

Multiple Choice Questions on Cost Accounting 500 Mcqs

Note. Answer are available at the bottom.

1. Costs that change in response to alternative courses of action are called:

- a. **Relevant costs**
- b. **Differential costs**
- c. **Target costs**
- d. **Sunk costs**

2. The cost data pertaining to Product “X” of XL Ltd. are as follows :

Maximum capacity	30.0	units
Normal capacity	15.0	unit
Increase in inventory	s 1,880	units
Fixed manufacturing overhead costs	' 12	

Selling price per unit

If the profit under Absorption costing method is ' 1,01,000, the profit under Marginal costing method would be

- a. **' 1,46,120**
- b. **' 1,23,560**
- c. **' 55,880**
- d. **' 73,340**

[Hint : Fixed cost per unit = ' 3,60,000 / 15,000 units = ' 24 Profit under absorption costing = ' 1,01,000

Adjustment of fixed manufacturing overhead costs of increased inventory = 1,880 units x ' 24 = ' 45,120

Profit under marginal costing = ' 1,01,000 - ' 45,120 = ' 55,880]

3. The total cost incurred in the operation of a business undertaking other than the cost of manufacturing and production is known as

- a. **Direct cost**
- b. **Variable cost**
- c. **Commercial cost**
- d. **Conversion cost**

4. Consider the following data for a company during the month of June 2012 Budgeted hours

4,000 Standard hours for actual

production 4,400 Maximum possible hours in the budget period 4,800

Actual hours 3,800

The activity ratio of the company during the month is

- a. **111%**
- b. **120%**
- c. **95%**
- d. **117%**

[Hint : Activity ratio = $\frac{\text{Standard hours for actual production}}{\text{Budgeted hours}} \times 100$
 $\frac{4,400 \text{ hours}}{4,000} \times 100 = 111\%$]

4,0 **hours**

- 5. Total unit costs are**
- a. **Independent of the cost system, used to generate them**
 - b. **Needed for determining product contribution**
 - c. **Irrelevant in marginal analysis**
 - d. **Relevant for cost-volume-profit analysis**

6. Which of the following bases is not appropriate for apportionment of Transport department's cost ?
- Crane hours
 - Crane value
 - Truck Mileage
 - Truck value
7. The cost of obsolete inventory acquired several years ago, to be considered in a keep vs. disposal decision is an example of :
- Uncontrollable cost
 - Sunk cost
 - Avoidable cost
 - Opportunity cost
- [Hint : Costs of obsolete inventory represent the sunk cost because the costs have already been incurred.]
8. Budgeted sales for the next year is 5,00,000 units. Desired ending finished goods inventory is 1,50,000 units and equivalent units in ending W-I-P inventory is 60,000 units. The opening finished goods inventory for the next year is 80,000 units, with 50,000 equivalent units in beginning W-I-P inventory How many equivalent units should be produced?
- 5,80,000
 - 5,50,000
 - 5,00,000
 - 5,75,000
- [Hint : Using production related budgets, units to produce equals budgeted sales + desired ending finished goods inventory + desired equivalent units in ending W-I-P inventory - beginning finished goods inventory - equivalent units in beginning W-I-P inventory. Therefore, in this case, units to produce is equal to $5,00,000 + 1,50,000 + 60,000 - 80,000 - 50,000 = 5,80,000$.
9. If the asset turnover and profit margin of a company are 1.85 and 0.35 respectively, the return on investment is
- 0.65
 - 0.35
 - 1.50
 - 5.29
- [Hint : Return on investment = Asset turnover x Profit margin = $1.85 \times 0.35 = 0.65$]
10. A company is currently operating at 80% capacity level. The production under normal capacity level is 1,50,000 units. The variable cost per unit is ' 14 and the total fixed costs are ' 8,00,000. If the company wants to earn a profit of ' 4,00,000, then the price of the product per unit should be
- ' 37.50
 - ' 38.25

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c. ' 24.00

d. ' 35.00

[Hint : Total fixed cost - ' 8,00,000

Expected profit - ' 4,00,000

Variable cost at 80% level

(80% x 1,50,000 units x ' 14) - ' 16,80,000

Total price - ' 28,80,000

Per unit price at 80% level = (' 28,80,000 / 1,20,000 units) = ' 24.00.]

1	b	2	c	3	c	4	a	5	c	6	b	7	b
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8	a	9	a	10	c
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11. Consider the following data pertaining to the production of a company for a particular month : Opening stock of raw material ' 11,570

Closing stock of raw material ' 10,380

Purchase of raw material during the month ' 1,28,450

Total manufacturing cost charged to product ' 3,39,165

Factory overheads are applied at the rate of 45% of direct labour cost.

The amount of factory overheads applied to production is

a. ' 65,025

b. ' 94,287

c. ' 95,020

d. ' 1,52,624

[Hint : Raw material used= Op. Stock + Purchases - Cl. Stock

= ' 11,570 + ' 1,28,450 - ' 10,380 = ' 1,29,640

Manufacturing cost = Raw material used + Direct labour + Factory overhead ' 3,39,165 = ' 1,29,640 + Direct labour + 45% of Direct labour

1.45 Direct labour = ' 2,09,525

Direct labour = ' 1,44,500

The amount of factory overhead = 45% of ' 1,44,500 = ' 65,025.]

12. The budgeted annual sales of a firm is ' 80 lakhs and 25% of the same is cash sales. If the average amount of debtors of the firm is ' 5 lakhs, the average collection period of credit sales months.

a. 1.50

b. 1.00

c. 0.50

d. 1.75

[Hint : Total annual sales = ' 80 lakhs Total cash sales = 25 % of 80 lakhs. = 20 lakhs.

Total credit sales = 75% of 80 lakhs = 60 lakhs

Average amount of debtors = 5 lakhs = 1 months average credit sales.
Therefore, average collection period is 1 month.]

- 13.** If the minimum stock level and average stock level of raw material “A” are 4,000 and 9,000 units respectively, find out its reorder quantity.

- a. 8,000 units
- b. 11,000 units
- c. 10,000 units
- d. 9,000 units

[Hint : Average stock level = Minimum stock level + % Reorder quantity]

$$9,000 \text{ units} = 4,000 \text{ units} + \% \text{ Reorder quantity}$$

$$\% \text{ Reorder quantity} = 9,000 \text{ units} - 4,000 \text{ units}$$

$$\text{Reorder level} = 5,000 \text{ units} / 0.5 = 10,000 \text{ units}]$$

- 14.** A worker has a time rate of ' 15/hr. He makes 720 units of component (standard time : 5 minutes/ unit) in a week of 48 hours. His total wages including Rowan bonus for the week is

- a. ' 792
- b. ' 820
- c. ' 840
- d. ' 864

[Hint : Standard time = 5 times x 720 units = 60 hours 60 minutes
Time taken = 48 hrs.

Time saved = 12 hrs.

Total earning of a worker under Rowan plan

$$= (48 \text{ hrs.} \times ' 15) + (\frac{12 \text{ hrs.}}{60 \text{ hrs.}} \times 48 \text{ hrs.} \times ' 15)$$

$$= ' 720 + ' 144 = ' 864$$

- 15.** A company maintains a margin of safety of 25% on its 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. ' 300 lakhs
- c. ' 325 lakhs

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[Hint : None of the above]

$$\begin{aligned} \text{Profit/ P/V Ratio } 30/0.40 &= \text{' 75 lakhs} \\ \text{' 75} \times 0.25 \text{ of sales} &= \text{lakhs} \\ \text{Hence, Sales} &= \text{75/0.25 = ' 300 lakhs]} \end{aligned}$$

16. Sale for two consecutive months, of a company are ' 3,80,000 and ' 4,20,000. The company's net profits for these months amounted to ' 24,000 and ' 40,000 respectively. There is no change in contribution/sales ratio or fixed costs. The contribution/sales ratio of the company is

- a. 1/3
- b. 2/5
- c. %
- d. None of the above

[Hint : Contribution / sales = Increase in profit / Increase in sales
 $= (40,000 - 24,000) / (4,20,000 - 3,80,000)$
 $= 16,000/40,000 = 2/5]$

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

- a. 7,500
- b. 8,000
- c. 3,000
- d. 1,500

[Hint : Break-even units = Fixed cost / contribution per unit
 $= \text{' 6,00,000/ 40% of ' 200}$
 $= 7,500]$

18. The current liabilities of Akash Ltd. is ' 30,000. If its current ratio is 3:1 and Quick ratio is 1:1, the value of stock-in-trade will be

- a. ' 20,000
- b. ' 30,000
- c. ' 60,000
- d. Insufficient information

[Hint : Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}} = 3:1$
 $\text{Current Assets} = \text{' 30,000} \times 3 = \text{' 90,000}$

$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Quick Liabilities}} = 1:1$
 $\text{Quick Assets} = \text{' 30,000}$
 $\text{Quick Liabilities} = \text{' 30,000}$
 $\text{Liquid assets} = \text{' (90,000 - 30,000) = ' 60,000}$
 Hence, value of stock-in-trade

19. If the capacity usage ratio of a production department is 90% and activity ratio is 99% then the efficiency ratio of the department is

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1. **100%**
2. **120%**
3. **110%**
4. **105%**

[Hint : Efficiency ratio (ER) = $\frac{\text{Std. hr. of production}}{\text{Actual hrs.}}$
Activity ratio (AR) = $\frac{\text{Std. hrs. for production}}{\text{Budgeted hrs.}}$
Capacity ratio (CR) = $\frac{\text{Actual hrs.}}{\text{Budgeted hrs.}}$
Hence, ER = AR / CR = $\frac{99\%}{90\%} = 110\%$]

- 20.** 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 P-V ratio must be

1. 20%
2. 25%
3. 30%
4. 40%

[Hint : $\frac{\text{Change in profit}}{\text{Change in sales}} = \text{P/V Ratio}$

$$\begin{aligned} &= \frac{14,000 - 8,000}{1,80,000 - 1,60,000} \\ &= \frac{6,000}{20,000} = 0.30 \text{ or } 30\% \end{aligned}$$

11	a	12	b	13	c	14	d				
15	b	16	b	17	a	18	c	19	3	20	3

- 21.** Horizon Ltd. Manufactures product BM for last 5 years. The company maintains a margin of safety of 37.5% with overall contribution to sales ratio of 40%. If the fixed cost is ' 5 lakh, the profit of the company is

- a. ' 24.00 laks
- b. ' 12.50 lakh
- c. ' 3.00 lakh
- d. None of A, B, C

[Hint : Break even sales = ' 5 lakhs + 0.40 = ' 12.50 lakhs
 $\frac{\text{Total sales}}{\text{Total sales}} = \frac{12.50}{(1 - 0.375)} = \text{' 20.00 lakhs}$

Hence the profit of the company : ' 20 lakh x 0.375 x 0.40 = ' 3.00 lakhs]

- 22.** The cost-volume-profit relationship of a company is described by the equation $y = ' 8,00,000 +$

0. 60x, in which x represents sales revenue and y is the total cost at the sales volume represented by x. If the company desires to earn a profit of 20% on sales, the required sales will be.

- a. ' 40,00,000
- b. ' 35,50,000
- c. ' 24,00,000
- d. ' 20,00,000

[Hint : Variable cost = 60% , therefore, contribution to sales ratio = 40% (P/V ratio)
Company's target profit 20% in sales, therefore, revised contribution which covers only fixed cost = 40% - 20% = 20%.

Required sales = fixed cost / revised contribution = ' 8,00,000/ 20% = ' 40,00,000.]

- 23.** ABC Ltd. is having 400 workers at the beginning of the year and 500 workers at the end of the year. During the year 20 workers were discharged and 15 workers left the organization. During the year the company has recruited 65 workers. Of these, 18 workers were recruited in the vacancies of those leaving, while the rest were engaged for an expansion scheme. The labour turnover rate under separation method is :

- a. 22.20%
- b. 7.78%
- c. 4.00%
- d. 14.40%

[Hint : Average number of workers = $(400 + 500)/2 = 450$

Separation method

= $\frac{\text{No. of separations during the period}}{\text{Average number of workers during the period}} \times 100$

= $\frac{20 + 15}{450} \times 100 = 7.78\%$

- 24.** One of the most important tools in cost planning is:

- a. Direct cost
- b. Cost Sheet
- c. Budget
- d. Marginal Costing.

- 25.** Economies and diseconomies of scale explain why the:

- a. Short-run average fixed cost curve declines so long as output increases.
- b. Marginal cost curve must intersect the minimum point of the firm's average total cost curve.
- c. Long-run average total cost curve is typically U-shaped.
- d. Short-run average variable cost curve is U-shaped.

- 26.** Which of the following is not a relevant cost?

- a. Replacement cost
- b. Sunk cost
- c. Marginal cost
- d. Standard cost.

- 27.** Which of the following is an accounting record?

- a. Bill of Material
- b. Bin Card
- c. Stores Ledger.
- d. All of these.

- 28.** The fixed-variable cost classification has a special significance in preparation of :

- a. Flexible Budget
- b. Master Budget
- c. Cash Budget
- d. Capital Budget

- 29. Input in a process is 4000 units and normal loss is 20%. When finished output in the process is only 3240 units, there is an :**
- Abnormal loss of 40 units
 - Abnormal gain of 40 units
 - Neither abnormal loss nor gain.
 - Abnormal loss of 60 units.

- 30. Idle capacity of a plant is the difference between:**
- Maximum capacity and practical capacity
 - Practical capacity and normal capacity
 - Practical capacity and capacity based on sales expectancy
 - Maximum capacity and actual capacity.

21	c												
22	a	23	b	24	c	25	c	26	b	27	c	28	a
29	b	30	d										

- 31. When P/V ratio is 40% and sales value is '10,000, the variable cost will be**
- ' 4000
 - ' 6000
 - ' 10000
 - Variable Cost cannot be calculated from data given.

- 32. The forex component of imported material cost is converted**
- At the rate on the date of settlement
 - At the rate on the date of transaction
 - At the rate on date of delivery
 - None of the above.

- 33. Maximum possible productive capacity of a plant when no operating time is lost , is its**
- Practical capacity
 - Theoretical capacity
 - Normal capacity
 - Capacity based on sales expectancy

[Hint : Theoretical capacity is the denominator-level concept that is based on producing at full efficiency all the time.,

Practical capacity is a denominator-level concept that reduces the theoretical capacity by unavoidable operating interruptions such as scheduled maintenance time, shutdowns for holidays and so on.

Normal capacity measures the denominator level in terms of demand for the output of the plant. Normal capacity utilization is a concept based on the level of capacity utilization that specifies the average customer demand over a time period, that includes seasonal, cyclical and trend factors.]

- 34. When production is below standard specification or quality and cannot be rectified by**

incurring additional cost, it is called

- a. Defective
- b. Spoilage
- c. Waste
- d. Scrap

[Hint : (1) Spoiled goods-goods that do not meet production standards and are either sold for their salvage value or discarded; (2) Defective units-goods that do not meet standards and are sold at a reduced price or reworked and sold at the regular or a reduced price; (3) Waste-material that is lost in the manufacturing process by shrinkage, evaporation, etc.; and (4) Scrap-by-product of the manufacturing process that has a minor market value.]

35. CAS 8 requires each type of utility to be treated as

- a. Separate cost object
- b. Not part of cost as not include in material
- c. Not part of cost as they do not form part of product
- d. Treated as administrative overheads.

36. Selling and distribution overhead does not include:

- a. Cost of warehousing
- b. Repacking cost
- c. Transportation cost
- d. Demurrage charges.

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

- a. Charged to Costing Profit and Loss A/c
- b. Charged to overhead costs
- c. Charged to respective jobs
- d. None of the above.

[Hint : When cost is incurred for specified job, the cost should be charged to that job only.]

38. Exchange losses or gains after purchase transaction is complete is treated as

- a. Product cost.
- b. Overhead cost.
- c. Purchase cost.
- d. Finance cost

39. Selling price per unit ' 15.00; Direct Materials cost per unit ' 3.50; Direct Labour cost per unit '4.00 Variable Overhead per unit ' 2.00; Budgeted fixed production overhead costs are ' 60,000 per annum charged evenly across each month of the year. Budgeted production costs are 30,000 units per annum. What is the Net profit per unit under Absorption costing method.

