

Basics of Costing

1. Costing is a technique of

- a) Inventory control*
- b) Management control*
- c) Ascertainment of cost*
- d) Calculation of cost e) Reduction of cost*

2. Cost accounting has been developed because of of financial accounting.

- a) limitations*
- b) expenditure*
- c) statutory requirements*
- d) both (a) and (b)*
- e) None of these*

3. Cost accountancy is the science, art and of cost accountant.

- a) Profession*
- b) Management*
- c) Administration*
- d) Practice*
- e) All of these*

4. In automobile industry cost unit is

- a) Number
- b) Automobile quality
- c) Number of automobile industry
- d) Either (a) or (c)
- e) None of these

5. Cost unit in a college may be

- a) teacher
- b) Non teacher staff
- c) Student
- d) Number of departments
- e) None of these

6. costing is suitable for mines, quarries, cement works etc.

- a) Process
- b) Contract
- c) Batch
- d) Operation
- e) Job

7.is an extension of job costing.

- a) Process costing
- b) Batch costing
- c) Contract costing
- d) Operation costing
- e) None of these

8. When job is very big and spread over long periods of time the method of costing adopted is

- a) Process
- b) Job
- c) Contract
- d) Operation
- e) Batch

9. Continuous costing is also called

- a) Operation costing
- b) Process costing
- c) Batch costing
- d) Contract costing
- e) None of these

10. The main types of costing for ascertaining costs do not include

- a) Uniform costing
- b) Standard costing
- c) Marginal costing

11. Cost accounting is based on figures.

- a) Approximated
- b) Estimated
- c) Historical
- d) Either (a) or (c)
- e) None of these

12.costing is used in transport undertaking.

- a) Operating

- b) Standard*
- c) marginal*
- d) Absorption*
- e) Service*

13. In costing the cost of a group of products is ascertained.

- a) Process*
- b) Job*
- c) Batch*
- d) Service*
- e) Marginal*

14. The total of all direct expenses is known as

- a) Total cost*
- b) Overhead*
- c) Prime cost*
- d) Work cost*
- e) None of these*

15. An opportunity cost is a

- a) Direct expense*
- b) Indirect expense*
- c) Variable expense*
- d) Fixed expense*
- e) Semi-variable expense*

16. Work cost is the total of

- a) Direct cost*
- b) Indirect cost*

c) Variable cost

d) Controllable cost

e) Uncontrollable cost

17. Opportunity cost does not involve

a) Cash inflow

b) Cash outflow

c) Cash outlay

d) Either (a) or (b)

e) None of these

18. Depreciation isexpenditure.

A) variable

b) Fixed

c) Direct

d) Indirect

e) Semi-variable

19. Out of pocket payment involves payment to

a) Managers

b) Promoters

c) Directors

d) Shareholders

e) Outsiders

20. Value added is the change in

a) Face value

b) Market value

c) Book value

d) Realizable value

e) None of these

21. Re-ordering level is = Maximum consumption x

a) Minimum consumption

b) Maximum re-orders period

c) Minimum re-orders period

d) Both (a) and (b)

e) None of these

22. represents that quantity of material which is normally ordered when a particular material reaches the ordering level.

a) EOQ

b) BOQ

c) EBQ

d) Re-order period

e) All of these

23. The quantity of material to be ordered at one time is known as

a) EOQ

b) BOQ

c) EBQ

d) Re-order period

e) All of these

24. Stock verification sheets are maintained to record the result of verification.

a) Conceptual

b) Physical

c) Economic

d) Detailed

e) All of these

25. The two levels of material controls are quantity control and

a) Financial control

b) Value control

c) Quality control

d) Both (b) and (c)

e) All of these

26. The two aspects of material control are accounting aspect and aspect.

a) Financial

b) Economic

c) social

d) Operational

e) None of these

27. Material control aims at achieving effective management.

a) Marketing

b) Production

c) Organization

d) Material

e) None of these

28. Stores ledger is maintained in the department.

a) Cost accounting

b) Stores

c) Purchase

d) Production

e) None of these

29. Bin card is a record of only.

a) Quality

b) quantity

c) Numbers

d) Value

e) None

30. Bin card is maintained by

a) Purchase department

b) Production department

c) Marketing department

d) Stores keeper

e) None of these

31. 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

**32. 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

33. 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

34. 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

35. 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 : sts of

b. 3,000

c. 5,000

d. 7,500

36. 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

c. 8,000

d. 12,000

37. 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 38 and 39:

Budget data for the Happy Ltd.

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

Costs : Variable ` 7,00,000 Fixed ` 2,10,000

Total Cost 9,10,000

Operating profit ` 90,000

38. 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

39. 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

40. 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*

41. 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
42. Which of the following factors are not qualitative factors in a make or buy decision ?

- a. Doubt as to the ability of the subcontractor to meet delivery dates*
- b. Doubt as to ability of the subcontractor to maintain quality*
- c. The case with which improvements can be made to the product*
- d. The effect of redundancy on labour relations*

43. 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?

