

INTRODUCTION TO COST ACCOUNTING

1. Which of the following statements is/are true?

- (i) The Financial Accounts do not indicate the profit or loss made on each contract separately.
 - (ii) Financial Accounts do not show the profit or loss made by each process, division or branch separately.
 - (iii) Financial Accounting is based on past records.
- (a) Only (i)
 - (b) Only (ii)
 - (c) Only (iii)
 - (d) All

2. Which of the following statements is false?

- (a) The limitations of Financial Accounting have led to the origin and evolution of Cost Accounting
- (b) Financial Accounts fail to give a product-wise break-up of profit or loss
- (c) Financial Accounts help to judge the efficiency or productivity of the concern
- (d) Cost Accounting Techniques help the management in making decisions or planning for future

3. Cost accounting is directed toward the needs of _____

- (a) Government
- (b) External users
- (c) Internal users
- (d) Shareholders

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

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

5. Cost information facilitates many important decisions except _____

- (a) Introduction of a product
- (b) Whether to make or buy
- (c) Rate of dividend
- (d) Exploration of an additional market

6. Measurement, in monetary terms, of the amount of resources used for the purpose of production of goods or rendering services is known as _____

- (a) Revenue expenditure
- (b) Capital expenditure
- (c) Cost
- (d) None of the above

7. Process of ascertainment of costs is known as _____

- (a) Costing
- (b) Cost reporting
- (c) Cost control
- (d) None of the above

8. The guidance and regulation by executive action of the costs of operating an undertaking is known as _____.

- (a) Operating costing**
- (b) Cost reduction**
- (c) Cost control**
- (d) None of the above**

9. Cost Accounting covers

- (a) The preparation of statistical data**
- (b) The application of cost control methods**
- (c) The ascertainment of the profitability of activities carried out or planned**
- (d) All the above**

10. Which of the following statements is true?

- (a) The word "cost" has the same meaning in all situations in which it is used**
- (b) Different cost concepts and classifications are used for different purposes**
- (c) All organizations incur the same types of costs**
- (d) Costs incurred in one year are always useful in the following year(s)**

11. Cost behavior refers to

- (a) How costs react to a change in the level of activity**
- (b) Whether a cost is incurred in a manufacturing, trading, or service company**
- (c) Classifying costs as either product or period costs**
- (d) Whether a particular expense has been incurred honestly**

12. An example of fixed cost is:

- (a) Materials consumed**
- (b) Depreciation**
- (c) Factory power**
- (d) Packing material**

13. A cost per unit which increases or decreases when volume of output increases or decreases is known as

- (a) Fixed cost**
- (b) Variable cost**
- (c) Semi-variable cost**
- (d) None of the above**

14. Which of the following would not be considered a fixed cost?

- (a) Rent**
- (b) Depreciation**
- (c) Cost of bottles used in the production of soft drinks**
- (d) Property taxes**

15. An example of variable cost is

- (a) Property taxes**
- (b) Interest on capital**
- (c) Direct material cost**
- (d) Depreciation of machinery**

16. Variable cost per unit

- (a) Varies when output varies
- (b) Remains constant
- (c) Increases when output increases
- (d) decreases when output decreases

17. Which of the following is not an example of a variable cost?

- (a) Straight-line depreciation on a machine expected to last five years
- (b) Piece-rate wages paid to manufacturing workers
- (c) Wood used to make furniture
- (d) Commissions paid to sales personnel

18. Which of the following costs will vary directly with the level of production?

- (a) Total manufacturing costs
- (b) Total cost of sales
- (c) Variable selling costs
- (d) Variable product costs

19. If the level of activity increases,

- (a) Variable cost per unit and total fixed costs increase
- (b) Fixed cost per unit and total variable cost increase
- (c) Total cost will increase and fixed cost per unit will decrease
- (d) Variable cost per unit and total cost increase

20. When 10,000 units are produced, variable costs are ₹ 6 per unit. Therefore, when 20,000 units are produced

- (a) Variable costs will total ₹ 1,20,000
- (b) Variable costs will total ₹ 60,000
- (c) Variable unit costs will increase to ₹ 12 per unit
- (d) Variable unit costs will decrease to ₹ 3 per unit

