

FINALTERM EXAMINATION

Fall 2009

GT402- Cost & Management Accounting (Session - 3)

Question No: 1 (Marks: 1) - Please choose one

All of the following are a part of Planning Process EXCEPT:

- ▶ Identifying the objectives
- ▶ Search for alternative actions
- ▶ Data gathering for alternatives
- ▶ Selection of a fixed action

Question No: 2 (Marks: 1) - Please choose one

All of the following indicate the problems in traditional budget EXCEPT:

- ▶ Programmes and activities involving wasteful expenditure are identified, resulting in unavoidable financial and other costs
- ▶ Inefficiencies of a prior year are carried forward in determining subsequent years' levels of performance
- ▶ Managers are not encouraged to identify and evaluate alternate means of accomplishing the same objective
- ▶ Decision-making is irrational in the absence of rigorous analysis of all proposed costs and benefits

Question No: 3 (Marks: 1) - Please choose one

The chief financial officer is also known as the:

- ▶ Controller
- ▶ Staff accountant
- ▶ Auditor
- ▶ Finance director

Question No: 4 (Marks: 1) - Please choose one

When purchases are added to raw material opening Inventory, we get the value of: <http://vustudents.ning.com>

- ▶ Material consumed.
- ▶ Material available for use.
- ▶ Material needed.
- ▶ Raw material ending inventory.

Question No: 5 (Marks: 1) - Please choose one

For manufacturing entities inventories are classified into ----- categories?

- ▶ One
- ▶ Two
- ▶ Three
- ▶ Four

Question No: 6 (Marks: 1) - Please choose one

When prices are rising over time, which of the following inventory costing methods will result in the lowest gross margin?

- ▶ FIFO
- ▶ LIFO
- ▶ Weighted Average
- ▶ Cannot be determined

Question No: 7 (Marks: 1) - Please choose one

All of the following are unavoidable causes of labor turnover **EXCEPT**:

- ▶ Retirement and death leading to labor turnover
- ▶ Domestic responsibilities—to look after old parents
- ▶ Accident or illness rendering workers permanently incapable to work
- ▶ Unfair methods of promotion and lack of promotions avenues

Question No: 8 (Marks: 1) - Please choose one

The term cost allocation is described as: <http://vustudents.ning.com>

- ▶ The costs that can be identified with specific cost centers.
- ▶ The costs that can not be identified with specific cost centers.
- ▶ The total cost of factory overhead needs to be distributed among specific cost centers.
- ▶ None of the given options

Question No: 9 (Marks: 1) - Please choose one

Which of the following statement is true regarding Repeated distribution method?

- ▶ The re-allocation continues until the numbers being dealt with become very small
- ▶ The re-allocation continues until the numbers being dealt with become very Large
- ▶ The re-allocation continues until the numbers being dealt with become small
- ▶ None of the given options

Question No: 10 (Marks: 1) - Please choose one

Which of the following is **TRUE** regarding the use of blanket rate?

- ▶ The use of a single blanket rate makes the apportionment of overhead costs unnecessary
- ▶ The use of a single blanket rate makes the apportionment of overhead costs necessary
- ▶ The use of a single blanket rate makes the apportionment of overhead costs uniform
- ▶ None of the given options

Question No: 11 (Marks: 1) - Please choose one

Which of the following is/are reported in production cost report?

- ▶ The costs charged to the department
- ▶ How the costs were assigned to the output?

- ▶ The equivalent units of production by the department
- ▶ All of the given options

Question No: 12 (Marks: 1) - Please choose one

In the process costing when labor is charged to production department no 1. What would be the journal entry Passed? <http://vustudents.ning.com>

▶ Payroll a/c
To W.I.P (Dept-I)

▶ Payroll a/c
To W.I.P (Dept-II)

▶ W.I.P (Dept-I)
To Payroll a/c

▶ W.I.P (Dept-II)
To Payroll a/c

Question No: 13 (Marks: 1) - Please choose one

	Materials Costs (Rs.)	Conversion Costs
(Rs.)		
Work-in-process, May 1	46,000	78,000
Current costs (May)	<u>92,000</u>	<u>124,000</u>
Total cost	138,000	202,000

If the equivalent units of production under weighted average costing were 40,000 and 50,000 for materials and conversion costs, respectively, what are the costs per equivalent unit?

- ▶ Rs. 1.15, Rs.1.56
- ▶ Rs.1.76, Rs.1.94
- ▶ Rs. 2.30, Rs. 2.48
- ▶ Rs. 3.45, Rs. 4.04

Question No: 14 (Marks: 1) - Please choose one

In comparing common cost and joint cost: <http://vustudents.ning.com>

- ▶ The terms can be correctly used interchangeably
- ▶ Both have the same objective of assigning production cost to cost center
- ▶ They differ since common cost products or services have been obtained separately
- ▶ Common cost is sometime used as Joint cost

Question No: 15 (Marks: 1) - Please choose one

Which of the following concept is used in absorption costing?

- ▶ Matching concept
- ▶ **Cost concept**
- ▶ Cash concept
- ▶ None of the given options

Question No: 16 (Marks: 1) - Please choose one

Good Job Plc makes one product which sells for Rs. 80 per unit. Fixed costs are Rs. 28,000 per month and marginal costs are Rs. 42 per unit. What sales level in units will provide a profit of Rs. 10,000?

- ▶ 350 units
- ▶ 667 units
- ▶ **1,000 units**
- ▶ 1,350 units

Question No: 17 (Marks: 1) - Please choose one

Which of the following costs are treated as period costs under direct costing?

- ▶ Only direct cost
- ▶ Fixed selling and administrative expenses
- ▶ **Fixed manufacturing overhead**
- ▶ Both fixed manufacturing overhead and fixed selling and administrative expenses

Question No: 18 (Marks: 1) - Please choose one

Variable costing is also known as: <http://vustudents.ning.com>

- ▶ Direct Costing
- ▶ Marginal Costing
- ▶ **Both Direct Costing & Marginal Costing**
- ▶ Indirect Costing

Question No: 19 (Marks: 1) - Please choose one

Cost volume Profit analysis (CVP) is a behavior of how many variables?

- ▶ 2
- ▶ 3
- ▶ 4
- ▶ **5**

Question No: 20 (Marks: 1) - Please choose one

Which of the following costs do **NOT** change when the activity base fluctuates?

- ▶ Variable costs
- ▶ Discretionary costs
- ▶ **Fixed costs**
- ▶ Mixed costs

Question No: 21 (Marks: 1) - Please choose one

The break-even point is the point where:

- ▶ **Total sales revenue equals total expenses (variable and fixed)**

- ▶ Total contribution margin equals total fixed expenses
- ▶ Fixed cost plus Profit is equal to contribution margin
- ▶ All of the given options

Question No: 22 (Marks: 1) - Please choose one

In process costing, a joint product is <http://vustudents.ning.com>

- ▶ A product which is later divided in to many parts
- ▶ A product which is produced simultaneously with other products and is of similar value to at least one of the other products
- ▶ A product which is produced simultaneously with other products but which is of a greater value than any of the other products
- ▶ A product produced jointly with another organization

Question No: 23 (Marks: 1) - Please choose one

Eclair Ltd manufactured three products,JP,1,JP2,JP,3 with the following cost of raw material 10,000 kg,cost Rs,24,000 and conversion cost is Rs,28,000.

Out-Put	Production,Kg	sales price, per Kg
JP,1	4,000	11
JP,2	3,000	10
JP,3	1,000	26

Process costs are apportioned on a sales value basis.

Required: What was the apportioned cost for JP3.