- a. ` 5.75 per unit*
- b. ` 6.65 per unit*
- c. ` 6.0 per unit*
- d. ` 1 per unit*

44. In a shutdown decision, one has to consider :

- a. Contribution*
- b. Identifiable fixed cost, if any*
- c. Impact of shutdown on other products, if any*
- d. All of the above*

45. When a firm doubles its inputs and finds that its output has more than doubled, this is known as:

- a. Economies of scale.
- b. Constant returns to scale.
- c. Diseconomies of scale.
- d. A violation of the law of diminishing returns.

46. The firm's 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

- a. ₹ 1,80,000
- b. ₹ 2,00,000
- c. ₹ 50,000
- d. ₹ 2,30,000

47. The basic research cost should be treated as :

- a. Product cost
- b. Production cost
- c. Production overhead
- d. Period cost

48. A firm requires 16,000 nos. of a certain component, which is bought at ₹ 60 each. The cost of placing an order and following it up is ₹ 120 and the annual storage charges work out to 10% of the cost of the item. To get maximum benefit the firm should place order for Units at a time.

- a. 1,000
- b. 900
- c. 800
- d. 600

49. 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.

- a. 1,200 items
- b. 1,400 items
- c. 1,600 items
- d. 1,800 items

50. The standard time required per unit of a product is 20 minutes. In a day of 8 working hours a worker gave an output of 30 units. If he gets a time rate of ` 20/hr., his total earnings under Halsey bonus scheme was :

- a. ` 200
- b. ` 192
- c. ` 180
- d. ` 16

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- c. ` 180
- d. ` 16

51. A material loss during production or storage due to evaporation or shrinkage is called:

- a. Scrap
- b. Waste
- c. Spoilage
- d. Material loss

52. The process of distribution of overheads allotted to a particular department or cost center over the units produced is called:

- a. Allocation
- b. Apportionment
- c. Absorption
- d. Departmentalization

53. Angle of incidence defines:

- a. Systematic risk in CAPM model
- b. Post BEP relationship between total cost and total revenue
- c. Incidental factors in investments
- d. Marginal cost of production

54. 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%?

- a. 18,387
- b. 18,560
- c. 18,750
- d. 19,000

55. 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
- d. Absorption

56. Interest on own capital is a:

- a. Cash cost
- b. Notional cost
- c. Sunk cost

d. Part of prime cost

57. 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*

58. Normal stores losses are:

- a. Part of prime cost*
- b. Part of production overheads*
- c. Part of selling and distribution overheads*
- d. Written-off to costing and profit and loss account*

59. Secondary packing expenses are:

- a. Part of prime cost*
- b. Part of production overheads*
- c. Part of distribution overheads*
- d. Written-off to costing profit and loss account*

60. 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:

- a. ₹93.75.*
- b. ₹97.78.*
- c. ₹750.*
- d. ₹880.*

61. The methods of treating cost of small tools in cost accounts include

- a. Charging to expense*
- b. Charging to stores*

c. Capitalizing in a small tools account

d. All of the above

62. under marginal costing:

a. All costs are classified into two groups – variable and fixed

b. Variable costs form part of the product cost and inventory

valuation c. Fixed costs are treated as period costs d. All of the above

63. Which of the following definitions describe marginal cost?

a. The variable cost of one unit of product or service

b. 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

c. Costs appropriate to aiding the making of specific management decisions

d. The price at which material identical to that which is used up could be replaced on the date of usage

64. According to Rowan premium plan, which of the following formula is used to calculate the bonus rate?

a. $(\text{Time saved}/\text{time allowed}) \times 100$

b. $(\text{Time allowed}/\text{time saved}) \times 100$

c. $(\text{Actual time taken}/\text{time allowed}) \times 100$

d. $(\text{Time allowed}/\text{actual time taken}) \times 100$

65. Which of the following is not an assumption underlying the accountant's break-even chart?

a. Fixed costs remain fixed throughout the range charted

b. Selling prices do not change

c. Variable costs fluctuate inversely with volume

d. Unit variable costs remain constant throughout the range charted

66. 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

67. 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

68. 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

69. 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

70. 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

answer:

**1 c 2 a 3 d 4 b 5 c 6 d 7 b 8 c 9 b 10 e 11 b 12 e 13 c 14 c 15 a 16 d 17 c 18 e 19
e 20 b 21 b 22 d 23 a 24 b 25 a 26 d 27 d 28 a 29 b 30 d 31 a 32 c 33 a 34 b 35
d 36 a 37 b 38 b 39 b 40 d 41 b 42 d 43 a 44 d 45 a 46 d 47 c 48 c 49 c 50 c 51
b 52 c 53 b 54 a 55 b 56 b 57 d 58 b 59 c 60 c 61 d 62 d 63 a 64 a 65 c 66 b 67
d 68 d 69 d 70 b**