- a. ' 9.50
- b. ' 15.00
- c. ' 11.50
- d. ' 3.50

40. Which of the following cost is linked with the calculation of cost of inventories?

- a. Product cost
- b. Period cost
- c. Both product and period cost
- d. Historical cost

31	b	32	b	33	c	34	b	35	a
36	d	37	c	38	d	39	d	40	a

**41. If, Sales = ' 800,000 Markup rate = 25% of cost
What would be the value of Gross profit?**

- a. ' 200,000
- b. ' 160,000
- c. ' 480,000
- d. ' 640,000

42. Which of the following is TRUE when piece rate system is used for wage determination?

- a. Under this method of remuneration a worker is paid on the basis of time taken by him to perform the work
- b. Under this method of remuneration a worker is paid on the basis of production
- c. The rate is expressed in terms of certain sum of money for total production
- d. The rate is not expressed in terms of certain sum of money for total production

43. The salary of factory clerk is treated as:

- a. Direct labor cost
- b. Indirect labor cost
- c. Conversion cost
- d. Prime cost

44. Average consumption x Emergency time is a formula for the calculation of:

- a. Lead time
- b. Re-order level
- c. Maximum consumption
- d. Danger level

45. EOQ is a point where:

- a. Ordering cost is equal to carrying cost
- b. Ordering cost is higher than carrying cost
- c. Ordering cost is lesser than the carrying cost
- d. Total cost is maximum

46. A worker is paid ' 0.50 per unit and he produces 18 units in 7 hours. Keeping in view the piece rate system, the total wages of the worker would be:

- a. $18 \times 0.50 = ' 9$
- b. $18 \times 7 = ' 126$

- c. $7 \times 0.5 = ' 3.5$
- d. $18 \times 7 \times 0.50 = ' 63$

47. When closing stock is over valuate, what would its effect on profit?

- a. Cannot determined with given statement
- b. It will Increase the profit
- c. It will decrease the profit
- d. No effect on profit

48. A firm sells bags for ' 14 each. The variable cost for each unit is ' 8. What is the contribution margin per unit?

- a. ' 6
- b. ' 12
- c. ' 14
- d. ' 8

49. Which of the following is NOT true? A small company's breakeven point:

- a. Occurs where its revenue equals its expenses
- b. Shows entrepreneurs' minimum level of activity required to keep the company in operation
- c. Is the point at which a company neither earns a profit nor incurs a loss
- d. Total contribution margin equals total variable expenses

50. Keller Co. sells a single product for ' 28 per unit. If variable costs are 65% of sales and fixed costs total ' 9,800, the break-even point will be:

- a. 15,077 units
- b. 18,200 units
- c. 539 units
- d. 1,000 units

41	b	42	b											
43	b	44	d	45	a	46	a	47	b	48	a	49	d	
50 d														

51. If B Limited shows required production of 120 cases of product for the month, direct labor per case is 3 hours at ' 12 per hour. Budgeted labor costs for the month should be:

- a. ' 1,360
- b. ' 1,440
- c. ' 4,320
- d. ' 5,346

52. Which of the following is a process by which managers analyze options available to set courses of action by the organization?

- a. Heuristics method
- b. Decision making
- c. The Delphi technique

d. Systematic error

53. Which of the following is not true about differential costs?

- a. It is a broader concept than variable cost as it takes into account additional fixed costs caused by management decisions
- b. With the passage of time and change in situation, differential costs will vary
- c. The difference in cost between buying them from outside or making them in the company is the differential cost, irrelevant for decisions
- d. They are extra or incremental costs caused by a particular decision

Which one of the following is the Traditional approach for costing?

- a. Contribution approach
- b. Absorption costing approach
- c. Decision making approach
- d. Marginal costing approach

55. What would be the margin of safety ratio based on the following information? Sales price = ' 100 per unit
Variable cost = ' 25 per unit
Fixed cost = ' 50 per unit
- a. 25%
 - b. 33.333%
 - c. 66.666%
 - d. 75%

56. If:
Cost of opening finished goods ' 2,000
Cost of goods to be produced ' 6,000
Operating expenses ' 1,000.
Which of the following is the cost of goods available for sale?
- a. ' 8,000
 - b. ' 4,000
 - c. ' 7,000
 - d. ' 9,000

57. Ahmed Corporation has sales of ' 500,000 for the period. The selling expenses are estimated as 12% of sales. The gross profit for the period is amounting to ' 150,000. Calculate the amount of selling expenses for the period?
- a. ' 60,000
 - b. ' 45,000
 - c. ' 90,000
 - d. ' 210,000

58. Which of the following would be considered to be an investment centre?
- a. Managers have control over marketing
 - b. Managers have a sales team
 - c. Managers have a sales team and are given a credit control function
 - d. Managers can purchase capital assets and are given a credit control function

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59. Which of the following would NOT lead to an increase in net cash flow?
- Larger sales volume
 - Higher selling price
 - Reduced material cost
 - Charging of lower depreciation
60. All of the following are features of a relevant cost EXCEPT:
- They affect the future cost
 - They cause an increment in cost
 - Relevant cost is a sunk cost
 - They affect the future cash flows

51	c	52	b	53	c	54	b	55	b	56	a
57	a	58	d	59	d	60	c				

61. Which of the following statement is TRUE about the relevant cost?
- It is a sunk cost
 - It is an opportunity cost
 - It do not affect the decision making process
 - All costs are relevant
62. In decision making all costs already incurred in past should always be:
- Ignored
 - Considered
 - Partially ignored
 - Partially considered
63. Which of the following statement is TRUE about historical cost?
- It is always relevant to decision making
 - It is always irrelevant to decision making
 - It is always an opportunity cost
 - It is always realizable value
64. In cost accounting, unavoidable loss is charged to which of the following?
- Factory over head control account
 - Work in process control account
 - Marketing overhead control account
 - Administration overhead control account
65. Merrick Differential Piece Rate Plan based on ___ piece rates is fixed.
- Two
 - Thr
 - Fou
 - Five
66. Which of the given is (are) the method(s) of measurement of Labor Turnover?
- Separation method
 - Flux method

- c. Replacement method
d. All of the given options
67. What will be the impact of normal loss on the overall per unit cost ?
a. Per unit cost will increase
b. Per unit cost will decrease
c. Per unit cost remain unchanged
d. Normal loss has no relation to unit cost
68. Which of the given units can never become part of first department of Cost of Production Report?
a. Units received from preceding department
b. Units transferred to subsequent department
c. Lost units
d. Units still in process

69. Details of the process for the last period are as follows:

Put into process	5,000 kg
Materials	' 2,500
Labor	'700
Production overheads	200% of labor

- Normal losses are 10% of input in the process. The output for the period was 4,200 Kg from the process. There was no opening and closing Work- in- process. What were the units of abnormal loss?
a. 500 units
b. 300 units
c. 200 units
d. 100 units
70. ABC Company makes a single product which it sells for ' 20 per unit. Fixed costs are ' 75,000 per month and product has a profit/volume ratio of 40%. In that period actual sales were ' 225,000. Required: Calculate ABC Company Break Even point in '
a. '187, 500
b. '562, 500
c. ' 1,500,000
d. None of the given options

61	b	62	a	63	b									
64	a	65	b	66	d	67	a	68	a	69	b	70	d	

71. All of the following are the features of fixed costs EXCEPT:
a. Although fixed within a relevant range of activity level but are relevant to a decision making when it is avoidable.
b. Although fixed within a relevant range of activity level but are relevant to a

- decision making when it is incremental.
- c. **Generally it is irrelevant**
 - d. **It is relevant to decision making under any circumstances**
72. **A typical factory overhead cost is:**
- a. **Distribution**
 - b. **Internal audit**
 - c. **Compensation of plant manager**
 - d. **Design**
73. **An average cost is also known as:**
- a. **Variable cost**
 - b. **Unit cost**
 - c. **Total cost**
 - d. **Fixed cost**
74. **Period costs are:**
- a. **Expensed when the product is sold**
 - b. **Included in the cost of goods sold**
 - c. **Related to specific period**
 - d. **Not expensed**
75. **While calculating the EOQ, number of orders is calculated by:**
- a. **Dividing required unit by ordered quantity**
 - b. **Multiplying the required units with ordered quantity**
 - c. **Multiplying the ordered quantity with cost per order**
 - d. **Multiplying the required units with cost per order**
76. **Which of the following best describe piece rate system?**
- a. **The increased volume of production results in decreased cost of production**
 - b. **The increased volume of production in minimum time**
 - c. **Establishment of fair standard rates**
 - d. **Higher output is a result of efficient management**
77. **The term Cost apportionment is referred to:**
- a. **The costs that can not be identified with specific cost centers.**
 - b. **The total cost of factory overhead needs to be distributed among specific cost centers but must be divided among the concerned department/cost centers.**
 - c. **The total cost of factory overhead needs to be distributed among specific cost centers.**
 - d. **None of the given options**
78. **Which of the following loss is not included as part of the cost of transferred or finished goods, but rather treated as a period cost?**
- a. **Operating loss**
 - b. **Abnormal loss**
 - c. **Normal loss**
 - d. **Non-operating loss**

79. Hyde Park Company produces sprockets that are used in wheels. Each sprocket sells for ' 50 and the company sells approximately 400,000 sprockets each year. Unit cost data for the year follows:

Direct material	' 15	
Direct labor	' 10	
Other cost:	Fixed ' 5	Variable
Manufacturing	4	' 7 ' 3
Distribution		

Required: Identify the unit cost of sprockets under direct costing

- a. ' 44
 - b. ' 37
 - c. ' 32
 - d. ' 35
80. When production is equal to sales, which of the following is TRUE?
- a. No change occurs to inventories for either use absorption costing or variable costing methods
 - b. The use of absorption costing produces a higher net income than the use of variable costing
 - c. The use of absorption costing produces a lower net income than the use of variable costing
 - d. The use of absorption costing causes inventory value to increase more than they would though the use of variable costing

71	d	72	c	73	b	74	c	75	a	76	b	77	c
78	b	79	d	80	a								

81. Selling price per unit is ' 15, total variable cost per unit is ' 9, and total fixed costs are ' 15,000 of "XIT". What is the breakeven point in units for "XIT"?
- a. 3,000 units
 - b. 1,000 units
 - c. 1,667 units
 - d. 2,500 units
82. While constructing a Break even chart, the gap between sales line and variable cost line shows which of the following?
- a. Fixed cost
 - b. Break even point
 - c. Contribution margin
 - d. Variable cost
83. All of the following compose cost of goods sold EXCEPT:
- a. Raw material
 - b. Labor

- c. Capital
 - d. Factory overhead
84. Amount of Depreciation on fixed assets will be fixed in nature if calculated under which of the following method?
- a. Straight line method
 - b. Reducing balance method
 - c. Some of year's digits method
 - d. Double declining method
85. Which of the following is NOT a relevant cost to decision making?
- a. Opportunity costs
 - b. Relevant benefits
 - c. Avoidable costs
 - d. Sunk costs
86. What would be the attitude of the management in treating Sunk costs in decision making?
- a. A periodic investment of cash resources that has been made and should be relevant for decision making
 - b. It is a past cost which is not directly relevant in decision making
 - c. Management will treat it as variable cost each time in decision making
 - d. None of the given options
87. Mr. Aslam is running his own personal Financial services business. He has been offered a job for a salary of ' 45,000 per month which he does not availed. ' 45,000 will be considered as:
- a. Sunk Cost
 - b. Opportunity cost
 - c. Avoidable cost
 - d. Historical cost
88. Which of the given cost does not become the part of cost unit?
- a. Advertising expenses
 - b. Direct labor cost
 - c. Factory overhead cost
 - d. Cost of raw material

89. Budgeted Factory overhead at two activity levels is as follows for the period.

	Activity level	Budgeted factory
Low	10.000 Hours	' 40.000
High	50.000 Hours	' 80.000

Required: Identify variable rate with the help of above mentioned data.

- a. ' 4.00 per hour
- b. ' 1.60 per hour
- c. ' 1.00 per hour
- d. ' 2.00 per hour

Cost accounting mcqs for senior auditor

90. Which of the given cost is NOT required to prepare Cost of Production Report?
- Period cost
 - Material cost
 - Labour cost
 - Factory overhead cost

81	d	82	c	83	c	84	a				
85	d	86	b	87	b	88	a	89	c	90	a

91. Identify the FOH rate on the basis of machine hour?

Budgeted production overheads	'2,80,000
Actual machine hours	70,000 hours
Actual production overheads	'2,95,000

- ' 4.00
 - ' 4.08
 - ' 4.210
 - ' 4.35
92. Which of the given will NOT be included for the calculation of equivalent units of material under weighted average costing method?
- Opening work in process units
 - Closing work in process units
 - Unit completed and transferred out
 - None of the given options
93. The basic assumption made in direct costing with respect to fixed costs is that
- Fixed cost is a controllable cost
 - Fixed cost is a product cost
 - Fixed cost is an irrelevant cost
 - Fixed cost is a period cost
94. The little Rock Company shows Break even sales is ' 40, 500 and Budgeted Sales is ' 50,000. Identify the Margin of safety ratio?
- 19%
 - 81%
 - 1.81%
 - Required more data to calculate
95. A machine cost ' 60,000 five years ago. It is expected that the machine will generate future revenue of 40,000. Alternatively, the machine could be scrapped for ' 35,000. An equivalent machine in the same condition cost 38,000 to buy now. Required: Identify the realizable value with the help of given data.
- ' 60,000
 - ' 40,000
 - ' 35, 000
 - ' 38,000

Cost accounting mcqs for senior auditor

96. **Cost of finished goods inventory is calculated by:**
 a. **Deducting total cost from finished goods inventory**
 b. **Multiplying units of finished goods inventory with the cost per unit**
 c. **Dividing units of finished goods inventory with the cost per unit**
 d. **Multiplying total cost with finished goods inventory**
97. **Assuming no returns outwards or carriage inwards, the cost of goods sold will be equal to:**
 a. **Opening stock Less purchases plus closing stock**
 b. **Closing stock plus purchases plus opening stock**
 c. **Sales less gross profit**
 d. **Purchases plus closing stock plus opening stock plus direct labor**
98. **All of the following are essential requirements of a good wage system EXCEPT:**
 a. **Reduced labor and overhead costs**
 b. **Reduced per unit variable costs**
 c. **Increased production**
 d. **Increased operating costs**
99. **Profit under absorption costing will be higher than under marginal costing if :**
 a. **Produced units > Units sold**
 b. **Produced units < Units sold**
 c. **Produced units = Units sold**
 d. **Profit cannot be determined with given statement**
100. **Good Job Plc makes one product which sells for ' 80 per unit. Fixed costs are ' 28,000 per month and marginal costs are ' 42 per unit. What sales level in units will provide a profit of ' 10,000?**
 a. **350 units**
 b. **667 units**
 c. **1,000 units**
 d. **1,350 units**

92	d	93	d	94	a	95	c	96	b	97	c	98	d
91 a 99 a 100 c													

101. **Cost volume Profit analysis (CVP) is a behavior of how many variables?**
 a. **2**
 b. **3**
 c. **4**
 d. **5**
102. **If the selling price and the variable cost per unit both decrease at 10% and fixed costs do not change, what is the effect on the contribution margin per unit and the contribution margin ratio?**
 a. **Contribution margin per unit and the contribution margin ratio both remains unchanged**
 b. **Contribution margin per unit and the contribution margin ratio both increases**
 c. **Contribution margin per unit decreases and the contribution margin ratio remains unchanged**

- d. **Contribution margin per unit increases and the contribution margin ratio remains unchanged**
103. **All of the following are true EXCEPT:**
- a. **Profit + Fixed cost + Variable cost = Sales**
 - b. **Profit + Fixed cost = Sales - Variable cost**
 - c. **Contribution margin - Fixed cost = Profit**
 - d. **Profit + Fixed cost = Sales + Variable cost**
104. **A job needs 3,000 actual labor hours to be completed. It is expected there will be 25% idle time. If the wage rate is ' 12.50 per hour, what is budgeted labor cost for the job?**
- a. **' 26,000**
 - b. **' 37,500**
 - c. **' 50,000**
 - d. **' 42,000**
105. **A company has budgeted sales of ' 48,000, breakeven sales of ' 35,000 and actual sales of ' 40,000 during a particular period. What will be the margin of safety?**
- a. **' 8,000**
 - b. **' 13,000**
 - c. **' 5,000**
 - d. **' 21,000**
106. **Which of the following product cost is Included in prime cost and conversion cost?**
- a. **Direct labor**
 - b. **Manufacturing overhead**
 - c. **Direct material**
 - d. **Work in Process**
107. **Machine lubricant used on processing equipment in a manufacturing plant would be classified as a**
- a. **Period cost (manufacturing overhead)**
 - b. **Period cost (Selling, General & Admin)**
 - c. **Product cost (manufacturing overhead)**
 - d. **Product cost (Selling, General & Admin)**
108. **Which of the following costs would NOT be a period cost?**
- a. **Indirect materials**
 - b. **Administrative salaries**
 - c. **Advertising costs**
 - d. **Selling costs**
109. **Which of the following is CORRECT to calculate cost of goods manufactured?**
- a. **Direct labor costs plus total manufacturing costs**
 - b. **The beginning work in process inventory plus total manufacturing costs and subtract the ending work in process inventory**
 - c. **Beginning raw materials inventory plus direct labor plus factory overhead**

Cost accounting mcqs for senior auditor

- d. **Conversion costs and work in process inventory adjustments results in cost of goods manufactured**
110. **While calculating the EOQ, carrying cost is taken as the:**
- a. **%age of unit cost**
 - b. **%age of ordering cost**
 - c. **%age of annual required units**
 - d. **Total unit cost**

101	c	102	c	103	d	104	b	105	b
106	a	107	c	108	a	109	b	110	a

111. **If, Wage rate ' 100/hr Working hours 8 hours Shift allowance ' 500 Total pay will be:**
- a. **' 800**
 - b. **' 500**
 - c. **' 1,300**
 - d. **' 300**
112. **Which costs will change with an increase in activity within the relevant range ?**
- a. **Unit fixed cost and total fixed cost**
 - b. **Unit variable cost and total variable cost**
 - c. **Unit fixed cost and total variable cost**
 - d. **Unit fixed cost and unit fixed cost**
113. **The term cost allocation is described as:**

Cost accounting mcqs for senior auditor

- a. **The costs that can be identified with specific cost centers.**
- b. **The costs that cannot be identified with specific cost centers.**
- c. **The total cost of factory overhead needs to be distributed among specific cost centers.**
- d. **None of the given options**

114. **Over applied FOH will always result when a predetermined FOH rate is applied and:**
- a. **Production is greater than defined capacity**
 - b. **Actual overhead costs are less than budgeted**
 - c. **Budgeted capacity is less than normal capacity**
 - d. **Actual overhead incurred is less than applied Overhead**
- 115.