- ▶ Rs. 52,000
- ▶ Rs. 13,520
- ▶ Rs. 15,600
- ▶ Rs. 22,880

Question No: 24 (Marks: 1) - Please choose one

The little Rock Company shows fixed expenses of Rs. 12,150 and Margin of

safety ratio is 25% and Break even sales is Rs. 40, 500. If contribution margin ratio is 30% what would be the actual sales?

- ▶ Rs. 40,500
- ▶ **Rs. 54,000**
- ▶ Rs. 12,150
- ▶ Rs. 4,050

Question No: 25 (Marks: 1) - Please choose one

All of the following are assumptions in constructing a Break even chart **EXCEPT**:

- ▶ **There is no change of time value of money**
- ▶ Price of cost factors remains constant
- ▶ Long term period will be considered
- ▶ Cost is affected by volume

Question No: 26 (Marks: 1) - Please choose one

If a firm is using activity-based budgeting, the firm would use this in place of which of the following budgets?

- ▶ **Direct labor budget**
- ▶ Direct materials budget
- ▶ Revenue budget
- ▶ Manufacturing overhead budget

Question No: 27 (Marks: 1) - Please choose one

Hogan Company plans to produce 5,000 wooden tables. Each table requires 10 bd. Ft. of lumber at a price of Rs. 2.50 per bd. Ft. The desired beginning and ending inventories of lumber are 10,000 and 20,000 board feet, respectively. The total direct materials purchase cost for lumber is: <http://vustudents.ning.com>

- ▶ **Rs. 100,000**
- ▶ Rs. 12,500
- ▶ Rs. 175,000
- ▶ Rs. 150,000

Question No: 28 (Marks: 1) - Please choose one

Which of the following budgets provide information for preparation of the owner's equity section of a budgeted balance sheet?

- ▶ Sales budget
- ▶ Cash budget
- ▶ **Capital expenditures budget**
- ▶ Budgeted income statement

Question No: 29 (Marks: 1) - Please choose one

Which of the following is **NOT** example of a cash outflow?
<http://vustudents.ning.com>

- ▶ **Cash drawings**

- ▶ Purchase of new equipment
- ▶ Commission paid
- ▶ Depreciation

Question No: 30 (Marks: 1) - Please choose one

When using a flexible budget, what will occur to variable costs (on a per unit basis) as production increases?

- ▶ Variable costs are not considered in flexible budgeting
- ▶ Variable costs per unit will decrease
- ▶ Variable costs per unit will remain unchanged
- ▶ Variable costs per unit will increase

Question No: 31 (Marks: 1) - Please choose one

A relevant cost or benefit is one that will be affected by the decision. Which of the following should be regarded as relevant in the decision-making process?

- ▶ Fixed overheads
- ▶ Notional costs
- ▶ Sunk costs
- ▶ Opportunity costs

Question No: 32 (Marks: 1) - Please choose one

Decision making should be based on all of the following relevant costs features EXCEPT: <http://vustudents.ning.com>

- ▶ Relevant Costs are future costs
- ▶ Relevant Costs are cash flows
- ▶ Relevant Costs are incremental costs
- ▶ Relevant Costs are sunk costs

Question No: 33 (Marks: 1) - Please choose one

In a make or buy situation with no limiting factors, which of the following would be the relevant costs for the decision?

- ▶ Opportunity costs
- ▶ Differential costs between the two options
- ▶ Sunk costs
- ▶ Implied costs

Question No: 34 (Marks: 1) - Please choose one

In one off contracts, a contract will probably be accepted if:

- ▶ It increases contribution margin and decreases profit
- ▶ It increases both contribution margin and profit
- ▶ It reduces contribution margin and increases profit
- ▶ It reduces both contribution margin and profits

Question No: 35 (Marks: 1) - Please choose one

The following monthly data are available for the Boarder, Inc. and its only product: Unit sales price = Rs. 36 Unit variable expenses = Rs. 28 Total fixed

expenses = Rs. 50,000 Actual sales for the month of May = 7,000 units. The margin of safety for the company for May was:

- ▶ Rs. 6,000
- ▶ Rs. 27,000
- ▶ Rs. 56,000
- ▶ Rs. 106,000

Question No: 36 (Marks: 1) - Please choose one

Under perpetual Inventory system at the end of the year:

<http://vustudents.ning.com>

- ▶ No closing entry passed
- ▶ Closing entry passed
- ▶ Closing value find through closing entry only
- ▶ None of the above.

Question No: 37 (Marks: 1) - Please choose one

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

Materials	5,000 Kgs at 0.50 per Kg
Labor	Rs.700
Production overheads	200% of labor

Normal losses are 10% of input in the process. The out put for the period was 4,200Kg from the process. There was no opening and closing Work- in- process. What were the units of abnormal loss?

- ▶ 500 units
- ▶ 300 units
- ▶ 200 units
- ▶ 100 units

Question No: 38 (Marks: 1) - Please choose one

A cost that has been incurred but cannot be changed by present or future decisions is called:

- ▶ Sunk cost
- ▶ Differential cost
- ▶ Opportunity cost
- ▶ Marginal cost

Question No: 39 (Marks: 1) - Please choose one

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

- ▶ Apportionment
- ▶ **Allocation**
- ▶ Re-apportionment
- ▶ Absorption

Question No: 40 (Marks: 1) - Please choose one

When By-product is to be recycled, which one of the following will be used for costing?

- ▶ Costing approach
- ▶ Sale approach
- ▶ **Expense approach**
- ▶ Asset approach

Question No: 41 (Marks: 1) - Please choose one

What would be the margin of safety ratio based on the following information?

- ⌚ Sales price = Rs. 100 per unit
- ⌚ Variable cost = Rs. 25 per unit
- ⌚ Fixed cost = Rs. 50 per unit
- ▶ 25%
- ▶ **33.333%**
- ▶ 66.666%
- ▶ 75%

Question No: 42 (Marks: 1) - Please choose one

What is the starting point of variable cost line on a break even chart at zero production level?

- ▶ It must start from origin
- ▶ It might start from origin
- ▶ **It does not start from origin**
- ▶ Non of the given options

Question No: 43 (Marks: 1) - Please choose one

All of the following describe forecasting EXCEPT:

- ▶ **It allows you to create budget amounts, and then track how well you are staying within those amounts**
- ▶ It is a projected cash flow for the future, based on scheduled transactions and estimated amounts
- ▶ A prediction of customer demand used to calculate future inventory levels
- ▶ Predicting current and future market trends using existing data and facts

Question No: 44 (Marks: 1) - Please choose one

Which of the following is NOT considered as external factor while preparing the sales budget?

- ▶ Availability of materials or supplies
- ▶ Governmental rules
- ▶ Market fluctuations
- ▶ **Competitor's success**

Question No: 45 (Marks: 1) - Please choose one

If estimated direct labour cost is Rs. 50,000 for producing 2,400 units then what is the amount of FOH cost if FOH cost is assumed as 50% of direct labor cost?

- ▶ **Rs. 25,000**
- ▶ Rs. 1,200
- ▶ Rs. 26,200
- ▶ Cannot be calculated

Question No: 46 (Marks: 1) - Please choose one

Which of the following item is NOT included in FOH cost budget?

- ▶ Indirect material cost
- ▶ Indirect labor cost
- ▶ Power and fuel
- ▶ **Direct material cost**

Question No: 47 (Marks: 1) - Please choose one

Which of the following is the best example of a fixed administrative expense?

- ▶ **Rent of building used for office**
- ▶ Commission paid
- ▶ Repair and maintenance
- ▶ Stationery expense

Question No: 48 (Marks: 1) - Please choose one

Which of the following statement is **TRUE** about historical cost? <http://vustudents.ning.com>

- ▶ 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

Question No: 49 (Marks: 3)

Break even chart is the useful technique for showing relationship between costs, volume and profits. Identify the components of break even chart.

