**Management Accounting**

**Question bank on**

**Module 3 Cost Accounting**

**Objective questions on cost accounting**

1.What is the primary purpose of cost accounting?

A. To determine the cost of goods sold

B. To provide information for financial reporting

C. To assist management in making informed decisions

D. All of the above

2.Which of the following is a fixed cost?

A. Direct materials

B. Direct labor

C. Factory rent

D. Sales commissions

3. The contribution margin per unit is calculated as:

A. Selling price per unit - variable cost per unit

B. Selling price per unit - fixed cost per unit

C. Variable cost per unit - fixed cost per unit

D. Fixed cost per unit - selling price per unit

**Subjective question on cost accounting:**

1.What is cost and cost accounting? What are the significance of cost accounting?

## **MCQ on Elements of Cost**

**1. What are the three primary elements of cost in cost accounting?**

* A. Material, Labor, and Overhead
* B. Direct costs, Indirect costs, and Fixed costs
* C. Variable costs, Fixed costs, and Mixed costs
* D. Prime cost, Conversion cost, and Total cost

**2. Which of the following is not a component of prime cost?**

* A. Direct materials
* B. Direct labor
* C. Factory overhead
* D. Direct expenses

**3. Factory overhead includes all costs incurred in the manufacturing process except:**

* A. Direct materials
* B. Direct labor
* C. Indirect materials
* D. Indirect labor

**4. Conversion cost is the sum of:**

* A. Direct materials and direct labor
* B. Direct labor and factory overhead
* C. Direct materials and factory overhead
* D. Prime cost and factory overhead

**5. Which of the following is an example of a fixed cost?**

* A. Direct labor
* B. Factory rent
* C. Raw materials
* D. Utilities

**6. A cost that changes in total proportion to changes in the level of activity is a:**

* A. Fixed cost
* B. Variable cost
* C. Mixed cost
* D. Step cost

**7. A cost that is partly fixed and partly variable is a:**

* A. Fixed cost
* B. Variable cost
* C. Mixed cost
* D. Step cost

**8. Which of the following is an example of a step cost?**

* A. Salary of a supervisor who is hired for every 100 units produced
* B. Direct materials cost
* C. Factory rent
* D. Utilities

**9. The total cost of a product is the sum of:**

* A. Direct materials and direct labor
* B. Prime cost and factory overhead
* C. Conversion cost and factory overhead
* D. Prime cost and selling and administrative expenses

**10. A cost that is incurred in the past and cannot be changed is a:**

* A. Relevant cost
* B. Irrelevant cost
* C. Sunk cost
* D. Opportunity cost

### **Subjective questions on elements of cost .**

1. **What is the difference between prime cost and conversion cost?**
2. **Name the three main elements of cost.**
3. **Provide examples of indirect labor costs.**

### **Labor Costs**

**1.**Define direct labor.

2.What factors influence labor rates?

### **Overhead Costs**

**1.Define factory overhead.**

**2. Define administrative overhead cost.**

## **Subjective Questions on Elements of Cost:**

1. **Analyze the impact of price fluctuations on material costs.**
2. **Explain the role of material control in cost reduction.**
3. **Examine the factors influencing labor productivity.**
4. **Discuss the advantages and disadvantages of different wage payment systems.**
5. **Analyze the impact of labor turnover on costs.**