MATERIAL COST

1. In most of the manufacturing industries, the most important element of cost is

- (a) Material
- (b) Labour
- (c) Overheads
- (d) None of the above

2. Continuous stock taking is a part of

- (a) Annual stock taking
- (b) Perpetual inventory
- (c) ABC analysis
- (d) None of the above

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

- (a) Loss due to accidents
- (b) Pilferage
- (c) Loss due to careless handling of material

(d) Loss due to breaking the bulk

4. Bin card is maintained by the

- (a) Accounts department**
- (b) Costing department**
- (c) Stores**
- (d) None of the above**

5. Bin card contains

- (a) Details of the price of raw material lying in the Bin**
- (b) Details of the price and quantity of raw material lying in the Bin**
- (c) Details of quantity of material lying in the Bin**
- (d) None of the above**

6. Which of the following assumptions are made for the calculation of Economic Order Quantity?

- (a) Anticipated usage of material in units is known**
- (b) Cost per unit of material is constant and known**
- (c) Ordering cost per order is fixed**
- (d) All the above**

7. Which of the following is an accounting record?

- (a) Bill of Materials**
- (b) Bin card**
- (c) Stores ledger**
- (d) All of these**

8. Which of the following documents is used for issuing materials to production departments?

- (a) Purchase Requisition Note**
- (b) Stores requisition Note**
- (c) Goods Received Note**
- (d) Stores Credit Note**

9. Which of the following methods of stock control aims at concentrating efforts on selected items of materials?

- (a) Perpetual inventory system**
- (b) Materials turnover**
- (c) Maximum, minimum and re-order level setting**
- (d) ABC analysis**

10. The classification of items in ABC analysis is made on the basis of _____

- (a) Investment value of materials**
- (b) Consumption value of materials**
- (c) Quantity of materials consumed**

(d) All of these

11. The storekeeper should initiate a purchase requisition when stock reaches _____

- (a) Minimum level**
- (b) Maximum level**
- (c) Re-order level**
- (d) Average level**

12. Which of the following material losses should be transferred to Costing Profit and Loss Account?

- (a) Loss by evaporation**
- (b) Loss due to improper storage of materials**
- (c) Loss due to breaking the bulk**
- (d) All of these**

13. A written request to a supplier for specified goods at an agreed upon price is called a:

- (a) Purchase order**
- (b) Receiving report**
- (c) Purchase requisition**
- (d) Materials requisition form**

14. Which of the following documents in a cost accounting system is designed to exercise control over the delivery of and accurate recording of the receipt of goods?

- (a) Goods received note**
- (b) Material requisition**
- (c) Order to the supplier**
- (d) Purchase requisition**

15. A purchase requisition is raised

- (a) To intimate to the supplier the quantity and quality of new material required**
- (b) When the stock of raw material has fallen to the reorder level**
- (c) When goods are received from a supplier**
- (d) To let the accounts department know that an invoice should be expected from a supplier**

16. The reorder level is

- (a) The number of units that should be ordered**
- (b) The level of inventory when next order should be placed**
- (c) The economic order quantity**
- (d) Both (b) and (c)**

17. The costs of goods acquired from suppliers including incoming freight or transportation costs are:

- (a) Purchasing costs**
- (b) Ordering costs**

- (c) Stock-out costs
- (d) Carrying costs

18. The costs of preparing, issuing, and placing purchase orders, plus receiving and inspecting the items included in orders is:

- (a) Purchasing costs
- (b) Ordering costs
- (C) Stock-out costs
- (d) Carrying costs

19. The costs that result when a company holds an inventory of goods for sale:

- (a) Purchasing costs
- (b) Carrying costs
- (c) Opportunity costs
- (d) Interest costs