Question No: 50 (Marks: 3)

Briefly describes the importance of material budget.

Question No: 51 (Marks: 5)

Garrett Company sells hand-crafted furniture. One item it sells is a small table that sells for Rs. 30 per unit. The variable costs related to the table, including product and shipping costs, are Rs. 18 per unit. Total fixed costs for the company are Rs. 60,000. Assume the tables are the only product the company sells this year and **draw a CVP graph** to represent the company's sales and expenses. From this graph, compute the approximate breakeven point in rupees and units.

Question No: 52 (Marks: 5)

A textile company anticipates the following unit sales during the four months of 2008.

Months	April	May	June	July
Sales units	20,000	30,000	25,000	40,000

The company maintains its ending finished goods inventory at 60% of the following month's sale. The April 1st, finished goods inventory will be 12,000 units.

Required: Prepare a production budget for second quarter of year.

Question No: 53 (Marks: 10)

The Midnight Corporation budget department gathered the following data for the third quarter:

	July	August	September
Projected Sales (units)	1,000	1,500	1,450
Selling price per unit (Rs.)	40	40	40
Direct material purchase requirement (units)	1,300	2,000	1,800
Purchase cost per unit material (Rs.)	20	20	20
Production units required to calculate labor cost	800	1,300	1100

Additional information

Direct labor hours	2 per complete unit
Direct Labor rate	Rs. 2 per direct labor hour
Fixed factory overhead	Rs. 500 per month including Rs. 200 depreciation
Variable factory overhead	Rs. 1.50 per direct labor hour
Selling and Admin expense	5% of sales

Net Income before tax is as follows:

Months	Rs.
--------	-----

July	6,000
August	10,000
September	8,000

All sales and purchases are for cash and all expenses are paid in the month incurred. Assuming that the opening cash balance on July 1st is Rs. 25,000 and tax rate is 40%,

Required:

Prepare cash budget for third quarter.

Question No: 54 (Marks: 10)

ABC company is currently deciding whether to undertake a new contract of 20 hours of labor will be required for the contract. The company currently producing product S the standard cost details of which are given below:

Standard Cost Card

Product S

	Rs/unit	
Direct Material	200	
Direct Labor	300	
	500	
Selling Price	700	
Contribution margin		200

Requirement:

1. What is the relevant cost of labor if the labor must be hired from outside the organization?
2. What is the relevant cost of labor if the company expects to have 5 hours spare capacity?
3. What is the relevant cost of labor if the labor is in a short supply

Question No: 1 (Marks: 1) - Please choose one

The contribution margin ratio is 30% for the Spice Co. and the breakeven point in sales is Rs. 150,000. If the company desires a target net income of Rs. 60,000, what would have to be the amount of actual sales?

- ▶ Rs. 200,000
- ▶ Rs. 350,000
- ▶ Rs. 250,000
- ▶ **Rs. 210,000**

Question No: 2 (Marks: 1) - Please choose one

Cost of finished goods inventory is calculated by:

- ▶ Deducting total cost from finished goods inventory
- ▶ **Multiplying units of finished goods inventory with the cost per unit**

- ▶ Dividing units of finished goods inventory with the cost per unit
- ▶ Multiplying total cost with finished goods inventory

<http://vustudents.ning.com>

Question No: 3 (Marks: 1) - Please choose one

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

- ▶ A standard time is set for the completion of a job
- ▶ If the time taken is greater than the time allowed, the workers in the group receive time wages
- ▶ If the time taken is less than the time allowed, the group receives a bonus on time saved

▶ If the time taken is greater than the time allowed, the workers in the group receive time deductions for extra hours

Question No: 4 (Marks: 1) - Please choose one

Superior started 80,000 gallons of paint. During the month the company completed 92,000 gallons and transferred them to the mixing department. Superior had 38,000 gallons in beginning inventory and 26,000 gallons in ending inventory. Material is added at the beginning of the process and conversion costs are added evenly throughout the process.

Beginning WIP was 30% complete as to conversion costs and ending WIP was 20% complete as to conversion costs. The company uses a FIFO costing

The company uses a FIFO costing. The cost data for February follow:

Beginning inventory:

Direct materials Rs.22, 200

Conversion costs Rs. 44,000

Costs added this period:

Direct materials Rs. 150,000

Conversion costs Rs. 343,200

Required:

What was the cost of direct materials in ending inventory?

- ▶ Rs. 37,560
- ▶ Rs. 42,600
- ▶ Rs. 45,550**
- ▶ Rs. 48,750

<http://vustudents.ning.com>

Question No: 5 (Marks: 1) - Please choose one

Jones, Industries uses process costing system. In October, the finishing department had 30,000 (20% as to conversion) units in beginning work-in-process, 45,000 (40% as to conversion) units in ending inventory and had 95,000 units transferred in from the previous department. Material is added at the end of the process and conversion costs are added uniformly throughout the process.

Required: If Jones uses weighted average, what are the equivalent units of production for direct material and conversion costs?

► **Material 125,000 units Conversion cost 45,000 units**

- Material 125,000 units Conversion cost 98,000 units
- Material 125,000 units Conversion cost 18,000 units
- Material 125,000 units Conversion cost 80,000 units

Question No: 6 (Marks: 1) - Please choose one

An average cost is also known as:

► Variable cost

► **Unit cost**

- Total cost
- Fixed cost

Question No: 7 (Marks: 1) - Please choose one

Period costs are:

- Expensed when the product is sold
- Included in the cost of goods sold

► **Related to specific period**

- Not expensed

Question No: 8 (Marks: 1) - Please choose one

The net profit or loss for a particular period of time is reported on which of the following?

- Statement of cash flows
- Statement of changes in owner's equity

► **Income statement**

- Balance sheet

<http://vustudents.ning.com>

Question No: 9 (Marks: 1) - Please choose one

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

Question No: 10 (Marks: 1) - Please choose one

Which of the following is important requirement of the effective material control?

- There are proper storage facilities
- There is a proper authority that will regulate the supply of material
- The accounts should provide a running balance of the value of the materials on hand

► **All of the given options**

Question No: 11 (Marks: 1) - Please choose one

Material requisition is a document that supports the requirement of the material. This document is sent to store incharge and approved by:

- ▶ Store manager
- ▶ **Production manager**
- ▶ Supplier manager
- ▶ Purchase manager

Question No: 12 (Marks: 1) - Please choose one

The Process of cost apportionment is carried out so that:

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

Question No: 13 (Marks: 1) - Please choose one

Which of the following is characteristic of a job order cost accounting system?

- ▶ It records manufacturing activities using a perpetual inventory system
- ▶ It tracks cost by job
- ▶ It is best suited for customized products
- ▶ **All of the given options**

Question No: 14 (Marks: 1) - Please choose one

A by product:

- ▶ **Is produced from material that would otherwise be of no value**
- ▶ Has a lower selling price than the main product
- ▶ Is created along with the main product, but its sales value does not cover its production cost
- ▶ Always produces a large amount of revenue than the main product

Question No: 15 (Marks: 1) - Please choose one

According to marginal costing concept, all fixed costs are considered as:

- ▶ **Period cost**
- ▶ Production cost
- ▶ Mixed cost
- ▶ Sunk cost

Question No: 16 (Marks: 1) - Please choose one

Variable costing is also known as: <http://vustudents.ning.com>

- ▶ Direct Costing
- ▶ Marginal Costing
- ▶ **Both Direct Costing & Marginal Costing**
- ▶ Indirect Costing

Question No: 17 (Marks: 1) - Please choose one

Blackhat Chimney Builders constructed 80 units during 1901. The total sales value for

these 80 units was Rs. 460,000. Variable costs associated with each unit were Rs. 4,000 and the company's fixed costs for 1901 amounted to Rs. 50,000. How much was the per-unit contribution margin?