The difference over the period of time between actual and applied FOH will usually be minimal when the predetermined overhead rate is based on:

- a. **Normal capacity**
 - b. **Designed capacity**
 - c. **Direct Labor hours**
 - d. **Machine hours**
- 116.

The cost that is subject to actual payment or will be paid for in future is called:

- a. **Fixed cost**
 - b. **Step cost**
 - c. **Explicit cost**
 - d. **Imputed cost**
- 117.

Under perpetual Inventory system the Inventory is treated as:

- a. **Assets**
 - b. **Liability**
 - c. **Income**
 - d. **Expense**
- 118.

During the year 60,000 units put in to process.55, 000 units were completed. Closing WIP were 25,000 units, 40% completed. How much the equivalent units of output would be produced?

- a. **25,000 units**
 - b. **10,000 units**
 - c. **65,000 units**
 - d. **80,000 units**
- 119.
- 120.

The components of total factory cost are:

- a. **Direct Material + Direct Labor**
 - b. **Direct Labor + FOH**
 - c. **Prime Cost only**
 - d. **Prime Cost + FOH**
- 121.

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

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

Cost accounting mcqs for senior auditor

d. **First to be allocated to the cost of goods sold**

111	c	112	a										
113	a	114	d	115	a	116	c	117	a	118	c	119	d
120	d												

Which of the following is considered as basic systems of remunerating labour ?

- a. **Time rate system**
- b. **Piece rate system**
- c. **Halsey premium plan**
- d. **Both time rate and piece rate system**

122. You are required to calculate number of units sold of ABC Fans Company for the first quarter of the year with the help of given information. Inventory opening Finished goods (100 fans)
Direct material Inventory closing Finished goods (200 fans)
Direct material
No of units manufactured
- | | |
|--|-------------|
| | Not known ' |
| | 1,67,000 |
| | 567 units |
- a. 300 units
b. 767 units
c. 467 units
d. 667 units
123. Cost of material consumed under LIFO costing method is ' 6,000. Conversion Cost is ' 16,500. 1,000 units of the product were manufactured out of which 800 @ ' 30 units sold. There were no beginning and ending inventories of work in process and finished goods.
Required: Calculate per unit cost with the help of given information.
- a. ' 22.50
b. '16.50
c. ' 6.00
d. ' 28.13
124. Overtime premium which is paid to direct labor is charged to which of the following head in case of normal circumstances?
- a. Work in process account
b. Entire production
c. Factory over head Cost account
d. Selling control account
125. Which of the following functions are fulfilled by Goods Received Note?
- i. Provides information to update the inventory records on receipt of goods
ii. Provides information to check the quantity on the supplier's invoice
iii. Provides information to check the price on the supplier's invoice
- a. (i) only
b. (i) and (ii) only
c. (i) and (iii) only
d. (ii) and (iii) only
126. Calculate total salary received with the given data.
- | | |
|----------------------|----------------|
| Salary | '5000 |
| Per Piece commission | 10 % per piece |
| Unit sold | 700 pieces |
| Price per piece | ' 10 |
- a. ' 5,100
b. ' 5,000
c. ' 5,600
d. ' 5,700

Cost accounting mcqs for senior auditor

127. **Which of the given statement is CORRECT for Indirect Labor?**
- a. **It is charged to factory over head account**
 - b. **It is charged to work in process**
 - c. **It is entire production**
 - d. **It is charged to administrative expenses**
128. **A production worker paid salary of ' 700 per month plus an extra ' 5 for each unit produced during the month. This labor cost is best described as:**

Cost accounting mcqs for senior auditor

- a. A fixed cost
- b. A variable cost
- c. A semi variable cost
- d. A step fixed cost

129. Given data that:

Work - in - Process Opening	Rs. 20.000
Work - in - Process Closing	Rs. 10.000
Finished goods Opening Inventory	Rs. 30.000
Finished goods Closing Inventory	Rs. 50.000
Cost of goods sold	Rs. 1.90.0

What will be the value of cost of goods manufactured?

- a. ' 200,000
- b. ' 210,000
- c. ' 220,000
- d. ' 240,000

130. Closing balance of work In Process (WIP) is part of:

- a. Assets a/c
- b. Expenses a/c
- c. Liability a/c
- d. Owner's equity a/c

121	d	122	c	123	a	124	b	125	d	126	d
127	a	128	c	129	b	130	a				

131. Which of the given is CORRECT for accounting entry of closing balance of Work In Process (WIP)?

- a. WIP a/c Dr and Inventory a/c Cr
- b. Inventory a/c Dr and WIP a/c Cr
- c. WIP a/c Dr and payroll a/c Cr
- d. There is no accounting entry for closing balance of WIP

132. Accounting entry of closing balance can be recorded for:

- a. Income a/c and Expenses a/c
- b. Liability a/c and Owner's equity a/c
- c. Asset a/c and Liability a/c
- d. Liability a/c and Expenses a/c

133. Identify units transferred out with the help of given

Units still in process (100%material, 75% conversion)

Lost units

Units started in process

- a. 6,000 units
- b. 44,000 units

data:
Units
4.000
2.0
50,00
0

Cost accounting mcqs for senior auditor

- c. **52,000 units**
- d. **56,000 units**

134. **You are required to identify how many good units were outputs from the process.**

	Units
Units put in process	4,000
Lost units	500
Units in process	200

- a. **3,300 units**
- b. **4,000 units**
- c. **4,200 units**
- d. **4,500 units**

135. **The measureable value of an alternative use of resources is referred to as:**

Cost accounting mcqs for senior auditor

- a. **An opportunity cost**
- b. **An imputed cost**
- c. **A sunk cost**
- d. **None of these**

136. **A quantitative expression of management objectives is an:**

- a. **Organizational chart**
- b. **Management chart**
- c. **Budget**
- d. **None of these**

137.

A cost center is:

- a. **A unit of production in relation to which costs are ascertained**
- b. **A location which is responsible for controlling direct costs**
- c. **Any location or department which incurs cost**
- d. **None of these**

138.

At break-even point of 400 units sold the variable costs were ' 400 and the fixed costs were '200. What will be the 401 units sold contributing to profit before income tax?

- a. **' 0.50**
- b. **' 1.00**
- c. **' 1.50**
- d. **None of these**

139.

In considering a special order situation that will enable a company to make use of currently idle capacity, which of the following cost will be irrelevant:

- a. **Depreciation**
- b. **Direct labour**
- c. **Variable factory overhead**
- d. **None of these**

140.

A fixed cost:

- a. **May change in total when such change is not related to changes in production**
- b. **Will not change in total because it is not related to changes in production**
- c. **Is constant per unit for each unit of change in production**
- d. **May change in total, depending on production with the relevant range**

141.

142.

131	d	132	a	133	b									
134	a	135	a	136	c	137	c	138	a	139	a	140	b	

All the given statements regarding job cost sheets are incorrect EXCEPT:

- a. **Job cost sheet shows only direct materials cost on that specific job**
- b. **Job cost sheet must show the selling costs associated with a specific job**
- c. **Job cost sheet must show the administrative costs associated with a specific job**
- d. **Job cost sheet shows direct materials cost, direct labour cost and factory overhead costs associated with a specific job**

143.

What would be the effect on the cost of a department in case of normal Loss

- a. **Decreased**
- b. **Increased**
- c. **No effect**
- d. **Increase to the %age of loss**

Expenses such as rent and depreciation of a building are shared by several departments these are:

- a. **Indirect expenses**
- b. **Direct expenses**
- c. **Joint expenses**
- d. **All of the above**

Cost accounting mcqs for senior auditor

144. If under applied FOH is closed to cost of goods sold, the journal entry is:
 a. DR Cost of goods sold . CR FOH control
 b. DR FOH control CR Cost of goods sold
 c. DR FOH control CR Profit % loss account
 d. None of these
145. Re-order quantity 3600 units
 Maximum consumption 900 units per week
 Minimum consumption 300 units per week
 Re-order period 5 weeks
 Based on this data Re-order level is:
 a. 4500 units
 b. 3900 units
 c. 1200 units
 d. None of these
146. The time lag between indenting and receiving material is called:
 a. Lead time
 b. Idle time
 c. Stock out time
 d. None of these
147. A credit balance remaining in FOH Control account is called:
 a. Over-applied overhead
 b. Under-applied overhead
 c. Actual overhead
 d. None of these
148. Direct material cost plus direct labour cost is called:
 a. Prime cost
 b. Conversion cost
 c. Product cost
 d. All of these
149. Productivity means:
 a. The ability to produce
 b. All units produced
 c. Good units produced
 d. None of these
150. A segment of the business that generates both revenue and cost is called:
 a. Profit Center
 b. Cost Center
 c. Cost driver
 d. All of these

141	d	142	c	143	a	144	a	145	a	146	a	147	a
148	a	149	a	150	a								

151. **Prime cost is calculated as under:**
- a. **Manufacturing Cost/Cost of Goods Sold**
 - b. **Direct Method plus factory overheads**
 - c. **Direct labour + Direct Material**
 - d. **None of these**
152. **Process Cost is very much applicable in:**
- a. **Construction Industry**
 - b. **Pharmaceutical Industry**
 - c. **Air line company**
 - d. **None of these**

153. Which of the following is not a function of Cost Accounting ?

- a. Cost ascertainment
- b. Planning and control
- c. Decision-making
- d. External reporting

154.

A cost is :

- a. A sacrifice
- b. Release of something
- c. Measure of consumption of resources
- d. All of the above

155.

Cost information facilitates many important decisions except :

- a. Introduction of a product
- b. Whether to make or buy
- c. Retention of profit
- d. Exploration of an additional market

156.

Management Accounting seeks to serve the purpose of management to run a business more efficiently and thus uses the techniques of :

- a. Financial Accounting
- b. Cost Accounting
- c. Mathematics and Statistics
- d. All of the above

157.

In process costing, each producing department is a:

- a. Cost unit
- b. Cost centre
- c. Investment centre
- d. Sales centre

158.

Marketing involves the following except :

- a. Designing
- b. Selling
- c. Publicity
- d. Distribution

159.

Administration span across all the upstream, mainstream and downstream activities of a firm, such as :

- a. Design, research and development
- b. Production
- c. Marketing
- d. All of the above

160.

161.

When 10,000 ending units of work-in-process are 30% completed as to conversion, it means:

- a. 30% of the units are completed
- b. 70% of the units are completed

Cost accounting mcqs for senior auditor

- c. **Each unit has been completed to 70% of its final stage**
- d. **Each of the units is 30% complete**

151	c	152	a	153	d	154	d				
155	c	156	d	157	b	158	a	159	d	160	a

Which of the following is not a method of costing ?

- a. **Marginal costing**
- b. **Job costing**
- c. **Process costing**
- d. **Operating costing**

162. Which of the following is not a technique of costing ?

- a. Absorption costing
- b. Standard costing
- c. Multiple costing
- d. Marginal costing

163.

Cost can be classified according to :

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

164.

Which of the following is TRUE regarding the use of blanket rate? a. The use of a single blanket rate makes the apportionment of overhead costs unnecessary

165.

- b. The use of a single blanket rate makes the apportionment of overhead costs necessary
- c. The use of a single blanket rate makes the apportionment of overhead costs uniform
- d. None of the given options

166.

The functional classification of costs include the following except :

- a. Prime cost
- b. Production cost
- c. Administration cost
- d. Marketing cost

167.

Which of the following is not included in the administration cost ?

- a. Salaries of general office staff
- b. Salaries of foremen
- c. Office supplies and expenses
- d. Postage, stationary, telephone etc.

168.

A cost unit is :

- a. The cost per machine hour
- b. Cost per labour hour
- c. A unit of production or service in relation to which costs are ascertained
- d. A measure of work output in a standard hour

169.

Prime cost is :

- a. The total of direct costs
- b. All costs incurred in manufacturing a product
- c. The material cost of a product
- d. The cost of operating a department

170.

Cost of sales is :

- a. Total costs incurred in production, administration and marketing functions
- b. Works cost plus administration overheads
- c. Aggregate of works, administration and marketing overheads

171.

Cost accounting mcqs for senior auditor

d. **Prime costs plus marketing overheads**

Variable costs are conventionally deemed to :

- a. **Be constant per unit of output**
- b. **Vary per unit of output as production volume changes**
- c. **Be constant in total when production volume changes**
- d. **Vary, in total, from period to period when production is constant**

161	a													
162	c	163	d	164	a	165	a	166	b	167	c	168	a	
169	a	170	a											

Fixed costs :

- a. **Vary in total as production volume changes within a given range**
- b. **Remain constant in total but vary per unit when production volume changes**

Cost accounting mcqs for senior auditor

- c. Remain constant per unit as production volume changes
 - d. Vary in total when production volume does not change
172. Costs which do not fluctuate as the level of activity changes within a given range are :
- a. Relevant costs
 - b. Opportunity costs
 - c. Mixed costs
 - d. Fixed costs
173. Which of the following is not an example of semi-variable costs ?
- a. Telephone expenses
 - b. Maintenance expenses of machines
 - c. Salary of the works manager
 - d. Depreciation expenses

174. The following information was taken from Smart Company's accounting records for the year ended

March 31, 2013 :

Increase in raw materials inventory	15,000
Decrease in finished goods inventory	35,000
Raw materials purchased	4,30,000
Direct labour payroll	2,00,000
Factory overhead	3,00,000
Freight	45,000

There was no work in process inventory at the beginning or end of the year.

Smart's 2,000 cost of goods sold is :

- a. ' 9,50,000
- b. ' 9,65,000
- c. ' 9,75,000
- d. ' 9,95,000

Question 175-177 are based on the following information pertaining to ABC Company's

manufacturing operations :

Inventories 3/1/2013	3/31/2013
Direct materials 36,000	30,000
Work-in-process 18,000	12,000
Finished goods 54,000	72,000
Additional information for the month of March 2013	
Direct materials purchased	84,000
Direct labour payroll	60,000
Direct labour rate per hour	7.50
Factory overhead rate per direct labour hour	10.00

Cost accounting mcqs for senior auditor

- 175. For the month of March 2013, prime cost was :**
a. ' 90,000
b. ' 1,20,000
c. ' 1,44,000
d. ' 1,50,000
- 176. For the month of March 2013, conversion cost was :**
a. ' 90,000
b. ' 1,40,000
c. ' 1,44,000
d. ' 1,70,000
- 177. For the month of March 2013, cost of goods**
a. ' 2,18,000

Cost accounting mcqs for senior auditor

- b. ' 2,24,000
- c. ' 2,30,000
- d. ' 2,36,000

178. The cost of rent for a manufacturing plant is a :

Prime cost	Product cost
-------------------	---------------------

- | | |
|--------|-----|
| a. No | Yes |
| b. No | No |
| c. Yes | No |
| d. Yes | Yes |

179. Property taxes on a manufacturing plant are an element of :

Conversion cost	Period cost
------------------------	--------------------

- | | |
|--------|-----|
| a. Yes | No |
| b. Yes | Yes |
| c. No | Yes |
| d. No | No |

The fixed portion of the semi-variable cost of electricity of a manufacturing plant is a :

- | | |
|--------------------|---------------------|
| Period cost | Product cost |
|--------------------|---------------------|
- | | |
|--------|-----|
| a. Yes | No |
| b. Yes | Yes |
| c. No | Yes |
| d. No | No |

	171	b	172	d	173	c	174	d	175	d
182.	176	b	177	d	178	a	179	c	180	a

Various methods are used for pricing materials used. Cost price methods are :

- 183.
- a. Specific price
 - b. First in first out
 - c. Last in first out
 - d. All of the above

184. Average price methods of pricing materials issues are derived from cost prices. They include the following except :

- 185.
- a. Simple average
 - b. Base stock
 - c. Weighted average
 - d. Moving average

In case of rise in price levels, the most suitable method for valuing materials issued is :

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

The FIFO assumption of cost flow when applied in a period of rising prices :

- a. **Overstates profit and closing stock**
- b. **Overstates profit and understates closing stock**
- c. **Overstates profit and shows closing stock at current prices**
- d. **Understates profit and overstates closing stock**

In a repeated distribution method:

- a. **Each service department in turn does not re-allocate its costs to all departments**
- b. **Each service department in turn and re-allocates its costs to all departments**
- c. **Each service department in turn and allocates its costs to all departments**
- d. **Only one service department in turn and re-allocates its costs to all departments.**

[Hint : Repeated distribution method: This method takes each service department in turn and reallocates its costs to all departments which benefit.]