20. The costs associated with storage are an example of which cost category?

- (a) Quality costs
- (b) Labour costs
- (c) Ordering costs
- (d) Carrying costs

THIRD TOPIC – LABOUR COST

1. Wage sheet is prepared by _____
 - (a) Time-keeping department
 - (b) Personnel department
 - (c) Payroll department
 - (d) Cost accounting department
2. Time and motion study is conducted by the _____
 - (a) Time-keeping department
 - (b) Personnel department
 - (c) Payroll department
 - (d) Engineering department
3. Labour productivity is measured by comparing _____
 - (a) Actual time with standard time
 - (b) Total output with total man hours
 - (c) Added value for the product with total wage cost
 - (d) All of the above
4. Labour turnover is measured by _____
 - (a) Number of workers replaced averaged number of workers
 - (b) Number of workers left/ number in the beginning plus number at the end
 - (c) Number of workers jointing/ number in the beginning of the period
 - (d) All of these

5. Labour turnover is _____
- (a) Productivity of labour
 - (b) Efficiency of the labour
 - (c) Change in labour force
 - (d) Total cost of the labour
6. Time study is for _____
- (a) Measurement of work
 - (b) Fixation of standard time
 - (c) Ascertainment of actual hours
 - (d) Ascertainment of labour cost
7. Idle time is _____
- (a) Time spent by workers in factory
 - (b) Time spent by workers in office
 - (c) Time spent by workers off their work
 - (d) Time spent by workers on their job
8. Over time is _____
- (a) Actual hours being more than normal time
 - (b) Actual hours being more than standard time
 - (c) Standard hours being more than actual hours
 - (d) Actual hours being less than standard time
9. Time keeping refers to
- (a) Time spent by worker on their job
 - (b) Time spent by workers in the factory
 - (c) Time spent by workers without work
 - (d) Time spent by workers off their job
10. Time booking refers to
- (a) Time spent by worker on their job
 - (b) Time spent by workers in the factory
 - (c) Time spent by workers without work
 - (d) Time spent by workers off their job
11. Difference between attendance time and job time is _____
- (a) Standard time
 - (b) Overtime
 - (c) Actual time
 - (d) Idle time
12. Piece workers are paid on the basis of _____
- (a) Output sold
 - (b) Output produced

- (c) Output in stock
- (d) Input received

13. Time wages are paid on the basis of _____

- (a) Actual time
- (b) Standard time
- (c) Time saved
- (d) Overtime

14. Differential piece wages means _____

- (a) Different wages for different level of performance
- (b) Different wages for different time consumed
- (c) Different wages for different types of workers
- (d) Different wages for different types of industries

15. The cost which is incurred to prevent the labour turnover _____

- (a) Management cost
- (b) Replacement cost
- (c) Preventive cost
- (d) Compensation cost

16. Normal idle time _____

- (a) Can be avoided
- (b) Can be minimized
- (c) Cannot be avoided
- (d) Can be controlled

17. An employee is eligible for getting overtime wage if he/ she works for more than _____

- (a) 6 hours a day
- (b) 8 hours a day
- (c) 9 hours a day
- (d) 12 hours a day

18. Labour productivity cannot be measured by comparing

- (a) Actual time with standard time
- (b) Total output with total man hours
- (c) Added value for the product with total wage cost
- (d) Total wage and total output

19. Wage sheet is prepared by

- (a) Time keeping department
- (b) Personnel department
- (c) Payroll department
- (d) Cost accounting department

20. Time and motion study is conducted by

- (a) Time keeping department
- (b) Personnel department
- (c) Payroll department
- (d) Engineering department

FOURTH - TOPIC

1. The allotment of whole item of costs to cost centers or cost units is called _____
 - (a) Cost allocation
 - (b) Cost apportionment
 - (c) Overhead absorption
 - (d) None of the above
2. Packing cost is a _____
 - (a) Production cost
 - (b) Selling cost
 - (c) Distribution cost
 - (d) It may be any of the above
3. Director's remuneration and expenses form a part of _____
 - (a) Production overheads
 - (b) Administration overheads
 - (c) Selling overheads
 - (d) Distribution overheads
4. Salary of a foreman should be classified as _____
 - (a) Fixed overheads
 - (b) Variable overheads
 - (c) Semi fixed or semi variable fixed
 - (d) None of the above
5. Charging to a cost centre those overheads that result solely from the existence of that cost centre is known as _____
 - (a) Allocation
 - (b) Apportionment
 - (c) Absorption
 - (d) Allotment
6. Absorption means
 - (a) Charging of overheads to cost centers
 - (b) Charging of overheads to cost units
 - (c) Charging of overheads to cost centers or cost units
 - (d) None of the above
7. Which method of absorption of factory overheads do you suggest in a concern which produces only one uniform item of product?
 - (a) Percentage of direct wages basis
 - (b) Direct labor hour rate
 - (c) Machine hour rate
 - (d) A rate per unit of output