- ▶ Rs. 750
- ▶ Rs. 1,125
- ▶ **Rs. 1,750**
- ▶ Rs. 5,125

Question No: 18 (Marks: 1) - Please choose one

Which of the following represents the calculation of contribution margin ratio?

- ▶ (Sales - Total Expenses) / Sales
- ▶ (Sales - Fixed Expenses) / Sales
- ▶ (Sales - Cost of Goods Sold) / Sales
- ▶ **(Sales - Variable Expenses) / Sales**

Question No: 19 (Marks: 1) - Please choose one

The by-product of oil and fuel is: <http://vustudents.ning.com>

- ▶ Mobil oil and lubricating oils
- ▶ Kerosene oil and Asphalt and Tar
- ▶ Gasoline and Petroleum coke
- ▶ **All of the given**

Question No: 20 (Marks: 1) - Please choose one

Information concerning Label Corporation's Product A is as follows:

	Rs.
Sales price	300,000
Variable cost	240,000
Fixed Cost	40,000

Assuming that Label increased sales of Product A by 20%, the profit of the product A would be which of the following?

- ▶ Rs. 20,000
- ▶ **Rs. 24,000**
- ▶ Rs. 32,000
- ▶ Rs. 80,000

Question No: 21 (Marks: 1) - Please choose one

While constructing a Break even chart, the gap between sales line and variable cost line shows which of the following?

- ▶ Fixed cost
- ▶ Break even point
- ▶ **Contribution margin**
- ▶ Variable cost

Question No: 22 (Marks: 1) - Please choose one

If one would prepare a graph with a horizontal axis representing units of production and a vertical axis representing per-unit production cost, how would a line representing fixed production cost is drawn?

- ▶ As a horizontal line
- ▶ As a vertical line
- ▶ As a straight line sloping upward to the right
- ▶ **As a straight line sloping downward to the right**

Question No: 23 (Marks: 1) - Please choose one

All of the following are the objectives of budgeting EXCEPT:

- ▶ Maximization of sales
- ▶ Profit maximization
- ▶ Compete with competitors
- ▶ **Increased cost**

Question No: 24 (Marks: 1) - Please choose one

Production budget is an example of which of the following budget?
<http://vustudents.ning.com>

- ▶ **Functional budget**
- ▶ Master budget
- ▶ Cost of goods sold budget
- ▶ Sales budget

Question No: 25 (Marks: 1) - Please choose one

Consider the following data for the month of April:

Closing stock 80 units

Production 280 units

Sales 330 units

Based on the data, the opening stock for April will have to be:

- ▶ 50 units
- ▶ 410 units
- ▶ 70 units
- ▶ **130 units**

Question No: 26 (Marks: 1) - Please choose one

Which of the following is a reason of main difference between production budget and Production cost budget?

- ▶ Production budget is constructed in units
- ▶ Production budget is constructed in Rs.
- ▶ Production cost budget is constructed in units
- ▶ **Both are same budgets**

Question No: 27 (Marks: 1) - Please choose one

Which of the following factor would determine the importance of direct labor cost budget in human resource department?

▶ **Provide guidance about the requirements of number of work force**

- ▶ Provide feed back about the working of workforce
- ▶ How much payroll will have been paid?
- ▶ How the cost units will be produced?

Question No: 28 (Marks: 1) - Please choose one

Usually the first step in the production of the master budget is the:
<http://vustudents.ning.com>

▶ **Sales forecast**

- ▶ Sales budget
- ▶ Cash budget
- ▶ Production budget

Question No: 29 (Marks: 1) - Please choose one

The master budget usually begins with a:

- ▶ Production budget
- ▶ Direct materials budget
- ▶ Direct labor budget

▶ **Sales budget**

Question No: 30 (Marks: 1) - Please choose one

Which of the following is **NOT** example of a cash outflow?

- ▶ Cash drawings
- ▶ Purchase of new equipment
- ▶ Commission paid

▶ **Depreciation**

Question No: 31 (Marks: 1) - Please choose one

Which of the following is true about flexible budget?

- ▶ A budget that always based on actual capacity
- ▶ A budget that is prepared using spreadsheet model
- ▶ A budget in which total variable cost remains unchanged

▶ **Variable costs per unit will remain unchanged**

Question No: 32 (Marks: 1) - Please choose one

Smith & Company estimate its overheads to produce 80,000 units are Rs. 1,000,000 (60 percent is variable). What would be the budgeted overhead at a capacity level of 100,000 units?

▶ Rs. 1,050,000

▶ **Rs. 1,150,000**

- ▶ Rs. 1,250,000
- ▶ Rs. 1,450,000

Question No: 33 (Marks: 1) - Please choose one

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

- ▶ Heuristics method
- ▶ **Decision making**
- ▶ The Delphi technique
- ▶ Systematic error

Question No: 34 (Marks: 1) - Please choose one

The following monthly data are available for the Boarder, Inc. and its only product: Unit sales price = Rs. 36 Unit variable expenses = Rs. 28 Total fixed expenses = Rs. 50,000 Actual sales for the month of May = 7,000 units. The margin of safety for the company for May was:

- ▶ **Rs. 6,000**
- ▶ Rs. 27,000
- ▶ Rs. 56,000
- ▶ Rs. 106,000

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Question No: 35 (Marks: 1) - Please choose one

Perpetual inventory system is:

- ▶ A stock control system designed to ensure that the level of stock never falls to zero
- ▶ A system of counting and valuing selected stock items at different times on a perpetually rationing basis
- ▶ **A system of recording receipts and issues of stock as they occur, showing the resulting balance of each stock item at all times**
- ▶ A system of stock recording which remains unchanged over time, in order to monitor trends

Question No: 36 (Marks: 1) - Please choose one

D Corporation uses process costing to calculate the cost of manufacturing Crunchies. During the month 12,500 units were completed, 1,500 units remained in work in process at 25 percent completed. How many equivalent units are produced?

- ▶ 12,500 units
- ▶ **12,875 units**
- ▶ 14,250 units
- ▶ 12,125 units

Question No: 37 (Marks: 1) - Please choose one

A cost that has been incurred but cannot be changed by present or future decisions is called:

► **Sunk cost**

- Differential cost
- Opportunity cost
- Marginal cost

Question No: 38 (Marks: 1) - Please choose one

All of the following are deducted from Gross Profit to calculate Operating income EXCEPT:

- Selling expenses
- Advertising expenses
- Administrative expenses
- **Financial expenses**

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Question No: 39 (Marks: 1) - Please choose one

A company produces two chemicals in a joint process. Chemical A can be sold at split off while chemical B currently cost Rs. 12 per gallon for disposal. If chemical B is further processed, it would cost Rs. 17 per gallon. At what sale price would the company be in different between disposing of chemical B at split off and further processing the chemical?

- Rs. 5
- **Rs. 17**
- Rs. 29
- Rs. 7

Question No: 40 (Marks: 1) - Please choose one

Which of the following is(are) base(is) of cost allocation under joint products?

- Physical quantity ratio
- Selling price ratio
- Hypothetical market value ratio
- **All of given options**

Question No: 41 (Marks: 1) - Please choose one

What is the starting point of variable cost line on a break even chart at zero production level?

<http://vustudents.ning.com>

► **It must start from origin**

- It might start from origin
- It does not start from origin
- Non of the given options

Question No: 42 (Marks: 1) - Please choose one

Which of the following is NOT the type of a functional budget?

▶ **☐☐☐☐☐ budget**

- ▶ Raw material budget
- ▶ Direct labour budget
- ▶ Cash budget

Question No: 43 (Marks: 1) - Please choose one

Which of the following must be required for the preparation of Production cost budget?