186. The cost of goods sold was ' 2,40,000. Beginning and ending inventory balances were ' 20,000 and ' 30,000, respectively. What was the inventory turnover ratio?
- 8.0 times
 - 12.0 times
 - 7.0 times
 - 9.6 times

[Hint : Inventory turnover ratio = CGS/Average inventory
 $\text{inventory turnover ratio} = \frac{240000}{25000} = 9.6$
 average inventory = $\frac{\text{opening inventory} + \text{closing inventory}}{2}$]

187. Where is equal, that point is called Economic order quantity.
- Ordering cost
 - Carrying cost
 - Ordering and carrying cost
 - Per unit order cost

188. Loss by fire is an example of:
- Normal Loss
 - Abnormal Loss
 - Incremental Loss
 - Cannot be determined

189. The main purpose of cost accounting is to :
- Maximize profits
 - Help in inventory valuation
 - Provide information to management for decision making
 - Aid in the fixation of selling price

190. Where the applied FOH cost is less than the actual FOH cost it is:
- Unfavorable variance
 - Favorable variance
 - Normal variance
 - Budgeted variance

[Hint : When the applied cost is lesser than the actual cost it is unfavorable variance.]

181	d	182	b											
183	a	184	c	185	b	186	d	187	c	188	a	189	c	
190 a														

191. Which of the following is correct?
- Units sold=Opening finished goods units + Units produced - Closing finished goods units
 - Units Sold = Units produced + Closing finished goods units - Opening finished goods units
 - Units sold = Sales + Average units of finished goods inventory
 - Units sold = Sales - Average units of finished goods inventory

192. Which of the following items of expense are to be add in FOH cost ?
- Rent of factory + Head office rent + salaries to factory watchman
 - Rent of factory + factory lighting bill + Directors salaries
 - Rent of factory + factory lighting bill + Factory employees salaries
 - Head office rent + Factory property tax + Factory small tools
193. If, Gross profit = ' 40,000 GP Margin = 20% of sales What will be the value of cost of goods sold?
- ' 160,000
 - ' 120,000
 - ' 40,000
 - ' 90,000
- [Hint : Cost of goods sold = Gross profit (absolute amount) x 80%/20%]
194. Taking steps for the fresh purchase of those stocks which have been exhausted and for which requisitions are to be honored in future” is an easy explanation of:
- Overstocking
 - Under stocking
 - Replenishment of stock
 - Acquisition of stock
195. Net Income before Interest and tax is also called:
- Operating Income/Profit
 - Gross Profit
 - Marginal Income
 - Other Income
196. Which of the following is indirect cost?
- The depreciation of machinery
 - The overtime premium incurred at the specific request of a customer
 - The hire of tools for a specific job
 - All of the given options
197. In which of the following center FOH cost NOT incurred ?
- Production Center
 - Service Center
 - General Cost Center
 - Head Office
198. Which of the following is considered as basic systems of remunerating labor?
- Time rate system
 - Piece rate system
 - Halsey Premium plan
 - Both time rate and piece rate system
199. Net sales = Sales less:
- Sales returns
 - Sales discounts
 - Sales returns & allowances
 - Sales returns & allowances and sales discounts

Cost accounting mcqs for senior auditor

200. An organisation sold 4000 units and have closing finished goods 3500 units and opening finished goods units were 1000. The quantity of units produced would be:
- a. 7500 units
 - b. 6500 units
 - c. 4500 units
 - d. 8500 units
- [Hint : Number of units manufactured/produced = units sold + closing balance of finished goods units - opening balance of finished goods units
number of units produced/manufactured = 4000 + 3500 - 1000 = 6500]

191	a	192	c	193	a	194	c	195	a	196	d
197	d	198	d	199	d	200	b				

201. A store ledger card is similar to the .
- a. Stock ledger
 - b. Bin card
 - c. Material card
 - d. Purchase requisition card
202. Which of the following element must be taken into account while calculating total earnings of a worker under different incentive wage schemes?
- a. Rate per unit
 - b. Units of production

- c. Extra time taken by employee to complete the production
- d. Number of workers employed

203. The journal entry of purchase of stock under periodic inventory system would be?

- a. Inventory to Cash
- b. Cash to Purchases
- c. Purchases to Inventory

204. d. None of the given options

Closing work in process Inventory of last year:

- a. Is treated as Opening inventory for current year
- b. Is not carried forward to next year

205. c. Become expense in the next year

- d. Charge to Profit & Loss account

Sales are ' 4,50,000. Beginning finished goods were ' 23,000. Ending finished goods are ' 30,000. The cost of goods sold is ' 3,00,000. What is the cost of goods manufactured?

- a. ' 323,000

206. b. ' 330,000

- c. ' 293,000

- d. None of the given options

While transporting petrol, a little quantity will be evaporated; such kind of loss is termed as:

207.

- a. Normal Loss
- b. Abnormal Loss
- c. It is incremental loss
- d. It cannot be abnormal loss

The cost of electricity bill of the factory is treated as:

- a. Fixed cost
- b. Variable cost
- c. Step cost
- d. Semi variable cost

[Hint : Semi Variable Cost : It is also known as mixed cost. It is the cost which is part fixed and part variable. It is in fact the mixture of both behaviors.

Examples include: Utility bills - there is a fixed line rent plus charges for units consumed.

Salesman's salary - there is a fixed monthly salary plus commission per units sold.]

208. A cost centre is :

- a. A unit of product or service in relation to which costs are ascertained
- b. An amount of expenditure attributable to an activity
- c. A production or service location, function, activity or item of equipment for which costs are accumulated

209. d. A centre for which an individual budget is drawn up

Cost accounting department prepares ____ that helps them in preparing final accounts.

- a. Cost sheets
- b. Cost of goods sold statement

210.

Cost accounting mcqs for senior auditor

- c. **Cost of production Report**
- d. **Material requisition form**

When FOH is under applied and charged to Net Profit , the treatment would be:

- a. **Under applied Add net profit**
- b. **Under applied Less net profit**
- c. **Under applied Less operating expense**
- d. **None of the given options**

201	b	202	b	203	d									
204	a	205	d	206	a	207	d	208	a	209	b	210	a	

211. **Weighted average cost per unit is calculated by which of the following formula?**
- Cost of goods issued/number of units issued**
 - Total Cost/Total Units**
 - Cost of goods manufactured/closing units**
 - Cost of goods sold/total units**
212. **Buyer produced 20,000 units and their total factory cost was ' 450,000, other cost like property tax on factory building was ' 10,000 included in that cost till year ended the cost of per unit would be:**
- ' 22.5**
 - ' 23.5**
 - ' 24.5**
 - ' 26.5**
- [Hint : Cost per unit = Cost of goods manufactured / Number of units manufactured]**
213. **A standard rate is paid to the employee when he completed his job:**
- In time less than the standard**
 - In standard time**
 - In time more than standard**
 - Both in standard time and more than the standard time**
214. **Store incharge after receiving the material as per the goods received note, places the material at its location and makes an entry in .**
- Bin Card**
 - Store Ledger Card**
 - Stock Ledger**
 - None of the given options**
215. **If opening inventory of material is ' 20,000 and closing inventory is ' 40,000.the Average inventory amount will be:**
- ' 40,000**
 - ' 30,000**
 - ' 20,000**
 - ' 10,000**
- [Hint : Average Inventory= Opening Inventory + Closing Inventory/2]**
216. **PVC Company has ordering quantity 10,000 units. They have storage capacity 20,000 units, the average inventory would be:**
- 20,000**
 - 5,000**
 - 10,000**
 - 25,000**
- [Hint : Average ordering quantity= Ordering Quantity/2]**
217. **All Indirect cost is charged/record in the head of**
- Prime cost**
 - FOH cost**
 - Direct labor cost**
 - None of the given options**

Cost accounting mcqs for senior auditor

218. **Under/Over applied FOH cost can be adjusted in which of the following:**
- a. **Entire Production**
 - b. **Cost of Goods Sold**
 - c. **Net Profit**
 - d. **All of given options**
219. **The danger Level can be calculated?**
- a. **Average consumption x Lead time to get urgent supplies**

Cost accounting mcqs for senior auditor

- b. Normal consumption x Lead time to get urgent supplies
 - c. Maximum consumption x Lead time to get urgent supplies
 - d. Minimum consumption x Lead time to get urgent supplies
- [Hint: Danger Level = Average consumption x Emergency time]

220.	Nelson Company has following FOH detail. Budgeted	Actual (')	(')
	Production Fixed overheads 36,000	39,000	
	Production Variable overheads 9,000	12,000	
	Direct labor hours 18,000	20,000	

- a. Under applied by '1,000
 - b. Over applied by ' 1,000
 - c. Under applied by ' 11,000
 - d. Over applied by ' 38,000
221. Factory Over head cost includes :
- a. Factory Rent
 - b. Property Tax
 - c. Salaries of Factory Clerk
 - d. All of the given
222. Which of the following cannot be used as a base for the determination of overhead absorption rate?
- a. Number of units produced
 - b. Prime cost
 - c. Conversion cost
 - d. Discount Allowed
223. Cost of goods sold ' 30,000, opening Inventory ' 9,000, Closing inventory ' 7,800. What was the inventory turnover ratio?
- a. 3.57 times
 - b. 3.67 times
 - c. 3.85 times
 - d. 5.36 times
- [Hint : Inventory turnover ratio = Cost of goods sold/Average inventory]
224. FOH applied rate of Rs. 5.60 per machine hour. During the year the FOH to Rs. 275,000 and 48,000 machine hours were used. Which one of following statement is correct?
- a. Overhead was under-applied by Rs.6,200
 - b. Overhead was over-applied by Rs.6,200
 - c. Overhead was under-applied by Rs.7,200
 - d. Overhead was over-applied by Rs.7,200
225. Cost accounting concepts include all of the following EXCEPT:
- a. Planning

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- b. **Controlling**
 - c. **Sharing**
 - d. **Costing**
226. **are future costs that effect the current management decision.**
- a. **Sunk Cost**
 - b. **Standard Cost**
 - c. **Relevant Cost**
 - d. **Irrelevant Cost**
- [Hint : Relevant cost is which changes with a change in decision. These are future costs that effect the current management decision.]**

227. Which of the following costs is part of the prime cost for manufacturing company?
- a. Cost of transporting raw materials from the suppliers premises
 - b. Wages of factory workers engaged in machine maintenance
 - c. Depreciation of truck used for deliveries to customers
 - d. Cost of indirect production materials

228.

Direct material opening inventory add net purchases is called

- a. Material consumed
- b. Material available for use
- c. Total material purchased
- d. Material ending inventory

229.

Which of the following is to be called product cost ?

- a. Material cost
- b. Labor cost
- c. FOH cost
- d. All of the given options

230.

A Blanket Rate is:

- a. A single rate which used throughout the organization departments
- b. A double rates which used throughout the organization departments
- c. A single rates which used in different departments of the organization
- d. None of the given options

[Hint : A blanket absorption rate is a single rate of absorption used throughout an organization's production facility and based upon its total production costs and activity.]

231.

All of the following are characteristics of Group Bonus Scheme EXCEPT:

- a. A standard time is set for the completion of a job
- b. If the time taken is greater than the time allowed, the workers in the group receive time wages
- c. If the time taken is less than the time allowed, the group receives a bonus on time saved
- d. If the time taken is greater than the time allowed, the workers in the group receive time deductions for extra hours

232.

Which of the following best describes the manufacturing costs?

- a. Direct materials, direct labor and factory overhead
- b. Direct materials and direct labor
- c. Direct materials, direct labor, factory overhead, and administrative overhead
- d. Direct labor and factory overhead

233.

High labor turnover is NOT desirable because:

- a. It denotes the instability of the labor force
- b. It is an indication of high labor cost
- c. It shows frequent changes in the labor force
- d. All of the given options

234.

235. Manufacturing entities classified the inventory in which of three kinds?

- a. Material inventory, WIP inventory, Finished goods inventory
- b. Material inventory, purchased good inventory, WIP inventory

Cost accounting mcqs for senior auditor

- c. **Material inventory, purchased good inventory, Finished goods inventory**
- d. **WIP inventory, Finished goods inventory, purchased good inventory**

Which of the following is correct for maximum level?

- a. **Reorder level - (Minimum consumption x Lead time) + EOQ**
- b. **(Maximum consumption x Lead time) - (Minimum consumption x Lead time) + EOQ**
- c. **[(Maximum consumption - Minimum consumption) Lead time]+ EOQ**
- d. **All of the given options**

236. **Inventory turnover ratio can be calculated as follow?**

- a. **Cost of goods sold/Average inventory**
- b. **Gross profit/Average inventory**
- c. **Cost of goods sold/sale**
- d. **Cost of goods sold/Gross profit**

237.

The component of Factory overhead are as follow

- a. **Direct material + Indirect material + Direct expenses**
- b. **Indirect material + Indirect labor + Others indirect cost**
- c. **Direct material + Indirect expenses + Indirect labor**
- d. **Direct labor + Indirect labor + Indirect expenses**

238.

Overtime that is necessary in order to fulfill customer orders is called:

- a. **Avoidable overtime**
- b. **Unavoidable overtime**
- c. **Premium Overtime**
- d. **Flex time**

239.

The Process of cost apportionment is carried out so that:

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

240.

Taylor's Differential Piece Rate Plan uses piece rates.

- a. **Three**
- b. **Two**
- c. **Four**
- d. **Five**

241.

Under Halsey premium plan, if the employee completes his job in less than the standard time fixed for the job, he is given:

- a. **Only wages for the actual hours taken**
- b. **Wages for the actual hours taken plus bonus equal to one half of the wage of the time saved**
- c. **Wages for the actual hours taken plus bonus equal to one third of the wage of the time saved**
- d. **Only the bonus equal to one half of the time saved**

243.

Increase in material Inventory means:

- a. **The ending inventory is greater than opening inventory**
- b. **The ending inventory is less than opening inventory**
- c. **Both ending and opening inventories are equal**
- d. **Cannot be determined**

244.