8. When the amount of under or over absorption is significant, it should be disposed of by
- (a) Transferring to costing Profit and Loss a/c
 - (b) The use of supplementary rates
 - (c) Carrying over as a deferred charge to the next accounting year
 - (d) None of above
9. When a amount of overheads absorbed is less than the amount of overheads incurred, it is called
- (a) Under absorption of overhead
 - (b) Over absorption of overhead
 - (c) Proper absorption of overhead
 - (d) None of the above
10. Bad debts is an example of
- (a) Production overhead
 - (b) Administration overheads
 - (c) Selling overhead
 - (d) Distribution overhead
11. Number of workers employed is used as a basis for this appointment of
- (a) Time office costs
 - (b) Canteen expenses
 - (c) Personnel department expenses
 - (d) Any of these
12. Which is the following is a scientific and accurate method of absorption of factory overheads.
- (a) Percentage on prime cost
 - (b) Percentage on direct labor cost
 - (c) Machine hour rate
 - (d) All of these
13. Warehouse expenses is an example of
- (a) Production overhead
 - (b) Selling overhead
 - (c) Distribution overhead
 - (d) None of these
14. Selling and distribution overheads are absorbed on the basis of
- (a) Rate per unit
 - (b) Percentage of works cost
 - (c) Percentage on selling price of each unit
 - (d) Any of these
15. The least suitable basis for applying overhead is _____

- (a) Material consumed
 - (b) Direct labor cost
 - (c) Direct labor hours
 - (d) Machine hours
16. Expenses such as rent and depreciation of a building shared by several department are _____
- (a) Indirect expenses
 - (b) Direct expenses
 - (c) Joint expenses
 - (d) All of these
17. Overhead expenses can be classified according to _____
- (a) Function
 - (b) Elements
 - (c) Behavior
 - (d) All of these
18. The distribution of overheads allotted to a particular department or cost centre over the units produced is called _____
- (a) Allocation
 - (b) Apportionment
 - (c) Absorption
 - (d) Dematerialization
19. 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-appointment
 - (d) Absorption
20. Which of the following is not a means whereby factory overheads can be charged out to production?
- (a) Direct labor rate
 - (b) Overtime rate
 - (c) Machine hour rate
 - (d) Blanket rate

Chap 5

1. Form of specific order costing where work is undertaken to customer's special requirements and each order is comparatively of short duration.
- (a) Job order costing
 - (b) Batch costing
 - (c) Contract costing
 - (d) Process costing

2. From of specific order costing which consists of a group of similar articles which maintain its identity throughout one or more stages of production
 - (a) Job order costing
 - (b) Batch costing
 - (c) Contract costing
 - (d) Process costing

3. Which of the following items is not included in preparation of a cost sheet?
 - (a) Carriage inward
 - (b) Purchase returns
 - (c) Sales commission
 - (d) Interest paid

4. Which of the following items is not excluded while preparing a cost sheet?
 - (a) Goodwill written off
 - (b) Provision for taxation
 - (c) Property tax on factory building
 - (d) Transfer to reserves

5. Which of the following are direct expenses?
 - (i) The cost of special designs, drawing or layouts
 - (ii) The hire of tools or equipment for a particular job
 - (iii) Salesman's wages
 - (iv) Rant, rates and insurance of a factory
 - (a) (i) and (ii)
 - (b) (i) and (iii)
 - (c) (i) and (iv)
 - (d) (iii) and (iv)

6. A company has to pay - 10,000 per unit royalty to the designer of a product which it manufactures and sells, the royalty charge would be classified as a
 - (a) Direct expense
 - (b) Production overhead
 - (c) Administrative overhead
 - (d) Selling overhead

7. Wherever part of the manufacturing operation is subcontracted, the subcontract charges related to materials shall be
 - (a) Ignored
 - (b) Treated as cost of materials
 - (c) Treated as works overheads
 - (d) Treated as direct expenses

