between the two is called ------------
    - Over Absorption
77. Define: Cost Sheet
    - A **cost sheet** is a report on which is accumulated all of the **costs** associated with a product or production job.
78. State True or False: Job Costing can be used only in small companies
    - False
79. State True or False: When profit is 25% of the selling price of a job, it is equal to 20% of cost.
    - False
80. State True or False: In toy manufacture, job costing should be used.
    - True
81. State True or False: In process costing, normal loss is transferred to costing Profit & Loss Account.

82. State True or False: Abnormal Gain appears on the credit side of the Process Account

83. State True or False: Normal loss does not increase the unit cost of production