▶ **Sales in rupees**

- ▶ Cash budget
- ▶ Flexible budget
- ▶ Functional budget

Question No: 44 (Marks: 1) - Please choose one

Which of the following budget includes an item of indirect material cost?

▶ **FOH cost budget**

- ▶ Direct labor cost budget
- ▶ Direct material cost budget
- ▶ None of the given options

Question No: 45 (Marks: 1) - Please choose one

The following information is available for Atlas Corporation to prepare a cash budget for the month of September:

- ⌚ Cash on hand beginning of September Rs. 16,000
- ⌚ Expected receipts in September Rs. 272,000
- ⌚ Sales salaries paid Rs. 62,000
- ⌚ Material purchases (all in cash) Rs. 190,000
- ⌚ Depreciation Rs. 44,000

What is the ending cash balance in September?

- ▶ Rs. (8,000)
- ▶ Rs. 22,000
- ▶ **Rs. 36,000**
- ▶ Rs. 45,000

Question No: 46 (Marks: 1) - Please choose one

Which of the following cost (‘s) will be considered as controllable cost (‘s)?

- ▶ Direct material
- ▶ Direct labor
- ▶ Variable overhead
- ▶ **All of the given options**

Question No: 47 (Marks: 1) - Please choose one

All of the following costs are irrelevant to decision making **EXCEPT**:

▶ **Incremental cost**

- ▶ Sunk cost
- ▶ Fixed cost

- ▶ Supervisor's routine salary

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Question No: 48 (Marks: 1) - Please choose one

Which of the following statement is **TRUE** about opportunity cost?

- ▶ It is irrelevant to decision making
 - ▶ It is always a sunk cost
 - ▶ It is always a historical cost
 - ▶ **It is relevant to decision making**
-

Question No: 1 (Marks: 1) - Please choose one

Railway Product Ltd makes one product that sells for Rs. 72 per unit. Fixed costs are Rs. 81,000 per month & the product has a contribution to sales ratio of 37.5%. In a period when actual sales were Rs. 684,000 the company's unit margin of safety was:

- ▶ 4,000 units
- ▶ 4,800 units
- ▶ 5,500 units
- ▶ **6,500 units**

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Question No: 2 (Marks: 1) - Please choose one

If Selling price per unit Rs. 15.00; Direct Materials cost per unit Rs. 3.50; Direct Labour cost per unit Rs. 4.00 Variable Overhead per unit Rs. 2.00; Budgeted fixed production overhead costs are Rs. 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.

- ▶ Rs. 9.50
- ▶ Rs. 15.00
- ▶ Rs. 11.50
- ▶ **Rs. 3.50**

Question No: 3 (Marks: 1) - Please choose one

Superior started 80,000 gallons of paint. During the month the company completed 92,000 gallons and transferred them to the mixing department. Superior had 38,000 gallons in beginning inventory and 26,000 gallons in ending inventory.

Material is added at the beginning of the process and conversion costs are added evenly throughout the process.

Beginning WIP was 30% complete as to conversion costs and ending WIP was 20% complete as to conversion costs. The company uses a FIFO costing

The company uses a FIFO costing. The cost data for February follow:

Beginning inventory:

Direct materials Rs.22, 200

Conversion costs Rs. 44,000

Costs added this period:

Direct materials Rs. 150,000

Conversion costs Rs. 343,200

Required:

What was the cost of direct materials in ending inventory?

- ▶ **Rs. 37,560**
- ▶ **Rs. 42,600**
- ▶ **Rs. 45,550**
- ▶ **Rs. 48,750**

Question No: 4 (Marks: 1) - Please choose one

Which of the following costs would NOT be a period cost?

- ▶ **Indirect materials**
- ▶ **Administrative salaries**
- ▶ **Advertising costs**
- ▶ **Selling costs**

Question No: 5 (Marks: 1) - Please choose one

cost imposed on a firm includes cost when it foregoes an alternative action but doesn't

make a physical payment. Such costs are known as?

<http://vustudents.ning.com/>

- ▶ **Firm cost**
- ▶ **Product cost**
- ▶ **Implicit cost**

- ▶ Explicit cost

Question No: 6 (Marks: 1) - Please choose one

Which of the following is **CORRECT** to calculate cost of goods manufactured?

- ▶ Direct labor costs plus total manufacturing costs
- ▶ **The beginning work in process inventory plus total manufacturing costs and subtract the ending work in process inventory**
- ▶ Beginning raw materials inventory plus direct labor plus factory overhead
- ▶ Conversion costs and work in process inventory adjustments results in cost of goods manufactured

Question No: 7 (Marks: 1) - Please choose one

If EOQ = 360 units, order costs are Rs. 5 per order, and carrying costs are Rs. 0.20 per unit, what is the usage in units?

- ▶ **2,592 units**
- ▶ 25,920 units
- ▶ 18,720 units
- ▶ 129,600 units

Question No: 8 (Marks: 1) - Please choose one

In cost Accounting, normal loss is/are charged to:

- ▶ **Factory overhead control account**
- ▶ Work in process account
- ▶ Income Statement
- ▶ All of the given options

Question No: 9 (Marks: 1) - Please choose one

The flux method of labor turnover denotes:

- ▶ Workers employed under the expansion schemes of the company
- ▶ **The total change in the composition of labor force**
- ▶ Workers appointed against the vacancy caused due to discharge or quitting of the organization
- ▶ Workers appointed in replacement of existing employees

Question No: 10 (Marks: 1) - Please choose one

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
- ▶ Budgeted capacity is less than normal capacity
- ▶ **Actual overhead incurred is less than applied Overhead**

Question No: 11 (Marks: 1) - Please choose one

Capacity Variance / Volume Variance arises due to

- ▶ **Difference between Absorbed factory overhead and budgeted factory for capacity attained**
- ▶ Difference between Absorbed factory overhead and absorption rate
- ▶ Difference between Budgeted factory overhead for capacity attained and FOH actually incurred
- ▶ None of the given options

Question No: 12 (Marks: 1) - Please choose one

If a company uses a predetermined rate for the application of factory overhead, the idle capacity variance is the:

- ▶ **Over or under applied fixed cost element of overheads**
- ▶ Over or under applied variable cost element of overheads
- ▶ Difference in budgeted costs and actual costs of fixed overheads items
- ▶ Difference in budgeted cost and actual costs of variable overheads items

Question No: 13 (Marks: 1) - Please choose one

At the end of the accounting period, a production department manager submits a production report that shows all of the following **EXCEPT**:

- ▶ Number of units in the beginning work in process
- ▶ **Number of units sold**
- ▶ Number of units in the ending work in process and their estimated stage of completion

- ▶ Number of units completed

Question No: 14 (Marks: 1) - Please choose one

In a process costing system, the journal entry used to record the transfer of units from Department A, a processing department, to Department B, the next processing department, includes a debit to:

- ▶ Work in Process Department A and a credit to Work in Process Department B
- ▶ Work in Process Department B and a credit to Work in Process Department A
- ▶ Work in Process Department B and a credit to Materials
- ▶ Finished Goods and a credit to Work in Process Department B

Question No: 15 (Marks: 1) - Please choose one

In the process costing when labor is charged to production department no 1. What would be the journal entry Passed?
<http://vustudents.ning.com/>

- ▶ Payroll a/c
To W.I.P (Dept-I)

- ▶ Payroll a/c
To W.I.P (Dept-II)

- ▶ W.I.P (Dept-I)
To Payroll a/c

- ▶ W.I.P (Dept-II)
To Payroll a/c

Question No: 16 (Marks: 1) - Please choose one

Which of the following method of accounting for joint product cost will produce the same gross profit rate for all products?
<http://vustudents.ning.com/>

- ▶ Actual costing method

- ▶ Services received method
- ▶ **Market value method**
- ▶ Physical quantity method

Question No: 17 (Marks: 1) - Please choose one

Which of the following costing method provide the added benefit of usefulness for external reporting purpose?