8. Research and development cost relating to an existing product
 - (a) Shall be treated a capital expenditure
 - (b) Shall be treated as deferred revenue expenditure
 - (c) Shall be treated as direct expenses

(d) Shall be ignored

9. What is prime cost?

- (a) Total direct costs only
- (b) Total indirect costs only
- (c) Total non-production costs
- (d) Total production costs

10. Prime cost is

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

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

- (a) Direct materials
- (b) Direct labour
- (c) Direct expenses
- (d) Overhead

12. Overheads consist of all the following except

- (a) Indirect materials
- (b) Factory utilities
- (c) Direct labour
- (d) Indirect labour

13. Recruitment costs

- (a) Shall form part of prime cost
- (b) Shall form part of works cost
- (c) Shall form part of overheads
- (d) Shall be ignored

14. Cost of goods manufactured will include opening and closing stock for

- (a) Raw materials and work in progress only
- (b) Work in progress only
- (c) Raw materials only
- (d) Raw materials, work in progress and finished goods

15. In the cost sheet, abnormal costs e.g. due to accident shall be

- (a) Added to cost of production
- (b) Deducted from cost of production
- (c) Deducted from sales
- (d) Ignored

16. Direct materials + Direct labour + Direct expenses =

- (a) Works cost
- (b) Cost of production

- (c) Cost of sales
- (d) Prime cost

17. Prime cost + Factory Overhead =

- (a) Fixed cost
- (b) Works cost
- (c) Cost of production
- (d) Cost of goods sold

18. Prime cost + Factory overhead + Administration overhead =

- (a) Works cost
- (b) Cost of production
- (c) prime cost
- (d) cost of sales

19. Total cost – Selling and distribution overheads =

- (a) Cost of goods sold
- (b) Closing stock
- (c) Cost of production
- (d) Net profit

20. Cost of production – administration overheads =

- (a) Prime cost
- (b) Cost of sales
- (c) Works cost
- (d) Work-in-progress

Chap 6

1. In Reconciliation Statement, Expenses show only in Financial Account are

- (a) Added to financial profit
- (b) Deducted from financial profit
- (c) Ignored
- (d) Added to costing profit

2. In Reconciliation Statement, Expenses shown only in Cost Accounts are

- (a) Added to financial profit
- (b) Deducted from financial profit
- (c) Ignored
- (d) Deducted from costing profit

3. In Reconciliation Statement, transfers to reserves are

- (a) Added to financial profit
- (b) Deducted from financial profit

- (c) Ignored
- (d) added to costing profit

4. In Reconciliation Statement, Incomes shown only in Financial Accounts are

- (a) Added to financial profit
- (b) Deducted from financial profit
- (c) Ignored
- (d) Deducted from costing profit

5. In Reconciliation Statement, Closing Stock Undervalued in Financial Accounts is

- (a) Added to financial profit
- (b) Deducted from financial profit
- (c) Ignored
- (d) Added to costing profit

6. In Reconciliation Statement, Closing Stock Overvalued in Financial Accounts is

- (a) Added to financial profit
- (b) Deducted from financial profit
- (c) Ignored
- (d) Deducted from costing profit

7. In Reconciliation Statement, Opening Stock Overvalued in Financial Accounts is

- (a) Added to financial profit
- (b) Deducted from financial profit
- (c) Ignored
- (d) Added to costing profit

8. In Reconciliation Statement, Opening Stock Undervalued in Financial Accounts is

- (a) Added to financial profit
- (b) Deducted from financial profit
- (c) Ignored
- (d) Deducted from costing profit

9. In Reconciliation Statement, Depreciation Overcharged in Financial Accounts is

- (a) Added to financial profit
- (b) Deducted from financial profit
- (c) Ignored
- (d) Added to costing profit

10. In Reconciliation Statement, Depreciation Undercharged in Financial Accounts is

- (a) Added to financial profit

- (b) Deducted from financial profit
- (c) Ignored
- (d) Deducted from costing profit

11. In Reconciliation Statement, Overheads Under- Recovered in Cost Accounts are

- (a) Added to financial profit
- (b) Deducted from financial profit
- (c) Ignored
- (d) Added to costing profit