Working hours of labor can be calculated with the help of all except:

- a. **Smart card**
- b. **Time sheet**
- c. **Clock card**

d. **Store card**

Amount of net purchase can be calculated as follow

- a. **Purchase of direct material add trade discount less purchase return add carriage inward less other material handling cost**
- b. **Purchase of direct material less trade discount l add purchase return add carriage inward less other material handling cost**
- c. **Purchase of direct material less trade discount less purchase return less carriage inward add other material handling cost**

- d. Purchase of direct material less trade discount less purchase return add carriage inward add other material handling cost
245. All of the following are terms used to denote Factory Overheads EXCEPT:
- Factory burden
 - Factory expenses
 - Manufacturing overhead
 - Conversion costs
246. Reduction of labor turnover, accidents, spoilage, waste and absenteeism are the results of which of the following wage plan?
- Piece rate plan
 - Time rate plan
 - Differential plan
 - Group bonus system
247. Costs which are constant for a relevant range of activity and rise to new constant level once that range exceeded is called:
- A fixed cost
 - A variable cost
 - A mixed cost
 - A step cost
248. Cost of goods sold can be calculated as follow
- Cost of goods manufactured Add Opening finished goods inventory Less Closing finished goods inventory
 - Cost of goods manufactured Less Opening finished goods inventory Less Closing finished goods inventory
 - Cost of goods manufactured Less Opening finished goods inventory Add Closing finished goods inventory
 - Cost of goods manufactured Add Opening finished goods inventory Add Closing finished goods inventory
249. If, COGS = ' 70,000 GP Margin = 30% of sales What will be the value of Sales?
- ' 200,000
 - ' 66,667
 - ' 100,000
 - ' 62,500
- [Hint : $\text{Sales} = 30000 \times 100\% / 30\% = ' 100,000$]
250. Annual requirement is 7800 units; consumption per week is 150 units. Unit price ' 5, order cost ' 10 per order. Carrying cost ' 1 per unit and lead time is 3 week, The Economic order quantity would be.
- 395 units
 - 300 units
 - 250 units
 - 150 units

251. What will be the impact of normal loss on the overall per unit cost ?
- Per unit cost will increase
 - Per unit cost will decrease
 - Per unit cost remain unchanged
 - Normal loss has no relation to unit cost
252. Alpha company purchased a machine worth Rs 200,000 in the last year. Now that machine can be use in a new project which company has received this year. Now the cost of that machine is to be called:
- Project cost
 - Sunk cost
 - Opportunity cost
 - Relevant cost
253. FOH absorption rate is calculated by the way of :
- Estimated FOH Cost/Direct labor hours
 - Estimated FOH Cost/No of units produced
 - Estimated FOH Cost/Prime Cost
 - All of the given options
254. Which of the following is/are not associated with ordering costs?
- Interest
 - Insurance
 - Opportunity costs
 - All of the given options
255. Under perpetual Inventory system at the end of the year:
- No closing entry passed
 - Closing entry passed
 - Closing value find through closing entry only
 - None of the above.
256. The Hino Corporation has a breakeven point when sales are ' 160,000 and variable costs at that level of sales are ' 100,000. How much would contribution margin increase or decrease, if variable expenses dropped by ' 20,000?
- 37.5%.
 - 60%.
 - 12.5%.
 - 26%

[Hint : Sales=160,000; VC=100,000; CM=60,000

Contribution to sales ratio (C/S ratio) =Contribution Margin in '/Sales in '
 $60,000/160,000=0.375$

$0.375*100=37\%$

New VC=80,000,
Sales=160,000
CM=80,000

Contribution to sales ratio (C/S ratio) =Contribution Margin in '/Sales in '
 $80,000/160,000=0.5=50\%$

Rise in CM=(37.5-50)=12.5]

257. **The short run is a time period in which:**
- All resources are fixed.**
 - The level of output is fixed.**
 - The size of the production plant is variable.**
 - Some resources are fixed and others are variable**
258. **Opportunity cost is the best example of:**
- Sunk Cost**
 - Standard Cost**
 - Relevant Cost**
 - Irrelevant Cost**
259. **The components of factory overhead are as follows:**
- Direct material + Indirect material + Direct expenses**
 - Indirect material + Indirect labor + Others indirect cost**
 - Direct material + Indirect expenses + Indirect labor**
 - Direct labor + Indirect labor + Indirect expenses**
260. **The term Maximum level represents:**
- The maximum stock level indicates the maximum quantity of an item of material which can be held in stock at any time.**
 - The maximum stock level indicates the maximum quantity of an item of material which cannot be held in stock at any time.**
 - The average stock level indicates the maximum quantity of an item of material which can be held in stock at any time.**
 - The available stock level indicates the maximum quantity of an item of material which can be held in stock at any time.**
261. **The FIFO inventory costing method (when using a perpetual inventory system) assumes that the cost of the earliest units purchased is allocated in which of the following ways?**
- First to be allocated to the ending inventory**
 - Last to be allocated to the cost of goods sold**
 - Last to be allocated to the ending inventory**
 - First to be allocated to the cost of good sold**
262. **A firm Uses its own capital or Uses its owner's time and/or financial resources both are examples of**
- Implicit Cost**
 - Explicit Cost**
 - Sunk Cost**
 - Relevant Cost**
- [Hint : A cost that is represented by lost opportunity in the use of a company's own resources, excluding cash**
- These are intangible costs that are not easily accounted for. For example, the time and effort that an owner puts into the maintenance of the company rather than working on expansion]**

263. If Direct Material = 12,000; Direct Labor = 8000 and other Direct Cost = 2000 then what will be the Prime Cost?
- 12000
 - 14000
 - 20000
 - 22000
264. Wage, Rent & Materials are examples of :
- Implicit Cost
 - Explicit Cost
 - Direct Cost
 - Manufacturing Cost
- [Hint : A business expense that is easily identified and accounted for. Explicit costs represent clear, obvious cash outflows from a business that reduce its bottom-line profitability. This contrasts with less-tangible expenses such as goodwill amortization, which are not as clear cut regarding their effects on a business's bottom-line value. Good examples of explicit costs would be items such as wage expense, rent or lease costs, and the cost of materials that go into the production of goods. With these expenses, it is easy to see the source of the cash outflow and the business activities to which the expense is attributed]
265. An investor invests in stock exchange he foregoes the opportunity to invest further in his hotel. The profit which the investor will be getting from the hotel is .
- Opportunity cost
 - Period Cost
 - Product Cost
 - Historical Cost
- [Hint : 1. The cost of an alternative that must be forgone in order to pursue a certain action. Put another way, the benefits you could have received by taking an alternative action.
2. The difference in return between a chosen investment and one that is necessarily passed up. Say you invest in a stock and it returns a paltry 2% over the year. In placing your money in the stock, you gave up the opportunity of another investment - say, a risk-free government bond yielding 6%. In this situation, your opportunity costs are 4% (6% - 2%)]
266. It is possible for an item of overhead expenditure to be shared amongst many departments. It is also possible that this same item may relate to just one specific department.
- If the item was not charged specifically to a single department this would be an example of:
- Apportionment
 - Allocation
 - Re-apportionment
 - Absorption
267. Generally, the danger level of stock is fixed _the minimum level

Cost accounting mcqs for senior auditor

- a. **Below**
 - b. **Above**
 - c. **Equal**
 - d. **Danger level has no relation to minimum level**
268. **Which of the following is / are time based incentive wage plan?**
- a. **Hasley Premium Plan**
 - b. **Hasley Weir Premium Plan**
 - c. **Rowan Premium Plan**
 - d. **All of the given options**
269. **Which of the following is/are reported in production cost report?**
- a. **The costs charged to the department**
 - b. **How the costs were assigned to the output?**
 - c. **The equivalent units of production by the department**
 - d. **All of the given options**
270. **Direct materials cost is ' 80,000. Direct labor cost is ' 60,000. Factory overhead is ' 90,000. Beginning goods in process were ' 15,000. The cost of goods manufactured is ' 245,000. What is the cost assigned to the ending goods in process?**
- a. **' 45,000**
 - b. **' 15,000**
 - c. **' 30,000**
 - d. **There will be no ending Inventory [Hint : Direct Material — 80,000 (Given)
Direct labor -- 60,000 (Given)
FOH ----- 90,000 (Given)
Open WIP-- 15,000
Total 245000 (cost of goods manufactured is also 245000 so balance is zero)]**
271. **Sales are ' 450,000. Beginning finished goods were ' 23,000. Ending finished goods are ' 30,000. The cost of goods sold is ' 300,000. What is the cost of goods manufactured?**
- a. **' 323,000**
 - b. **' 330,000**
 - c. **' 293,000**
 - d. **None of the given options**
272. **Under Periodic Inventory system Purchase of inventory is treated as:**
- a. **Assets**
 - b. **Expense**
 - c. **Income**
 - d. **Liability**
273. **When prices are rising over time, which of the following inventory costing methods will result in the lowest gross margin/profits?**
- a. **FIFO**
 - b. **LIFO**
 - c. **Weighted Average**
 - d. **Cannot be determined**

274. The main difference between the profit center and investment center is:
- Decision making
 - Revenue generation
 - Cost incurrence
 - Investment
275. The Inventory Turnover ratio is 5 times and numbers of days in a year is 365. Inventory holding period in days would be
- 100 days
 - 73 days
 - 50 days
 - 10 days
276. Over applied FOH will always result when a predetermined FOH rate is applied and:
- Production is greater than defined capacity
 - Actual overhead costs are less than budgeted overhead
 - Budgeted capacity is less than normal capacity
 - Actual overhead incurred is less than applied Overhead
277. The flux method of labor turnover denotes:
- Workers appointed against the vacancy caused due to discharge or quitting of the organization
 - Workers appointed in replacement of existing employees
 - Workers employed under the expansion schemes of the company
 - The total change in the composition of labor force
- [Hint : The flux method of labor turnover denotes the total change in the composition of labor force. While replacement method takes into account only workers appointed against the vacancy caused due to discharge or quitting of the organisation.]
278. Which of the following statement is TRUE about FOH applied rates?
- They are used to control overhead costs
 - They are based on actual data for each period
 - They are predetermined in advance for each period
 - None of the given
279. Cost of Goods Manufactured can be calculated as follow
- Total factory Cost Add Opening Work in process inventory Less Closing Work in process inventory
 - Total factory Cost Less Opening Work in process inventory Add Closing Work in process inventory
 - Total factory Cost Less Opening Work in process inventory Less Closing Work in process inventory
 - Total factory Cost Add Opening Work in process inventory Add Closing Work in process inventory
280. is the time worked over and above the employee's basic working week.
- Flex time
 - Overtime
 - Shift allowance

- d. **Commission**
281. **In furniture manufacturing use of nail, pins, glue, and polish which use to increase its esteem value that cost is treated as:**
- a. **Direct material cost**
 - b. **Indirect material cost**
 - c. **FOH cost**
 - d. **Prime cost**
282. **If labor is satisfied with high wages it may ultimately lead to:**
- a. **Increased production and productivity**
 - b. **Increased efficiency**
 - c. **Reduced labor and overhead costs**
 - d. **All of the given options**
283. **Which of the following is a mechanical device to record the exact time of the workers?**
- a. **Clock Card**
 - b. **Store Card**
 - c. **Token System**
 - d. **Attendance Register**
284. **Which of the following is / are element / s of production payroll?**
- a. **Direct labor force wages**
 - b. **Administrative wages**
 - c. **Selling wages**
 - d. **All of the given options**
285. **If a predetermined FOH rate is not applied and the volume of production is reduced from the planned capacity level, the cost per unit expected to:**
- a. **Remain unchanged for fixed cost and increase for variable cost**
 - b. **Increase for fixed cost and remain unchanged for variable cost**
 - c. **Increase for fixed cost and decrease for variable cost**
 - d. **Decrease for both fixed and variable costs**
286. **Which of the following is NOT an assumption of the basic economic-order quantity model?**
- a. **Annual demand is known**
 - b. **Ordering cost is known**
 - c. **Carrying cost is known**
 - d. **Quantity discounts are available**
287. **In order to ensure efficient functioning of the stores department and steady flow of materials to the production departments, the restocking of stores is duty of:**
- a. **Managers**
 - b. **Storekeeper**
 - c. **Production In charge**
 - d. **Sales supervisor**
288. **In cost Accounting, abnormal loss is charged to:**
- a. **Factory overhead control account**

- b. **Work in process account**
 - c. **Income Statement**
 - d. **Entire production**
289. **A high inventory turnover may indicate:**
- a. **An efficient use of the investment in inventory**
 - b. **A high risk of stock-outs**
 - c. **Stock position of store room**
 - d. **All of the given options**
290. **Which of the following cost is used in the calculation of cost per unit?**
- a. **Total production cost**
 - b. **Cost of goods available for sales**
 - c. **Cost of goods manufactured**
 - d. **Cost of goods Sold**
291. **If, COGS = ' 50,000 GP Margin = 25% of sales What will be the value of Sales?**
- a. **' 200,000**
 - b. **' 66,667**
 - c. **' 62,500**
 - d. **None of the given options**
292. **When a manufacturing Company has highly automated manufacturing plant producing many different products, the most appropriate basis for applying FOH cost to work in process is:**
- a. **Direct labor hours**
 - b. **Direct labor costs**
 - c. **Machine hours**
 - d. **Cost of material used**
293. **All of the following are cases of labor turnover EXCEPT:**
- a. **Workers appointed against the vacancy caused due to discharge or quitting of the organization**
 - b. **Workers employed under the expansion schemes of the company**
 - c. **The total change in the composition of labor force**
 - d. **Workers retrenched**
294. **The Term Minimum Level Represents.**
- a. **The quantity below which the stock of any item should not be allowed to fall**
 - b. **The quantity below which the stock of any item should be allowed to fall**
 - c. **The estimated time period in number of days or in weeks or in months.**
 - d. **The Lead time period in number of days or in weeks or in months.**
295. **Which of the following would be considered a major aim of a job order costing system?**
- a. **To determine the costs of producing each job or lot**
 - b. **To compute the cost per unit**
 - c. **To include separate records for each job to track the costs**
 - d. **All of the given option.**

296. **The Economic order quantity can be calculated by**
- Formula Method**
 - Table Method**
 - Graph Method**
 - All of the given**
297. **A chemical process has normal wastage of 10% of input. In a period, 2,500 Kg of material were input and there was abnormal loss of 75 Kg. What quantity of good production was achieved?**
- 2,175 kg**
 - 2,250 kg**
 - 2,425 kg**
 - 2,500 kg**
298. **Which of the following is likely to be classified as a direct material cost of a motor car wheel?**
- The metal used to manufacture it.**
 - The metal used to manufacture one of the tools used in the car wheel factory.**
 - The cost of operating the raw material stores in the factory.**
 - The cost of the quality operation on the finished car wheels.**
- [Hint : (b) is part of the cost of either a fixed asset or an indirect cost depending upon the amount involved; (c) and (d) are factory indirect costs.]**
299. **The first in, first out method of pricing raw material issues, exhibits which one of the following features?**
- The issue price is recalculated each time new deliveries are made into stock.**
 - The issue price is always at the latest price.**
 - The goods are always issued strictly in the physical order in which they are received.**
 - The issue price is always at the earliest price.**
- [Hint : (a) refers to the continuous weighted average price method. (b) this method is known as the last in, first out method. Under (c) it will rarely be possible to issue goods to correspond with the physical order of receipt unless there is a stock control system dealing with, for example perishable items.]**
300. **Which of the following is not a method of pricing raw material issues from stock?**
- Standard costing.**
 - Unit cost.**
 - Marginal cost.**
 - Continuous weighted average.**
301. **Which of the following is a direct labour cost?**
- Supervisors' salaries in the factory.**
 - Costs of the payroll accounting section.**
 - A bonus paid to the storeman.**
 - The wages of an operative paid on the basis of output achieved.**
302. **Production overheads are absorbed into production units by the use of an overhead absorption rate. Which one of the following best describes how the absorption rate is**

calculated?

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

[Hint : (d) would produce an overhead absorption rate, but it would be far too generalised to be of any practical use to the business]

303. Sales commissions are classified as

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

304. XYZ Ltd has the following data relating to its assembly plant in the year ended 31 December 2012:

	'000
Direct material costs	500
Direct labour cost	250
Assembly plant indirect costs	100

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

The overhead cost per direct labour hour was:

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

[Hint : The overhead cost per labour hour is ' 1,00,000 plus 50% of the stores costs '15,000, = '1,15,000 divided by 50,000 hours.]

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

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

[Hint : (b), (c) and (d) would lead to over-recovery of overheads.]

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

- a. Debited to the company profit and loss account.
- b. Credited to the company profit and loss account.
- c. Carried forward to the next accounting period as a cost saving.

- d. Used to reduce next period's overhead recovery rate.
[Hint : Variances should always be dealt with in the profit and loss account for the period they relate to.]
307. A variable cost is?
- One which varies in proportion to the level of fixed cost incurred.
 - One which tends to vary with the level of activity.
 - One which changes over time.
 - One which cannot be estimated with any great degree of accuracy.
308. The term 'contribution' refers to?
- The actual amount of profit made per unit.
 - The budgeted profit per unit.
 - The amount of profit which goes towards meeting the overheads of the business.
 - The difference between sales revenue and variable costs per unit.
- [Hint : Contribution only becomes profit when fixed costs have been covered in full.]
309. The break-even point is that at which:
- The level of activity at which the business operates most economically.
 - The level of activity at which the business makes neither a profit nor a loss.
 - The fixed costs are lowest.
 - The variable cost per unit is minimized.
310. When a business is faced with a limiting factor (one which limits the activity of an entity) and there is a choice to be made between options to follow, which of the following statements describes the optimal course of action?
- Choose the option which gives the highest unit profit.
 - Choose the option which gives the highest unit contribution.
 - Aim to achieve a balance of activities covering all of the options.
 - Choose the option which gives highest contribution per unit of limiting factor.
- [Hint : (d) would give the optimal course of action in financial terms. Sometimes, where resource constraints operate in 'not for profit organizations', other non-financial factors may mean that a sub-optimal course of action is followed.]
311. XYZ Ltd has the following alternative planned activity levels:
- | | Level A | Level B | Level C |
|--------------------------|------------|------------|------------|
| Total costs | ' 1,00,000 | ' 1,50,000 | ' 2,00,000 |
| Number of units produced | 5,000 | 10,000 | 15,000 |
- (Fixed overhead remains constant over the activity range shown.)
The fixed overhead cost per unit is:
- ' 20.00
 - '15.00
 - '13.33
 - '10.00
- [Hint : The total cost increased by ' 1,00,000 in moving from Level A to Level C, therefore if fixed overheads are constant, variable costs are ' 1,00,000 for 10,000 units, which = '10/unit. At Level A, total cost is ' 20/unit so fixed overheads absorbed on a unit basis are '10.]