- ▶ **Absorption costing**
- ▶ Marginal costing
- ▶ Direct costing
- ▶ Variable costing

Question No: 18 (Marks: 1) - Please choose one

Contribution margin contributes to meet which one of the following options?

- ▶ Variable cost
- ▶ **Fixed cost**
- ▶ Operating cost
- ▶ Net Profit

Question No: 19 (Marks: 1) - Please choose one

If sales price and variable cost per unit both increases at 10% and the fixed cost does not change, what does its effect be on the contribution margin per unit and contribution margin ratio?

- ▶ Contribution margin per unit and the contribution margin ratio both remains unchanged
- ▶ Contribution margin per unit and the contribution margin ratio both increases
- ▶ **Contribution margin per unit increases and the contribution margin ratio remains unchanged**
- ▶ Contribution margin per unit decreases and the contribution margin ratio remains decreases

Question No: 20 (Marks: 1) - Please choose one

Which of the following factor/s would cause the break-even point to change?

- ▶ Increased sales volume
- ▶ **Fixed costs increased due to addition of physical plant**

- ▶ Total variable costs increased as a function of higher production
- ▶ All of the given options

Question No: 21 (Marks: 1) - Please choose one

Bruce Inc. has the following information about Rut, the only product sold. The selling price for each unit is Rs. 20, the variable cost per unit is Rs. 8, and the total fixed cost for the firm is Rs. 60,000. Bruce has budgeted sales of Rs. 130,000 for the next period. What is the margin of safety in Rs. for Bruce?

- ▶ **Rs. 30,000**
- ▶ Rs. 70,000
- ▶ Rs. 100,000
- ▶ Rs. 130,000

Question No: 22 (Marks: 1) - Please choose one

Production budget is an example of which of the following budget? <http://vustudents.ning.com/>

- ▶ **Functional budget**
- ▶ Master budget
- ▶ Cost of goods sold budget
- ▶ Sales budget

Question No: 23 (Marks: 1) - Please choose one

Which of the following is the main objective of direct material budget?

- ▶ Determination of minimum and maximum stock level
- ▶ Developing purchasing requirements
- ▶ Financial Arrangements
- ▶ **All of the given options**

Question No: 24 (Marks: 1) - Please choose one

All of the following compose cost of goods sold EXCEPT:

- ▶ Raw material
- ▶ Labor
- ▶ **Capital**
- ▶ Factory overhead

Question No: 25 (Marks: 1) - Please choose one

Financial managers use which of the following to plan for monthly financing needs?

- ▶ Capital budget
- ▶ **Cash budget**
- ▶ Income Statement budget
- ▶ Selling & administrative expenses budget

Question No: 26 (Marks: 1) - Please choose one

Which of the following sentences is the best description of zero-base budgeting?

- ▶ Zero-base budgeting is a technique applied in government budgeting in order to have a neutral effect on policy issues
- ▶ **Zero-base budgeting requires a completely clean sheet of paper every year, on which each part of the organization must justify the budget it requires**
- ▶ Zero-base budgeting starts with the figures of the previous period and assumes a zero rate of change
- ▶ Zero based budgeting is an alternative name of flexible budget

Question No: 27 (Marks: 1) - Please choose one

In a make or buy situation with no limiting factors, which of the following would be the relevant costs for the decision?
<http://vustudents.ning.com/>

- ▶ Opportunity costs
- ▶ **Differential costs between the two options**
- ▶ Sunk costs
- ▶ Implied costs

Question No: 28 (Marks: 1) - Please choose one

If the cost per equivalent unit is Rs. 1.60. The equivalent units of output are 50,000. The WIP closing stock is 10,000 units, 40% completed. What will be the value of closing stock?

- ▶ Rs. 9,600
- ▶ Rs. 80,000
- ▶ Rs. 16,000
- ▶ **Rs. 6,400**

Question No: 29 (Marks: 1) - Please choose one

Opening WIP Jan 01	0 units
Units received from preceding department	13,500 units,@4.50 per unit cost
Units completed in this department	11,750 units, @3.75 per unit cost

What were the units of closing work in process?

- ▶ 11,750 units
- ▶ **1,750 units**
- ▶ 13,500 units
- ▶ 2,187 units

Question No: 30 (Marks: 1) - Please choose one

Which of the following is(are) base(is) of cost allocation under joint products?

- ▶ Physical quantity ratio
- ▶ Selling price ratio
- ▶ Hypothetical market value ratio
- ▶ **All of given options**

Question No: 31 (Marks: 1) - Please choose one

Income approach is used for the costing of which of the following?

- ▶ Joint products
- ▶ **By-products**
- ▶ Both Joint products and By-products
- ▶ None of the given options

Question No: 32 (Marks: 1) - Please choose one

Which of the following is an element of cost?

<http://vustudents.ning.com/>

▶ **Direct Labour Cost**

- ▶ Cost of goods sold
- ▶ Cost of goods manufactured
- ▶ Mark up

Question No: 33 (Marks: 1) - Please choose one

If, Total fixed cost Rs. 2,000, Variable manufacturing cost Rs. 3,000, Variable selling cost Rs. 1,000 and Sales Rs. 10,000 then what will be the profit under absorption costing?

▶ Rs.7,000

▶ **Rs.5,000**

▶ Rs.4,000

▶ Rs.8,000

Question No: 34 (Marks: 1) - Please choose one

Which of the following cannot become a part of product cost under marginal costing?

- ▶ Direct materials
- ▶ Variable manufacturing overhead
- ▶ **Fixed manufacturing overhead**
- ▶ Direct labor

Question No: 35 (Marks: 1) - Please choose one

What would be the margin of safety ratio based on the following information?

- | | |
|-----------------|--------------------|
| ⌚ Sales price | = Rs. 100 per unit |
| ⌚ Variable cost | = Rs. 25 per unit |
| ⌚ Fixed cost | = Rs. 50 per unit |

▶ 25%

▶ **33.333%**

▶ 66.666%

▶ 75%

Question No: 36 (Marks: 1) - Please choose one

A company ABC has budgeted sales of Rs. 8,000 and breakeven sales of Rs. 5,000 during a particular period whereas the actual

sales amounted to Rs. 7,000. What will be the margin of safety ratio?

- ▶ None of the given options
- ▶ **37.5%**
- ▶ 40%
- ▶ 60%

Question No: 37 (Marks: 1) - Please choose one

What is the starting point of variable cost line on a break even chart at zero production level?

- ▶ **It must start from origin**
- ▶ It might start from origin
- ▶ It does not start from origin
- ▶ Non of the given options

Question No: 38 (Marks: 1) - Please choose one

Responsibility center where the manager is accountable for only the revenues and costs is a(n):

- ▶ Revenue center
- ▶ Cost center
- ▶ **Profit center**
- ▶ Investment center

Question No: 39 (Marks: 1) - Please choose one

Which of the following is/are included in production budget?

- ▶ Raw material budget
- ▶ Direct labour budget
- ▶ Factory overhead budget
- ▶ **All of the given options**

Question No: 40 (Marks: 1) - Please choose one

If, units of goods to be sold are 800, closing finished goods units are 200 and opening finished goods units are 100. What is the required production?

- ▶ **900 units**
- ▶ 1,000 units

- ▶ 700 units
- ▶ 600 units

Question No: 41 (Marks: 1) - Please choose one

Which of the following must be required for the preparation of Production cost budget? <http://vustudents.ning.com/>

- ▶ **Sales in rupees**
- ▶ Cash budget
- ▶ Flexible budget
- ▶ Functional budget

Question No: 42 (Marks: 1) - Please choose one

Which of the following budget includes an item of indirect material cost?