12. In Reconciliation Statement, Overheads Over-Recovered in Cost Accounts are

- (a) Added to financial profit
- (b) Deducted from financial profit
- (c) Ignored
- (d) Deducted from costing profit

13. In Reconciliation Statement, Expenses shown only in Financial Accounts are

- (a) Added to costing profit
- (b) Deducted from financial profit
- (c) Added to financial loss
- (d) Deducted from costing profit

14. In Reconciliation Statement, Expenses shown only in Cost Accounts are

- (a) Added to financial profit
- (b) Deducted from costing profit
- (c) Deducted from financial loss
- (d) Added to costing profit

15. In Reconciliation Statement, Incomes shown only in Financial Accounts are

- (a) Added to financial profit
- (b) Deducted from costing profit
- (c) Deducted from financial loss
- (d) Added to costing profit

16. In Reconciliation Statement, Closing stock Undervalued in Financial Accounts in

- (a) Added to costing profit
- (b) Deducted from financial profit
- (c) Added to financial loss
- (d) Deducted from costing profit

17. In Reconciliation Statement, Closing stock Overvalued in Financial Accounts is

- (a) Added to financial profit
- (b) Deducted from costing profit
- (c) deducted from financial loss
- (d) added to costing profit

18. In Reconciliation Statement, Opening Stock Overvalued in Financial Accounts is

- (a) Added to costing profit
- (b) Deducted from financial profit
- (c) Added to financial loss
- (d) Deducted from costing profit

19. In Reconciliation Statement, Opening Stock Undervalued in Financial Account is

- (a) Added to financial profit
- (b) Deducted from costing profit
- (c) Deducted from financial loss
- (d) Added to costing profit

20. In Reconciliation Statement, Depreciation Overcharged in Financial Account is

- (a) Added to costing profit
- (b) Deducted from financial profit
- (c) Added to financial loss

The most important element of cost is _____.	Material	Overheads	Labour	Chargeable
Request to the supplier to supply material is an _____.	re-order	Purchase Order	sale invoice	None of the
_____ are fixed to control inventory.	Maximum Level	Minimum Level	Re-Order Level	Inventory L
_____ indicates maximum stock to be maintained.	Maximum Level	Minimum Level	Re-Order Level	Danger Lev
Economical size of order is called as _____.	Production	EOQ		None of the
_____ shows minimum stock to be maintained.	Minimim Stock Level	Maximum Stock Level	Average Stock Level	None of the
Scientific purchasing begins with _____.	Indenting	Inspection	Ordering	Selection of supplier
Goods received note is prepared by _____.	Purchase	Stores	Finance	Sales
_____ shows stock position at the bin.	EOQ	ABC	Bin Card	None of the
_____ is decided on the basis of ordering cost and carrying cost.	EOQ	Maximum Stock Level	Minimum Stock Level	Average St
_____ locks of maximum working capital.	Average Stock Level	Maximum Stock Level	Minimum Stock Level	None of the
_____ analysis shows classification of inventory into three categories.	EOQ	ABC	Bin Card	None of the
_____ class items requires loose control.	C	A	B	None of the
_____ class items are costliest.	A	B	C	None of the

_____ class items requires more attention.	B	A	C	None of the
_____ class items require moderate control.	C	B	A	None of the
Purchase Requisition is a _____ of material.	Requirement	Purchase return	Supply	None of the ab
_____ shows stock position of Bin.	Inspection note	Delivery material	Bin Card	Store record
_____ shows movement of each item of material.	Delivery material	Stores ledger	Supplier ledger	None of the ab
Material control includes control over _____.	Inventory control	Material	Control over labour	Control over o
Under _____ stock is verified at the end of a certain period.	Continuously	Certain period	Periodic Inventory	None of the ab
Under _____ stock is verified continuously.	ABC Analysis	Bill of Material	Perpetual Inventory system	None of the ab
_____ is a technique of selective control.	Perpetual Inventory system	Bill of Material	ABC Analysis	None of the ab
_____ helpful for calculation of cost of material of a job.	Bill of Material	Supply of Material	Requirement of Material	None of the ab

(d) Deducted from costing profit