312. Which of the following statements regarding marginal costing is incorrect?
- It is a useful long-term planning technique.
 - It assumes that fixed costs remain fixed over relevant activity ranges.
 - It assumes that other costs vary in proportion to activity.
 - It assumes that costs can be classified as variable or fixed.
- [Hint : (b), (c) and (d) are characteristics of the marginal costing approach which render it less than useful as a long-term decision-making technique, hence (a) is correct.]
313. Which phrase best describes the current role of the managerial accountant?
- Managerial accountants prepare the financial statements for an organization.
 - Managerial accountants facilitate the decision-making process within an organization.
 - Managerial accountants make the key decisions within an organization.
 - Managerial accountants are primarily information collectors.
314. LG has incurred cost of ' 60,000 for material. Further it incurred ' 35,000 for labor and ' 70,000 for factory overhead. There was no beginning and ending work in process. 7,500 units were completed and transferred out. What would be the unit cost for material?
- ' 22
 - ' 16
 - ' 14
 - ' 8
315. Manufacturing costs typically consist of
- Direct materials, direct labor, and manufacturing overhead.
 - Production and shipping costs.
 - Production and marketing costs.
 - Direct materials, direct labor, marketing and administrative costs.
316. In comparison to the traditional manufacturing environment, overhead costs in a JIT environment all the following are true except:
- Are more easily tracked to products.
 - Are frequently direct in nature.
 - Include rent, insurance and utilities.
 - Most of the costs are likely to be indirect in nature.
317. As production increases within the relevant range
- Variable costs will vary on a per unit basis.
 - Variable costs will vary in total.
 - Fixed costs will vary in total.
 - Fixed and variable cost stay the same in total.
318. You are given the cost and volume information below:
- | Volume | Cost |
|-----------|-------|
| 1 unit | ' 15 |
| 10 units | '150 |
| 100 units | '1500 |

What type of a cost is given?

- a. Fixed cost
- b. Variable cost
- c. Step cost
- d. Mixed cost

319. Which of the following statements regarding graphs of fixed and variable costs is true?

- a. Variable costs can be represented by a straight line where costs are the same for each data point.
- b. Fixed costs can be represented by a straight line starting at the origin and continuing through each data point.
- c. Fixed costs are zero when production is equal to zero.

d. Variable costs are zero producti is to zero.

ABC Ltd. has three product A, B, and

	A	B	C	Total
Total Sales	'10.000	9.000	12.000	31.000
Variable costs	4.50	7.000	6.000	17.500
Contribution Margin	5.50	2.000	6.000	13.500
Fixed costs	3.50	6.000	3.000	12.500
Net income	2,00	(4,000)	3,000	1,000

Product line B appears unprofitable, and management is considering discontinuing the line. How would the discontinuation of Product line B affect net income?

- a. Increase by \$4,000
- b. Decrease by \$4,000
- c. Increase by \$2,000
- d. Decrease by \$2,000

321. Coed Novelties manufactures key chains for college bookstores. During 2012, the company had the following costs:

Direct materials used ' 31,000; Direct labor ' 18,000; Factory rent ' 12,000; Equipment depreciation - factory ' 2,000; Equipment depreciation - office ' 750; Marketing expense ' 2,500; Administrative expenses ' 40,000

35,0 units produced were in 2003.

What is the product cost per unit?

- a. Approximately '1.24
- b. '1.80
- c. Approximately ' 3.04
- d. '1.40

322. The Cape Cod Cotton Candy Company had the following information available regarding last year's operations:

Sales (100,000 units) ' 2,00,000 ; Variable costs ' 1,00,000; Contribution margin ' 1,00,000; Fixed costs ' 50,000; Net Income ' 50,000

If sales were to increase by 200 units, what would be the effect on net income?

- a. '400 increase
- b. '200 increase
- c. '150 increase

- d. ' 200 loss
323. If B Limited shows required production of 120 cases of product for the month, direct labor per case is 3 hours at Rs. 12 per hour. Budgeted labor costs for the month should be:
- ' 360
 - ' 1,440
 - ' 4,320
 - ' 5,346
324. A firm, which makes yachts, has fixed costs of ' 260,000 per month. The product sells for ' 35,000 per boat, and the variable costs of production are ' 15,000 per boat. The boatyard can manufacture 20 boats each month. What is the firms' margin of safety at the moment?
- 20%
 - 35%
 - 54%
 - 57%
325. Janet sells a product for ' 6.25. The variable costs are ' 3.75. Janet's break-even units are 35,000. What is the amount of fixed costs?
- ' 87,500
 - ' 35,000
 - ' 131,250
 - ' 104,750
326. Good Job Plc makes one product which sells for ' 80 per unit. Fixed costs are ' 28,000 per month and marginal costs are ' 42 a unit. What sales level in units will provide a profit of ' 10,000?
- 350 units
 - 667 units
 - 1,000 units
 - 1,350 units
327. If computational and record-keeping costs are about the same under both FIFO and weighted average, which of the following method will generally be preferred?
- Weighted Average
 - FIFO
 - They offer the same degree of information
 - Cannot be determined with so little information
328. A business always absorbs its overheads on labor hours. In the 8th period, 18,000 hours were worked, actual overheads were ' 279,000 and there was ' 36,000 over-absorption. The overhead absorption rate per hours was:
- ' 15.50
 - ' 17.50
 - ' 18.00
 - ' 13.50

329. **Bharat Ltd estimated that during the year 75,000 machine hours would be used and it has been using an overhead absorption rate of ' 6.40 per machine hour in its machining department. During the year the overhead expenditure amounted to ' 472,560 and 72,600 machine hours were used. Which one of the following statements is correct?**
- a. **Overhead was under-absorbed by ' 7,440**
 - b. **Overhead was under-absorbed by ' 7,920**
 - c. **Overhead was over-absorbed by ' 7,440**
 - d. **Overhead was over-absorbed by ' 7,920**
330. **Inventory of ' 96,000 was purchased during the year. The cost of goods sold was ' 90,000 and the ending inventory was ' 18,000. What was the inventory turnover ratio for the year?**
- a. **5.0**
 - b. **5.3**
 - c. **6.0**
 - d. **6.4**
331. **The FIFO inventory costing method (when using under perpetual inventory system) assumes that the cost of the earliest units purchased is allocated in which of the following ways?**
- a. **First to be allocated to the ending inventory**
 - b. **Last to be allocated to the cost of goods sold**
 - c. **Last to be allocated to the ending inventory**
 - d. **First to be allocated to the cost of good sold**
332. **High Class Interiors had beginning merchandise inventory of ' 75,000. It made purchases of '160,000 and recorded sales of ' 220,000 during January. Its estimated gross profit on sales was**

30%. On January 31, the store was destroyed by fire. What was the value of the merchandise inventory loss?

- a. ' 154,000
- b. ' 160,000
- c. '. 235,000
- d. ' 81,000

333. **Where there is mass production of homogeneous units or where few products are produced in batches, which of the following cost driver would be regarded as best base for the determination of Factory overhead absorption rate?**

- a. Number of units produced
- b. Labor hours
- c. Prime cost
- d. Machine hours

334. **Which of the following is a factor that should be taken into account for fixing re-order level?**

- a. Average consumption
- b. Economic Order Quantity
- 335. c. Emergency lead time
- d. Danger level

The contribution margin increases when sales volume and price remain the same and:

- a. Variable cost per unit decreases
- 336. b. Variable cost per unit increases
- c. Fixed costs per unit increase
- d. All of the given options

Opening work in process inventory can be calculated under which of the following method?

- 337. a. FIFO and Average costing
- b. LIFO and Average costing
- c. FIFO and LIFO costing
- d. None of given options

338. _____ is a part of cost of production report that explains the cost incurred during the process.

- a. Quantity schedule
- b. Cost accounted for as follow
- c. Cost charged to the department
- d. None of the given options

A company makes one product, which has variable manufacturing costs of ' 3.25 per unit and variable selling and administrative costs of ' 1.17 per unit. Fixed manufacturing costs are ' 42,300 per month and fixed selling and administrative costs are ' 29,900 per month. The company wants to earn an average monthly profit of ' 15,000 and they expect to produce and sell an average of

40,0 units of the product per month. What is the minimum selling price management can

be expected to set to meet their profitability goals?

- a. ' 4.69
- b. ' 4.42
- c. ' 6.60
- d. ' 6.23

339. A cost that remains unchanged across the relevant range of units produced is what kind of cost?

- a. Fixed cost
- b. Product cost
- c. Mixed cost
- d. Period cost

340. A company has the following cost data for the month:
Conversion cost: 78,900; Prime Cost: ' 115,700; Beginning Work in Process Inventory: ' 4,700; Ending Work in Process Inventory: ' 2,800; Beginning Finished Goods Inventory: ' 27,600; Ending Finished Goods Inventory: ' 29,200; Manufacturing Overhead Costs: ' 14,500.
What is the Cost of Goods Sold for the month?
- ' 132,100
 - ' 116,000
 - ' 130,200
 - ' 130,500
341. Material cost = ' 4.00 per unit; Labor cost = Re. 0.60 per unit; Factory overhead cost = ' 1.00 per unit; Administrative cost = ' 1.20 per unit; Selling cost = 15% of sales; Profit = ' 1.02 per unit.
What will be the sales price per unit?
- 6.0
 - 9.2
 - 7.0
 - None of the given option
342. ABC & Company has maintained the following data of inventory control Under the periodic inventory system:
- | Date | Units | Total |
|--------|------------|-------|
| Jan 01 | 100 @ ' 10 | 1000 |
| Jan 05 | 100 @ ' 11 | 1100 |
| Jan 10 | 150 @ ' 12 | 1600 |
- During the period 300 units were sold.
Calculate the cost of ending inventory under FIFO method.
- 600
 - 500
 - 400
 - 300
343. National chains of tyre fitters stock a popular tyre for which the following information is available: Average usage = 140 tyres per day
Minimum usage = 90 tyres per day
Maximum usage = 175 tyres per day
Lead time = 10 to 16 days
Re-order quantity = 3000 tyres
Based on the above data calculate the maximum level of stock possible:
- 2800
 - 3000
 - 4900
 - 5800
344. The total labor cost incurred by a manufacturing entity includes which one of the following elements:
- Direct labor cost

- b. Indirect labor cost
 - c. Abnormal labor cost
 - d. All of the given options
345. If, Opening stock 1,000 units; Material Purchase 7,000 units; Closing Stock 500 units; Material consumed ' 7,500.
What will be the inventory turnover ratio?
- a. 10 Times
 - b. 12 times
 - c. 14.5 times
 - d. 9.5 times
346. If Units sold = 10,000; Closing finished goods = 2,000; Opening finished goods = 1,500;
What will be the value of units manufactured?
- a. 9,500
 - b. 10,500
 - c. 13,500
 - d. 6,500
347. Calculate the amount of direct labor if:
Direct material = 15,000; Direct labor = 70% of prime cost
- a. 6,429
 - b. 30,000
 - c. 10,500
 - d. 35,000
348. In increasing production volume situation, the behavior of Fixed cost & Variable cost will be:
- a. Increases, constant
 - b. Constant, increases
 - c. Increases, decreases
 - d. Decreases, increases
349. While calculating the finished goods ending inventory, what would be the formula to calculate per unit cost?
- a. Cost of goods sold / number of units sold
 - b. Cost of goods to be manufactured/ number of units manufactured
 - c. Cost of goods manufactured / number of units manufactured
 - d. Total manufacturing cost / number of units manufactured
350. If the direct labor is Rs. 42,000 and FOH is 40% of conversion cost. What will be the amount of FOH?
- a. 63,000
 - b. 30,000
 - c. 28,000
 - d. 16,800
351. Which one of the following centers is responsible to earn sales revenue?
- a. Cost center

Cost accounting mcqs for senior auditor

- b. **Investment center**
 - c. **Revenue center**
 - d. **Profit center**
352. **While preparing the Cost of Goods Sold and Income Statement, the over applied FOH is;**
- a. **Add back, subtracted**
 - b. **Subtracted, add back**
 - c. **Add back, add back**
 - d. **Subtracted, subtracted**
353. **Which of the following ratios expressed that how many times the inventory is turning over towards the cost of goods sold?**
- a. **Net profit ratio**
 - b. **Gross profit ratio**
 - c. **Inventory turnover ratio**
 - d. **Inventory holding period**

MCQ # 354, 355, 356 and 357 are based on the following data:

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

Particulars		,	
Sales		4,000,000	

Cost accounting mcqs for senior auditor

Less: variable expenses	1,800,000
Contribution margin	2,200,000
Less: fixed expenses	720,000
Net income	1480,000

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

354. **What is the company's contribution margin ratio?**
- 30%**
 - 50%**
 - 150%**
 - None of given options**
355. **What is the company's break-even in units?**
- 48,000 units**
 - 72,000 units**
 - 80,000 units**
 - None of the given options**
356. **How many units would the company have to sell to attain target profits of ' 600,000?**
- 48,000 units**
 - 88,000 units**
 - 106,668 units**
 - None of given options**
357. **What is the company's margin of safety in '?**
- ' 1,600,000**
 - ' 2,400,000**
 - ' 25,60,000**
 - None of the given options**
358. **The margin of safety can be defined as:**
- The excess of budgeted or actual sales over budgeted or actual variable expenses**
 - The excess of budgeted or actual sales over budgeted or actual fixed expenses**
 - The excess of budgeted sales over the break-even volume of sales**
 - The excess of budgeted net income over actual net income**
359. **The contribution margin ratio is calculated by using which one of the given formula?**
- (Sales - Fixed Expenses)/Sales**
 - (Sales - Variable Expenses)/Sales**
 - (Sales - Total Expenses)/Sales**
 - None of the given options**
360. **Data of a company XYZ is given below Particulars '**
- | | | | |
|-------------------|------------------|-------------------------------|-----------------|
| Sales | 15,00,000 | Variable cost | 9,00,000 |
| Fixed Cost | 4,00,000 | Break Even Sales in ' | |
- ' 1, 00,000**
 - ' . 2, 00,000**
 - '13, 00,000**

- d. None of the given options
361. **The break-even point is the point where:**
- a. **Total sales revenue equals total expenses (variable and fixed)**
 - b. **Total contribution margin equals total fixed expenses**

- c. **Total sales revenue equals to variable expenses only**
 - d. **Both a & b**
362. **The break-even point in units is calculated using**
- a. **Fixed expenses and the contribution margin ratio**
 - b. **Variable expenses and the contribution margin ratio**
 - c. **Fixed expenses and the unit contribution margin**
 - d. **Variable expenses and the unit contribution margin**
363. **Marginal costing is also known as:**
- a. **Indirect costing**
 - b. **Direct costing**
 - c. **Variable costing**
 - d. **Both (b) and (c)**
364. **The difference between total revenues and total variable costs is known as:**
- a. **Contribution margin**
 - b. **Gross margin**
 - c. **Operating income**
 - d. **Fixed costs**
365. **Percentage of Margin of Safety can be calculated in which one of the following ways?**
- a. **Based on budgeted Sales**
 - b. **Using budget profit**
 - c. **Using profit & Contribution ratio**
 - d. **All of the given options**
366. **Which of the following represents a CVP equation?**
- a. **Sales = Contribution margin (Rs.) + Fixed expenses + Profits**
 - b. **Sales = Contribution margin ratio + Fixed expenses + Profits**
 - c. **Sales = Variable expenses + Fixed expenses + profits**
 - d. **Sales = Variable expenses -Fixed expenses + profits**
367. **If 120 units produced, 100 units were sold @ ' 200 per unit. Variable cost related to production & selling is ' 150 per unit and fixed cost is ' 5,000. If the management wants to decrease sales price by 10%, what will be the effect of decreasing unit sales price on profitability of company?**
- a. **Remains constant**
 - b. **Profits will increased**
 - c. **Company will have to face losses**
 - d. **None of the given options**
368. **A disadvantage of an hourly wage plan is that it:**
- a. **Provides no incentive for employees to achieve and maintain a high level of production.**
 - b. **Is hardly ever used and is difficult to apply.**
 - c. **Establishes a definite rate per hour for each employee.**
 - d. **Encourages employees to sacrifice quality in order to maximize earnings.**
369. **The cost expended in the past that cannot be retrieved on product or service**
- a. **Relevant Cost**