- ▶ **FOH cost budget**
- ▶ Direct labor cost budget
- ▶ Direct material cost budget
- ▶ None of the given options

Question No: 43 (Marks: 1) - Please choose one

Which of the following budget includes the item of depreciation of plant?

- ▶ Direct labor cost budget
- ▶ Variable FOH cost budget
- ▶ **Fixed FOH cost budget**
- ▶ Direct material cost budget

Question No: 44 (Marks: 1) - Please choose one

All of the followings are included in Fixed FOH Cost Budget EXCEPT:

- ▶ **Building rent**
- ▶ Insurance
- ▶ Supervisor's salary
- ▶ Heating and lighting

Question No: 45 (Marks: 1) - Please choose one

All of the following are the examples of administrative expenses

EXCEPT:

<http://vustudents.ning.com/>

- ▶ Salaries of employees
- ▶ Utility bills
- ▶ **Interest paid on debt**
- ▶ Depreciation of office equipment

Question No: 46 (Marks: 1) - Please choose one

Samson Company is required by the bank to maintain a minimum cash balance of Rs. 8,000. The Company is preparing a cash budget for February. Samson's beginning cash balance is Rs. 10,000 and expects cash receipts of Rs. 20,500 and cash disbursements of Rs. 25,000 (including Rs. 3,000 of depreciation). The company currently owes the bank Rs. 20,000. In order to have exactly the required minimum balance at the end of February, Samson must:

- ▶ Borrow Rs. 500
- ▶ **Repay Rs. 500**
- ▶ Borrow Rs. 2,500
- ▶ Repay Rs. 2,500

Question No: 47 (Marks: 1) - Please choose one

Depreciation relating to plant & machinery is the best example of:

- ▶ **Committed fixed cost**
- ▶ Discretionary fixed cost
- ▶ Incremental cost
- ▶ Avoidable cost

Question No: 48 (Marks: 1) - Please choose one

Which of the following is a cost that is always irrelevant to decision making?

- ▶ Opportunity cost
- ▶ **Sunk cost**
- ▶ Direct material cost
- ▶ Direct labour cost

Question No: 1 (Marks: 1) - Please choose one

In a situation where a company must subcontract work to make up a shortfall in its own production capability, its total costs are minimized if those components/products subcontracted are those:

- ▶ With the highest extra variable cost of buying per unit of limiting factor saved by buying
- ▶ With the lowest extra variable cost of buying per unit of limiting factor saved by buying
- ▶ With the lowest extra fixed cost of buying per unit of limiting factor saved by buying
- ▶ With the highest extra fixed cost of buying per unit of limiting factor saved by buying

Question No: 2 (Marks: 1) - Please choose one

Which of the following product cost is Included in prime cost and conversion cost?

- ▶ Direct labor
- ▶ Manufacturing overhead
- ▶ Direct material
- ▶ Work in Process

Question No: 3 (Marks: 1) - Please choose one

A firm had beginning finished goods inventory of Rs.15,000, ending finished goods inventory of Rs. 20,000 and cost of goods sold of Rs. 80,000. What was the cost of goods manufactured?

- ▶ Rs. 80,000

▶ Rs.85,000

▶ Rs.75,000

▶ Rs.65,000

Cost of goods sold	80000
Add ending finished good	20000
Cost of goods available for sale	100000
Less opening finished goods	15000
Cost of goods manufactured	85000

Question No: 4 (Marks: 1) - Please choose one

“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:

▶ Over stocking

▶ Under stocking

▶ Replenishment of stock

▶ Acquisition of stock

Question No: 5 (Marks: 1) - Please choose one

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

▶ Normal Loss.

▶ Abnormal Loss.

▶ Incremental Loss.

▶ Incremental abnormal loss.

Question No: 6 (Marks: 1) - Please choose one

Machine lubricant used on processing equipment in a manufacturing plant would be classified as a:

- ▶ Period cost (manufacturing overhead)
- ▶ Period cost (Selling, General & Admin)
- ▶ Product cost (manufacturing overhead)
- ▶ Product cost (Selling, General & Admin)

Question No: 7 (Marks: 1) - Please choose one

The net profit or loss for a particular period of time is reported on which of the following?

- ▶ Statement of cash flows
- ▶ Statement of changes in owner's equity
- ▶ Income statement
- ▶ Balance sheet

Question No: 8 (Marks: 1) - Please choose one

Which of the following is/are the basic object/s of job analysis?

- ▶ Determination of wage rates
- ▶ Ascertain the relative worth of each job
- ▶ Breaking up job into its basic elements
- ▶ All of the given options

Question No: 9 (Marks: 1) - Please choose one

Capacity Variance / Volume Variance arises due to

▶ **Difference between Absorbed factory overhead and budgeted factory for capacity attained**

- ▶ Difference between Absorbed factory overhead and absorption rate
- ▶ Difference between Budgeted factory overhead for capacity attained and FOH actually incurred
- ▶ None of the given options

Question No: 10 (Marks: 1) - Please choose one

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

- ▶ Normal capacity
- ▶ Designed capacity
- ▶ **Direct Labor hours**
- ▶ Machine hours

Question No: 11 (Marks: 1) - Please choose one

Which of the following would be considered a major aim of a job order costing system?

- ▶ To determine the costs of producing each job
- ▶ To compute the cost per unit

- ▶ To include separate records for each job to track the costs
- ▶ All of the given options

Question No: 12 (Marks: 1) - Please choose one

Which of the following is characteristic of a job order cost accounting system?

- ▶ It records manufacturing activities using a perpetual inventory system
- ▶ It tracks cost by job
- ▶ It is best suited for customized products
- ▶ All of the given options

Question No: 13 (Marks: 1) - Please choose one

Examples of industries that would use process costing include all of the following **EXCEPT**:

- ▶ Beverages
- ▶ Food
- ▶ Hospitality
- ▶ Petroleum

Question No: 14 (Marks: 1) - Please choose one

If joint products are to be processed further beyond the point of separation, costs should be assigned to the products on the basis of:

- ▶ Adjusted sales value
- ▶ Ultimate sales value

▶ A physical unit of measure

▶ An engineering analysis

Question No: 15 (Marks: 1) - Please choose one

Profit under absorption costing will be higher than under marginal costing if:

▶ Produced units > Units sold

▶ Produced units < Units sold

▶ Produced units = Units sold

▶ Profit cannot be determined with given statement

Question No: 16 (Marks: 1) - Please choose one

The break-even point is the point where:

▶ Total sales revenue equals total expenses (variable and fixed)

▶ Total contribution margin equals total fixed expenses

▶ Fixed cost plus Profit is equal to contribution margin

▶ All of the given options

Question No: 17 (Marks: 1) - Please choose one

The break-even point in units is calculated using which of the following factors?

▶ Fixed expenses and the contribution margin ratio

▶ Variable expenses and the contribution margin ratio

► Fixed expenses and the unit contribution margin

► Variable expenses and the unit contribution margin

Question No: 18 (Marks: 1) - Please choose one

Accelerate Ltd has fixed costs of Rs. 72,000 per annum. It makes one product which it sells for Rs. 32 per unit. Its contribution to sales ratio is 45%. Accelerates break even point in units is:

► 5,000 units

► 7,000 units

► 2,250 units

► 2,750 units

$$\begin{aligned}\text{break even point in units} &= \text{fixed cost} / \text{c/s ratio} / \text{sales per unit} \\ &= 72000 / 45\% / 32 \\ &= 5000\end{aligned}$$

Question No: 19 (Marks: 1) - Please choose one

Selling price per unit is Rs. 15, total variable cost per unit is Rs. 9, and total fixed costs are Rs. 15,000 of “XIT”. What is the breakeven point in units for “XIT”?