- b. **Sunk Cost**
 - c. **Product Cost**
 - d. **Irrelevant Cost**
370. **When a manufacturing process requires mostly human labor and there are widely varying wage rates among workers, what is probably the most appropriate basis of applying factory costs to work in process?**
- a. **Machine hours**
 - b. **Cost of materials used**
 - c. **Direct labor hours**
 - d. **Direct labor dollars**
371. **The main purpose of cost accounting is to:**
- a. **Maximize profits.**
 - b. **Help in inventory valuation**
 - c. **Provide information to management for decision making**
 - d. **Aid in the fixation of selling price**
372. **The combination of direct material and direct labor is**
- a. **Total production Cost**
 - b. **Prime Cost**
 - c. **Conversion Cost**
 - d. **Total manufacturing Cost**
373. **method assumes that the goods received most recently in the stores or produced recently are the first ones to be delivered to the requisitioning department.**
- a. **FIFO**
 - b. **Weighted average method**
 - c. **Most recent price method**
 - d. **LIFO**
374. **Fixed cost per unit decreases when:**
- a. **Production volume increases.**
 - b. **Production volume decreases.**
 - c. **Variable cost per unit decreases.**
 - d. **Variable cost per unit increases.**
375. **Prime cost + Factory overhead cost is:**
- a. **Conversion cost.**
 - b. **Production cost.**
 - c. **Total cost.**
 - d. **None of given option.**
376. **Find the value of purchases if Raw material consumed ' 90,000; Opening and closing stock of raw material is ' 50,000 and 30,000 respectively.**
- a. **' 10,000**
 - b. **' 20,000**
 - c. **' 70,000**
 - d. **' 1,60,000**

377. If Cost of goods sold = ' 40,000; GP Margin = 20% of sales Calculate the Gross profit margin.
- ' 32,000
 - ' 48,000
 - ' 8,000
 - '10,000
378. Annual requirement is 7800 units; consumption per week is 150 units. Unit price ' 5, order cost ' 10 per order. Carrying cost ' 1 per unit and lead time is 3 week, The Economic order quantity would be:
- 395 units
 - 300 units
 - 250 units
 - 150 units
379. Juniper Limited's budgeted overhead in the last period was ' 170,000. Its overhead absorbed and incurred for the same period were '180,000 and '195,000 respectively. What is its amount of over- or under-absorption of overhead?
- Under-absorption of ' 15,000
 - Under-absorption of ' 25,000
 - Over-absorption of ' 15,000
 - Over-absorption of ' 25,000
380. Which of the following are the characteristics of management accounting?
- (1) It must follow generally accepted accounting principles.
 - (2) It is concerned with information for the internal use of management.
 - (3) It emphasises relevance and flexibility of data.
- (1) and (2)
 - (1) and (3)
 - (2) and (3)
 - (1), (2) and (3)
381. Remuneration based on piece work is not suitable when:
- (1) the amount of output cannot be accurately measured.
 - (2) the nature of work is repetitive.
 - (3) the quantity of work is more important than quality.
- (1) only
 - (3) only
 - (1) and (3)
 - (2) and (3)
382. The distinction between direct and indirect labour helps to :
- Measure efficiency of performance
 - Determine product cost more accurately
 - Ensure better cost analysis for decisions and control
 - All of the above
383. Which would be an implicit cost for a firm? The cost:
- Of worker wages and salaries for the firm.

- b. **Paid for leasing a building for the firm.**
 - c. **Paid for production supplies for the firm.**
 - d. **Of wages foregone by the owner of the firm.**
384. **The difference between gate time and time booked for jobs in respect of a worker in due to the following reasons except :**
- a. **Change-over time**
 - b. **Illness**
 - c. **Waiting for materials, instructions, etc.**
 - d. **Breakdown of machine**
385. **The period of time for which a work station is available for production but is not utilized due to shortage of tooling, materials, operators, etc. is known as :**
- a. **Down time**
 - b. **Operation time**
 - c. **Idle time**
 - d. **Set-up time**
386. **The objective of work study are :**
- a. **Material conservation**
 - b. **Time saving**
 - c. **Quality improvement and cost reduction**
 - d. **All of the above**
387. **Time study serves the following purposes except :**
- a. **Standardizing jobs, operation etc.**
 - b. **Assessing labour time**
 - c. **Fixation of factory overhead rate**
 - d. **Fixation of wage rates and introduction of incentive schemes**
388. **The methods of job evaluation include :**
- a. **Grading**
 - b. **Ranking**
 - c. **Points value**
 - d. **All of the above**
389. **Merit rating helps the following except :**
- a. **Determining right worker for the right job/work**
 - b. **Delinking rewards with merits**
 - c. **Simplifying wage structure**
 - d. **Improving labour relations and reducing labour turnover**
390. **The factors to be taken into consideration in formulating incentive schemes include :**
- a. **Quantity and quality of output**
 - b. **Incidence of overhead, and effect upon workers**
 - c. **Simplicity and legal provisions**
 - d. **All of the above**
391. **Contribution margin contributes to meet which one of the following options ?**
- a. **Variable cost**

- b. **Fixed cost**
 - c. **Operating cost**
 - d. **Net profit**
392. **Favourable conditions for the operation of piece rates include :**
- a. **Homogeneous products**
 - b. **Long, uninterrupted run of production**
 - c. **Inspection**
 - d. **High proportion of indirect labour**
393. **If time allowed for a job is 10 hours, time taken for the job is 8 hours and rate of pay is ' 2 per hour, the bonus to the worker is :**
- a. **' 1.20**
 - b. **' 2.00**
 - c. **' 3.20**
 - d. **None of the above**
394. **Group bonus schemes are generally suitable where :**
- a. **Output depends on individual efforts**
 - b. **Output of individual workers can be measured easily**
 - c. **It is necessary to create a collective interest in the work**
 - d. **Normal loss rate is high**
395. **In a profit sharing scheme the available surplus is shared by the following except :**
- a. **Government**
 - b. **Shareholders**
 - c. **Employees**
 - d. **Firm**
396. **Non-monetary incentives may include the following except :**
- a. **Health and safety**
 - b. **Housing facilities**
 - c. **Education and training**
 - d. **Dearness allowance**
397. **The purposes served by preparation of payroll or wages sheet include :**
- a. **Spreading the volume of work to be done**
 - b. **Computation of labour rate for each department**
 - c. **Comparing actual wages with budgeted wages for control**
 - d. **All of the above**
398. **The authorized heads of deduction from wages payable include the following except :**
- a. **Car allowance**
 - b. **Income tax**
 - c. **Provident fund**
 - d. **Employees' state insurance**
399. **Wages analysis include :**
- a. **Gross wages per product**

- b. **Gross wages per operation or department**
 - c. **Gross wages per labour classification**
 - d. **Analysis of constituent of gross wages - direct/ lost time**
400. **In account ting for labour cost :**
- a. **A. direct labour cost and indirect labour cost are charged to prime cost**
 - b. **Direct labour cost and indirect labour cost are charged to overheads**
 - c. **Direct labour cost is charged to prime cost and indirect labour cost is charged to overheads**
 - d. **All of the above**
401. **Productive causes of idle time include the following except :**
- a. **Power failure**
 - b. **Fall in demand**
 - c. **Machine breakdown**
 - d. **Waiting for materials, tools, instructions, etc.**
402. **The treatment of idle time in cost include the following :**
- a. **Cost of normal and controllable idle time is charged to factory overheads**
 - b. **Cost of normal but uncontrollable idle time is treated as prime cost**
 - c. **Cost of abnormal and uncontrollable idle time is charged to costing profit and loss account**
 - d. **All of the above**
403. **Overtime premium may be treated, depending on the circumstances, as :**
- a. **Part of direct wages**
 - b. **Part of production overheads**
 - c. **Part of capital order**
 - d. **All of the above**
404. **A manufacturing firm is very busy and is working overtime. The amount of overtime premium contained in direct wages would normally be classed as :**
- a. **Part of prime cost**
 - b. **Factory overheads**
 - c. **Direct labour cost**
 - d. **Administrative overheads**
405. **Fringe benefits are those for which efforts of the workers are not necessary and may include the following except :**
- a. **Holiday pay**
 - b. **Attendance bonus**
 - c. **Production bonus**
 - d. **Employer's contribution to P.F.**
406. **Avoidable causes of labour turnover include the following except :**
- a. **Redundancy**
 - b. **Low wages**
 - c. **Bad working conditions**
 - d. **Marriage**

407. **The unavoidable causes of labour turnover include the following except :**
- Personal betterment**
 - Dissatisfaction with the job**
 - Illness**
 - Retirement**
408. **Labour turnover can be measured by the following methods except :**
- Attrition method**
 - Separation method**
 - Replacement method**
 - Flux method**
409. **At the start of the quarter there were 14,630 workers. 750 employees left during the quarter while 600 joined the organization during the same period. Using the flux method, the labour turnover was:**
- 5.13%**
 - 9.23%**
 - 9.32%**
 - 9.28%**
410. **Which of the following is not a cost implication of labour turnover :**
- Training**
 - Recruiting**
 - Ageing labour force**
 - Damage of machine**
411. **Preventive costs of labour turnover include the following except :**
- Cost of recruitment and training**
 - Medical services**
 - Welfare**
 - Gratuity and pension**
412. **Replacement costs of labour turnover include the following except :**
- Loss of output**
 - Cost of personnel administration**
 - Cost of tool and machine breakage**
 - Cost of scrap and defective work**
413. **Cost of labour turnover may be treated as :**
- Direct wages**
 - Prime cost**
 - Overhead**
 - None of the above**
414. **(1) Labour cost control leads to minimization of cost of labour per unit of output. (2) When labour cost is fixed nature, any reduction in total labour cost may not result in lower cost per unit. True or false?**
- (1) True; (2) False**
 - (1) False; (2) True**

- c. (1) and (2) False
 - d. (1) and (2) True
415. **Labour cost control embraces the following activities except :**
- a. **Recruitment and promotion**
 - b. **Formulation of wage policy and payment and accounting for wages**
 - c. **Allocation of cost**
 - d. **Preparation of financial statement**
416. **(1) Payment of higher wages does not necessarily mean that labour cost per unit is high. (2) Control over payment of wages aims at reducing or eliminating irregularities during actual disbursements. True or False?**
- a. **(1) and (2) True**
 - b. **(1) and (2) False**
 - c. **(1) False; (2) True**
 - d. **(1) True; (2) False**
417. **Which of the following techniques is not meant for labour cost control?**
- a. **Budgetary control**
 - b. **Standard costing**
 - c. **ABC analysis**
 - d. **Ratio analysis**
418. **Ratios which may be used for comparing labour cost over time include the following except :**
- a. **Gross profit ratio**
 - b. **Efficiency ratio**
 - c. **Illness ratio**
 - d. **Absenteeism ratio**
419. **Cost of production is equal to**
- a. **Prime costs+ other manufacturing costs.**
 - b. **Production costs + Administration expenses.**
 - c. **Prime costs + Manufacturing costs + Opening W.I.P - Closing W.I.P.**
 - d. **None of the above.**
- [Hint : Cost of production = Prime cost+ Manufacturing cost+ Opening W.I.P- Closing W.I.P+ Administrative expenses.]**
420. **The cost of goods sold is equal to**
- a. **Total Purchases - Total Sales.**
 - b. **Opening stock + Total Purchase.**
 - c. **Opening stock - Total Purchases +Closing Stock+ Direct Costs.**
 - d. **Opening stock + Total Purchases - Closing Stock + Direct Costs.**
421. **Which of the following is false regarding the LIFO method of inventory valuation?**
- a. **The material issue will be priced at the price of the material that is purchased last.**
 - b. **The pattern of cash flow does not necessarily coincide with the actual flow pattern of materials.**
 - c. **It permits management to influence net income by timing the purchases.**

- d. LIFO determines closing inventory at recent costs.
[Hint : Under LIFO the most recently purchased are assumed to be the first units sold. This method seldom accords a physical flow of goods rather than cost of flow of goods. This method permits management to influence net income by timing the purchases, LIFO results in higher cost of goods sold during the inflationary conditions, and lowest inventory value this results in lowest income provided. Under LIFO since the most recently purchased are assumed to be first units sold, the inventory comprises of oldest units and oldest cost. Hence option (e) is false. All other statements are true.]
422. Which of the following is NOT a reason for carrying inventory?
- To maintain independence of operations
 - To take advantage of economic purchase-order size
 - To make the system less productive
 - To meet variation in product demand
423. Which of the following is TRUE regarding Departmental Rates.
- A departmental absorption rate is a rate of absorption based upon the particular department's overhead cost and activity level
 - A departmental absorption rate is a rate of absorption not based upon the particular department's overhead cost and activity level
 - A single rate of absorption used throughout an organization's production facility and based upon its total production costs and activity
 - None of the given options
424. Inventory of ' 96,000 was purchased during the year. The cost of goods sold was ' 90,000 and the ending inventory was ' 18,000. What was the inventory turnover ratio for the year?
- 5.0 times
 - 5.3 times
 - 6.0 times
 - 6.4 times
425. In a perpetual inventory system, an inventory flow assumption (i.e. LIFO or FIFO) is used primarily for determining costs which are used in
- Forecasts of future sale.
 - Recording the cost of goods sold.
 - Recording Sales Revenue.
 - Forecasts of future operating results.
- [Hint : The various methods of inventory valuation such as FIFO,LIFO etc. are basically done to arrive at the cost of goods sold and closing inventory value and not for forecast of sales, or recording purchases, recording sales revenue and not for forecasting operating results.]
426. The inventory method where the cost per unit is recomputed after every addition in the inventory is known as.
- Specific identification method.
 - Moving average method.
 - Last-in- First - Out method.

- d. **First-in-First-Out method.**
[Hint : The moving average method of inventory valuation assumes that costs are charged against revenue based on an average of the number of units acquired at each price level. The resulting average price is applied to the ending inventory to find the total ending inventory value. The moving average is determined by dividing the total cost of the inventory available including any beginning inventory by the total number of units. Under this method the cost per unit is recomputed after every addition.]
427. Which of the following inventory valuation methods shows higher profits during the period of rising prices?
a. **FIFO method.**
b. **LIFO method.**
c. **Weighted average method.**
d. **Simple average method.**
428. Which of the following systems of inventory valuation computes cost of goods sold as a residual amount?
a. **Weighted Average.**
b. **Last-in-First-out.**
c. **Periodic Inventory System.**
d. **Specific Identification.**
429. Which of the following is calculated by a formula that uses net sales as denominator?
a. **Inventory turnover ratio**
b. **Gross profit rate**
c. **Return on Investment**
d. **None of the given options**
430. **Overhead expenses can be classified according to :**
a. **Functions**
b. **Elements**
c. **Behavior**
d. **All of the above**
431. Which of the following is not included in functional classification of overheads ?
a. **Repairs and maintenance**
b. **Lubricating oil**
c. **Consumable stores**
d. **Chargeable expenses**
432. Which of the following is not an example of marketing overheads ?
a. **Salary of the foreman**
b. **Publicity expenses**
c. **Salaries of sales staff**
d. **Secondary packing charges**
433. Some overhead charges tend to vary almost directly, some tend to remain constant while some again vary in part with the volume and in part remain constant. This statement describes sequentially the following:
a. **Variable, fixed and semi-variable overheads**

Cost accounting mcqs for senior auditor

- b. **Fixed, semi-variable and variable overheads**
 - c. **Semi-variable, variable and fixed overheads**
 - d. **Variable, semi-variable and fixed overheads**
434. **Suppose a firm sells its product at a price lower than the opportunity cost of the inputs used to produce it. Which is true?**
- a. **The firm will earn accounting and economic profits.**
 - b. **The firm will face accounting and economic losses.**
 - c. **The firm will face an accounting loss, but earn economic profits.**
 - d. **The firm may earn accounting profits, but will face economic losses.**
435. **Example of semi-variable items include the following except :**
- a. **Telephone**
 - b. **Repairs and maintenance**
 - c. **Depreciation of plant and machinery**
 - d. **Insurance of plant and building**
436. **Direct Labor is an element of:**
- a. **Prime cost**
 - b. **Conversion cost**
 - c. **Total production cost**

- d. All of the given options

437. Which of the following is not a production department?

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

438. Which of the following does not match?

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

area

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

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

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

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

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

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

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

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

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

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

- a. Costs may be controlled
- b. Cost units gather overheads as they pass through cost centres

- c. **Whole items of cost can be charged to cost centres**
 - d. **Common costs are shared among cost centres**
444. **An overhead absorption rate is used to :**
- a. **Share out common costs over benefiting cost centres**
 - b. **Find the total overheads for a cost centre**
 - c. **Charge overheads to products**
 - d. **Control overheads**
445. **Which of the following is not a means whereby factory overheads can be charged out to production?**
- a. **Direct labour rate**

- b. **Overtime rate** osting mcqs for senior auditor
c. **Machine hour rate**
d. **Blanket rate**
446. **A management consultancy recovers overheads on chargeable consulting hours. Budgeted overheads were ' 6,15,000 and actual consulting hours were 32,150. Overheads, were underrecovered by ' 35,000. If actual overheads, were ' 6,94,075, what was the budgeted overhead absorption rate per hour ?**
a. **' 19.13**
b. **' 20.50**
c. **' 21.59**
d. **' 22.68**
447. **Idle capacity of a plant is defined as the difference between :**
a. **Practical capacity and normal capacity**
b. **Practical capacity and capacity based on sale expectancy**
c. **Maximum capacity and actual capacity**
d. **Maximum capacity and practical capacity**
448. **The capacity which is based on the long-term average of sales expectancy is known as :**
a. **Theoretical capacity**
b. **Operating capacity**
c. **Normal capacity**
d. **Derated capacity**
449. **Maximum capacity of a plant refers to its:**
a. **Theoretical capacity**
b. **Normal capacity**
c. **Practical capacity**
d. **Capacity based on sales expectancy**
450. **Which of the following is not a production cause of idle capacity ?**
a. **Set-up and change-over time**
b. **Lack of supervision and instruction**
c. **Lack of materials and tools**
d. **Strike**
451. **Functionally, administration expenses may comprise expenses of the following activities :**
a. **Secretarial and board of directors**
b. **Accounting, financing, tax and legal**
c. **Audit and personnel**
d. **All of these**
452. **Which of the following is not a possible method of accounting for administration overheads ?**
a. **Include as part of production overheads**
b. **Apportion to production, selling and distribution functions**

- c. **Treat administration as a separate entity and treat the costs as such**
 - d. **Transfer to costing profit and loss account**
453. **Which of the following is not used as a base for apportionment of administration overheads ?**
- a. **Direct wages**
 - b. **Works cost**
 - c. **Conversion cost**
 - d. **Sales value**
454. **Which of the following is/are the basic object/s of job analysis?**
- a. **Determination of wage rates**
 - b. **Ascertain the relative worth of each job**
 - c. **Breaking up job into its basic elements**
 - d. **All of the given options**
455. **Analysis of selling and distribution overheads is done by :**
- a. **Nature of expenses and functions**
 - b. **Areas, products and salesmen**
 - c. **Types of customers and channels of distribution**
 - d. **All of the above**
456. **For exercising control over selling and distribution overheads, the following techniques may be used :**
- a. **Comparison with past results**
 - b. **Budgetary control**
 - c. **Standard costing**
 - d. **All of the above**
457. **Depreciation is a :**
- a. **Measure of consumption of assets**
 - b. **Process of allocation and not of valuation**
 - c. **Wear and tear due to use and/or lapse of time**
 - d. **All of the above**
458. **Which of the following does not influence the useful life of an asset ?**
- a. **Expected physical wear and tear**
 - b. **Cost of the asset**
 - c. **Obsolescence**
 - d. **Legal or other limits on the use of the asset**
459. **For computing depreciation of an asset, the factors that are taken into consideration include the following except :**
- a. **Historical cost**
 - b. **Expected useful life**
 - c. **Insurance premium**
 - d. **Estimated residual value**

460. **Depreciation on plant and machinery is :**
- a. **Not a cash cost, so is ignored in the cost accounts**
 - b. **Part of manufacturing overheads**
 - c. **Part of prime cost**
 - d. **Always calculated using the straight-line method**
461. **Which of the following methods of depreciation results in fixed per unit cost of depreciation ?**
- a. **Straight line**
 - b. **Reducing balance**
 - c. **Sinking fund**
 - d. **Production unit**
462. **Types of maintenance include the following except :**
- a. **Routine**
 - b. **Overhaul**
 - c. **Emergency**
 - d. **Periodic**
463. **Which of the following is not included in the objectives of maintenance of plant and machinery ?**
- a. **Reducing idle time**
 - b. **Reducing breakdown**
 - c. **Maintaining efficiency**
 - d. **Increasing life**
464. **Regular maintenance expenses are :**
- a. **Capitalized**
 - b. **Part of manufacturing overheads**
 - c. **Written-off to costing profit and loss account**
 - d. **Part of prime cost**
465. **Obsolescence is the measure of the loss of value of an asset due to :**
- a. **Technological innovation**
 - b. **Changes in market conditions**
 - c. **Both (a) and (b) above**
 - d. **None of the above**
466. **Interest on own capital is a:**
- a. **Cash cost**
 - b. **Notional cost**
 - c. **Sunk cost**
 - d. **Part of prime cost**
467. **Objectives of research and development costs include :**
- a. **Maintaining present competitive position**
 - b. **Improving enterprise's competitive position**
 - c. **Exploring new market/products**
 - d. **All of the above**

468. Normal stores losses are : for senior auditor
- Part of prime cost
 - Part of production overheads
 - Part of selling and distribution overheads
 - Written-off to costing and profit and loss account
469. Secondary packing expenses are :
- Part of prime cost
 - Part of production overheads
 - Part of distribution overheads
 - Written-off to costing profit and loss account
470. If you know that with 8 units of output, average fixed cost is '12.50 and average variable cost is ' 81.25, then total cost at this output level is:
- ' 93.75.
 - ' 97.78.
 - ' 750.
 - ' 880.
471. The methods of treating cost of small tools in cost accounts include :
- Charging to expense
 - Charging to stores
 - Capitalizing in a small tools account
 - All of the above
472. Under marginal costing :
- All costs are classified into two groups - variable and fixed
 - Variable costs form part of the product cost and inventory valuation
 - Fixed costs are treated as period costs
 - All of the above
473. Which of the following definitions describe marginal cost ?
- The variable cost of one unit of product or service
 - A principle whereby variable costs are charged to cost units and the fixed costs attributable to the relevant period are written-off in full against the contribution for that period
 - Costs appropriate to aiding the making of specific management decisions
 - The price at which material identical to that which is used up could be replaced on the date of usage
474. According to Rowan premium plan, which of the following formula is used to calculate the bonus rate?
- $(\text{Time saved}/\text{time allowed}) \times 100$
 - $(\text{Time allowed}/\text{time saved}) \times 100$
 - $(\text{Actual time taken}/\text{time allowed}) \times 100$
 - $(\text{Time allowed}/\text{actual time taken}) \times 100$
475. Which of the following is not an assumption underlying the accountant's break-even chart ?
- Fixed costs remain fixed throughout the range charted

- b. Selling prices do not change ^{rior auditor}
- c. Variable costs fluctuate inversely with volume
- d. Unit variable costs remain constant throughout the range charted
476. With regard to break -even charts and break-even analysis, which of the following is true ?
- a. It is assumed that variable cost fluctuates in direct proportion to output
- b. The break the break-even point is at the intersection of the sales line and the variable cost line
- c. A break-even chart shown the maximum profit possible
- d. A break-even chart is capable of dealing with any change of product mix
477. The following data relate to two output levels of a department :
- | | | |
|---------------|----------|----------|
| Machine hours | 17,000 | 18,500 |
| Overheads (?) | 2,46,500 | 2,51,750 |
- The variable overhead rate per hour is ? 3.50. The amount of fixed overheads is:
- a. ' 5,250
- b. ' 59,500
- c. ? 1,87,000
- d. ' 2,46,500
478. The following data relate to two activity levels of an out-patients' department in a hospital :
- | | | |
|----------------------------------|------------|------------|
| No. of consultations per patient | 4,500 | 5,750 |
| Overheads | ? 2,69,750 | ? 2,89,125 |
- Fixed overheads are ? 2,00,000 per period. The variable cost per consultation is :
- a. ' 15.50
- b. ? 44.44
- c. ? 59.94
- d. ? none of the above
479. Break-even analysis assumes that over the relevant range :
- a. Total costs are unchanged
- b. Unit variable costs are unchanged
- c. Variable costs are non-linear
- d. Unit fixed costs are unchanged
480. ABC Ltd. Has fixed costs of ? 60,000 p.a.. It manufactures a single product, which it sells for ? 20 per unit. Its contribution to sales ratio is 40%. ABC Ltd's break-even point in units is :
- a. 1,800
- b. 3,000
- c. 5,000
- d. 7,500
481. Sun Ltd. Makes a single product which it sells for ' 10 per unit. Fixed costs are ' 48,000 per month and the product has a contribution to sales ratio of 40%. In a period when actual sales were ' 1,40,000. Sun Ltd.'s margin of safety in units was :
- a. 2,000

- b. **6,000** accounting mcqs for senior auditor
 c. **8,000**
 d. **12,000**

482. **A company produced 500 units of a product and incurred the following costs :**

Direct materials	8,000
Direct wages	10,000
Overheads (20% fixed)	45,000

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

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

Use the following data for questions 483 and 484:

Budget data for the Happy Ltd.

Sales (1,00,000 units) ' 10,00,000

Costs :

Variable	' 7,00,000	
Fixed	' 2,10,000	9,10,000
Operating profit		' 90,000

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

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

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

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

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

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

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

a. **Variable cost of making**
 b. **General fixed cost**
 c. **Purchase price**

- d. **Loss of contribution to make the product**
487. **Which of the following factors are not qualitative factors in a make or buy decision ?**
- Doubt as to the ability of the subcontractor to meet delivery dates**
 - Doubt as to ability of the subcontractor to maintain quality**
 - The case with which improvements can be made to the product**
 - The effect of redundancy on labour relations**
488. **Raymond Corporation estimates factory overhead of ' 345,000 for next fiscal year. It is estimated that 60,000 units will be produced at a material cost of '575,000. Conversion will require 34,500 direct labor hours at a cost of ' 10 per hour, with 25,875 machine hours. FOH rate on the bases on Budgeted Production would be?**
- ' 5.75 per unit**
 - ' 6.65 per unit**
 - ' 6.0 per unit**
 - ' 1 per unit**
489. **In a shutdown decision, one has to consider :**
- Contribution**
 - Identifiable fixed cost, if any**
 - Impact of shutdown on other products, if any**
 - All of the above**
490. **When a firm doubles its inputs and finds that its output has more than doubled, this is known as:**
- Economies of scale.**
 - Constant returns to scale.**
 - Diseconomies of scale.**
 - A violation of the law of diminishing returns.**
491. **The firms monthly cost of production is ' 1,46,000 at an output level of 8,000 units. If it achieves an output level of 12,000 units it will incur production cost of ' 1,94,000 cost of production for 15,000 units is :**
- ' 1,80,000**
 - ' 2,00,000**
 - ' 50,000**
 - ' 2,30,000**
492. **The basic research cost should be treated as :**
- Product cost**
 - Production cost**
 - Production overhead**
 - Period cost**
493. **A firm requires 16,000 nos. of a certain component, which is buys at ' 60 each. The cost of placing an order and following it up is ' 120 and the annual storage charges works out to 10% of the cost of the item. To get maximum benefit the firm should**

- place order for Units at a time.
- 1,000
 - 900
 - 800
 - 600
494. About 50 items are required every day for a machine. A fixed cost of ' 50 per order is incurred for placing an order. The inventory carrying cost per item amounts to Re. 0.02 per day. The lead period is 32 days. Compute reorder level.
- 1,200 items
 - 1,400 items
 - 1,600 items
 - 1,800 items
495. The standard time required per unit of a product is 20 minutes. In a day of 8 working hours a worker given an output of 30 units. If he gets a time rate of ' 20/hr., his total earnings under Halsey bonus scheme was :
- ? 200
 - ? 192
 - ?180
 - ?160
496. A material loss during production or storage due to evaporation or shrinkage is called :
- Scrap
 - Waste
 - Spoilage
 - Material loss
497. The process of distribution of overheads allotted to a particular department or cost centre over the units produced is called :
- Allocation
 - Apportionment
 - Absorption
 - Departmentalization
498. Angle of incidence defines :
- Systematic risk in CAPM model
 - Post BEP relationship between total cost and total revenue
 - Incidental factors in investments
 - Marginal cost of production
499. A Ltd. Has sales of ? 2,200, total fixed cost of ? 570, variable cost of ? 1,540, raw material consumed of ? 1,100, number of units sold 22,000. What shall be the BEP (in units) if raw material price is reduced by 2%?
- 18,387
 - 18,560
 - 18,750

d. **19,000** ²⁵1st accounting mcqs for senior auditor

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

- a. **Apportionment**
- b. **Allocation**
- c. **Re-apportionment**

Absorption

Cost accounting m Answers COSTING

1	b	2	c	3	c	4	a	5	c	6	b	7	b
8	a	9	a	10	c	11	a	12	b	13	c	14	d
15	b	16	b	17	a	18	c	19	3	20	3	21	c
22	a	23	b	24	c	25	c	26	b	27	c	28	a
29	b	30	d	31	b	32	b	33	c	34	b	35	a
36	d	37	c	38	d	39	d	40	a	41	b	42	b
43	b	44	d	45	a	46	a	47	b	48	a	49	d
50	d	51	c	52	b	53	c	54	b	55	b	56	a
57	a	58	d	59	d	60	c	61	b	62	a	63	b
64	a	65	b	66	d	67	a	68	a	69	b	70	d
71	d	72	c	73	b	74	c	75	a	76	b	77	c
78	b	79	d	80	a	81	d	82	c	83	c	84	a
85	d	86	b	87	b	88	a	89	c	90	a	91	a
92	d	93	d	94	a	95	c	96	b	97	c	98	d
99	a	100	c	101	c	102	c	103	d	104	b	105	b
106	a	107	c	108	a	109	b	110	a	111	c	112	a
113	a	114	d	115	a	116	c	117	a	118	c	119	d
120	d	121	d	122	c	123	a	124	b	125	d	126	d
127	a	128	c	129	b	130	a	131	d	132	a	133	b
134	a	135	a	136	c	137	c	138	a	139	a	140	b
141	d	142	c	143	a	144	a	145	a	146	a	147	a
148	a	149	a	150	a	151	c	152	a	153	d	154	d
155	c	156	d	157	b	158	a	159	d	160	a	161	a
162	c	163	d	164	a	165	a	166	b	167	c	168	a
169	a	170	a	171	b	172	d	173	c	174	d	175	d
176	b	177	d	178	a	179	c	180	a	181	d	182	b
183	a	184	c	185	b	186	d	187	c	188	a	189	c
190	a	191	a	192	c	193	a	194	c	195	a	196	d
197	d	198	d	199	d	200	b	201	b	202	b	203	d
204	a	205	d	206	a	207	d	208	a	209	b	210	a
211	b	212	a	213	b	214	a	215	b	216	b	217	b
218	d	219	a	220	a	221	d	222	d	223	a	224	b
225	c	226	c	227	a	228	b	229	d	230	a	231	d
232	a	233	d	234	c	235	a	236	a	237	b	238	b
239	d	240	b	241	b	242	a	243	d	244	a	245	a
246	d	247	d	248	a	249	c	250	a	251	a	252	d
253	d	254	d	255	a	256	c	257	d	258	c	259	b
260	a	261	d	262	a	263	d	264	b	265	a	266	a
267	b	268	d	269	d	270	d	271	d	272	b	273	b
274	a	275	b	276	d	277	d	278	c	279	a	280	b
281	b	282	d	283	a	284	d	285	b	286	d	287	b

288	b	289	a	290	c	291	b	292	b	293	d	294	a
295	d	296	d	297	a	298	a	299	d	300	c	301	d
302	c	303	b	304	c	305	a	306	b	307	b	308	d
309	b	310	d	311	d	312	a	313	b	314	d	315	a
316	d	317	b	318	b	319	d	320	d	321	b	322	b
323	c	324	b	325	a	326	c	327	b	328	b	329	a
330	c	331	d	332	d	333	a	334	b	335	a	336	a
337	c	338	c	339	a	340	d	341	b	342	a	343	c
344	d	345	a	346	b	347	d	348	b	349	c	350	c
351	c	352	b	353	c	354	b	355	d	356	a	357	c
358	c	359	b	360	d	361	d	362	c	363	d	364	a
365	d	366	c	367	c	368	a	369	b	370	c	371	c
372	b	373	d	374	a	375	b	376	c	377	d	378	b
379	a	380	c	381	a	382	d	383	d	384	b	385	b
386	d	387	c	388	d	389	b	390	d	391	b	392	b
393	c	394	c	395	a	396	d	397	d	398	a	399	a
400	c	401	b	402	d	403	d	404	b	405	c	406	d
407	b	408	a	409	d	410	c	411	a	412	b	413	c
414	a	415	d	416	a	417	c	418	a	419	d	420	d
421	d	422	c	423	a	424	d	425	b	426	b	427	a
428	c	429	d	430	d	431	d	432	a	433	a	434	d
435	d	436	d	437	a	438	b	439	a	440	a	441	b
442	b	443	d	444	c	445	b	446	b	447	b	448	c
449	a	450	d	451	d	452	a	453	a	454	b	455	d
456	d	457	d	458	b	459	c	460	b	461	d	462	b
463	d	464	b	465	c	466	b	467	d	468	b	469	c
470	c	471	d	472	d	473	a	474	a	475	c	476	a
477	c	478	a	479	b	480	d	481	a	482	b	483	b
484	b	485	d	486	b	487	d	488	a	489	d	490	a
491	d	492	c	493	c	494	c	495	c	496	b	497	c
498	b	499	a	500	b								