► 3,000 units

► 1,000 units

► 1,667 units

► 2,500 units

$$\begin{aligned}\text{CM} &= \text{SALES PER UNIT} - \text{VARIABLE COST PER UNIT} \\ &= 15 - 9 \\ &= 6\end{aligned}$$

$$\begin{aligned}\text{BREAK EVEN POINT IN UNITS} &= \text{FIXED COST} / \text{CM PER UNIT} \\ &= 15000 / 6 \\ &= 2500\end{aligned}$$

Question No: 20 (Marks: 1) - Please choose one

In process costing, a joint product is

- ▶ A product which is later divided in to many parts
- ▶ **A product which is produced simultaneously with other products and is of similar value to at least one of the other products**
- ▶ A product which is produced simultaneously with other products but which is of a greater value than any of the other products
- ▶ A product produced jointly with another organization

Question No: 21 (Marks: 1) - Please choose one

The by-product of oil and fuel is:

- ▶ Mobil oil and lubricating oils
- ▶ Kerosene oil and Asphalt and Tar
- ▶ Gasoline and Petroleum coke
- ▶ **All of the given**

Question No: 22 (Marks: 1) - Please choose one

Which one of the following is **NOT** a tool of financial forecasting?

▶ Cash budget

▶ Capital budget

▶ Pro forma balance sheet

▶ Pro forma income statement

Question No: 23 (Marks: 1) - Please choose one

Atlas Productions expects to sell 85,000 gimlets its only product next year. The company has a beginning inventory of 14,000 units and wants to have an ending inventory of 12,000 at the end of the year. How many gimlets does Atlas have to produce to meet its goals?

▶ 79,000 units

▶ 83,000 units

▶ 85,000 units

▶ 97,000 units

SALES +ENDING – OPENING

Question No: 24 (Marks: 1) - Please choose one

Extent Incorporated estimates its direct labor costs at 2 hours per unit at an average cost of Rs. 12 per hour. The budgeted direct labor cost to produce 27,000 units of product is:

▶ Rs. 324,000

▶ Rs. 470,000

▶ Rs. 540,000

▶ Rs. 648,000

TOTAL HOURS = 12

LABOR COST PER HOUR = 2 (12*2= 24)

DIRECT LABOR COST = 27000* 24 = 684000

Question No: 25 (Marks: 1) - Please choose one

Gleason Company has budgeted Rs. 15,000 in variable factory overhead costs and Rs. 10,000 in fixed factory overhead costs for the production of 2,000 units requiring 4,000 direct labor hours. The standard factory overhead rate per direct labor hour and the standard overhead cost per unit are:

- ▶ Rs. 12.50, Rs. 6.25
- ▶ Rs. 7.50; Rs. 15.00
- ▶ Rs. 15.00, Rs. 7.50
- ▶ Rs. 6.25, Rs. 12.50

SOLUTION
FIXED + VARIABLE FOH
15000+10000
25000

RATES
25000 / 4000 = 6.25
25000 / 2000 = 12.5

Question No: 26 (Marks: 1) - Please choose one

The master budget usually begins with a:

- ▶ Production budget
- ▶ Direct materials budget
- ▶ Direct labor budget
- ▶ Sales budget

Question No: 27 (Marks: 1) - Please choose one

In the decision to replace an old equipment with a new equipment, which of the following would be considered as relevant cost?

- ▶ The book value of the old equipment
- ▶ Depreciation expense on the old equipment
- ▶ The loss on the disposal of the old equipment
- ▶ The current disposal price of the old equipment

Question No: 28 (Marks: 1) - Please choose one

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

- ▶ Heuristics method
- ▶ Decision making
- ▶ The Delphi technique
- ▶ Systematic error

Question No: 29 (Marks: 1) - Please choose one

Opening WIP Jan 01	3,500 units.
Completed	19,000 units
Closing WIP 31 st Jan	6,500 units.

How many units were started during January?

- ▶ 19,000 units
- ▶ 22,000 units
- ▶ 16,000 units
- ▶ 25,500 units

UNIT STARTED = COMPLETE + CLOSING WIP – OPENING WIP

Opening wip

Add started

Total units

Less closing

completed

Question No: 30 (Marks: 1) - Please choose one

Order level is a point at which,

- ▶ It is necessary to start production
- ▶ It is necessary to initiate purchase orders
- ▶ It is necessary to maintain minimum stock level
- ▶ It is necessary to maintain maximum stock level for orders

Question No: 31 (Marks: 1) - Please choose one

Which of the following is an element of cost?

- ▶ Direct Labour Cost
- ▶ Cost of goods sold
- ▶ Cost of goods manufactured
- ▶ Mark up

Question No: 32 (Marks: 1) - Please choose one

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

- ▶ Contribution approach
- ▶ Absorption costing approach

- ▶ Decision making approach
- ▶ Marginal costing approach

Question No: 33 (Marks: 1) - Please choose one

Which of the following cannot become a part of product cost under marginal costing?

- ▶ Direct materials
- ▶ Variable manufacturing overhead
- ▶ Fixed manufacturing overhead
- ▶ Direct labor

Question No: 34 (Marks: 1) - Please choose one

Under which of the following, all cost of production is considered as product cost, regardless of whether they are variable or fixed in nature?

- ▶ Absorption costing
- ▶ Direct costing
- ▶ Marginal costing
- ▶ Variable costing

Question No: 35 (Marks: 1) - Please choose one

A company ABC has budgeted sales of Rs. 8,000 and breakeven sales of Rs. 5,000 during a particular period whereas the actual sales amounted to Rs. 7,000. What will be the margin of safety ratio?

- ▶ None of the given options

▶ 37.5%

▶ 40%

▶ 60%

$$\text{MOS} = \text{BUDGETED SALES} - \text{BE SALES}$$

$$= 8000 - 5000$$

$$= 2000$$

$$\text{MOS RATIO} = \text{MOS} / \text{budgeted SALES} * 100$$

$$= 2000 / 8000 * 100$$

$$= 37.5$$

Question No: 36 (Marks: 1) - Please choose one

A company ABC has contribution to sales ratio of 17% and a profit to sales ratio of 6%. What will be the margin of safety ratio?

▶ 283.3%

▶ 35.3%

▶ 11.5%

▶ It can not be calculated from the given data

$$\text{MOS RATIO} = \text{PROFIT TO SALES RATIO} / \text{C/S RATIO} * 100$$

$$= 6\% / 17\% * 100$$

$$= 35.3\%$$

Question No: 37 (Marks: 1) - Please choose one

Which of the following is a purpose of Break-even chart with respect to its usage?

▶ To show the effect of change in circumstances

▶ To show the financial performance of business

▶ To show the financial health of business

▶ To calculate the cost of production

Question No: 38 (Marks: 1) - Please choose one

Responsibility center where the manager is accountable for only the revenues and costs is a(n):

- ▶ Revenue center
- ▶ Cost center
- ▶ Profit center
- ▶ Investment center

Question No: 39 (Marks: 1) - Please choose one

If, units of goods to be sold are 800, closing finished goods units are 200 and opening finished goods units are 100. What is the required production?

- ▶ 900 units
- ▶ 1,000 units
- ▶ 700 units
- ▶ 600 units

PRODUCTION = SALES +ENDING FINISHED GOODS – OPENING FINISHED GOODS

Question No: 40 (Marks: 1) - Please choose one

If sale at 120% of cost is Rs. 96,000 then, what would be the cost?

- ▶ Rs. 80,000
- ▶ Rs. 115,200
- ▶ Rs. 19,200

- ▶ Cannot be determined

$$96000 * 100/120 = 80000$$

Question No: 41 (Marks: 1) - Please choose one

If estimated direct labour cost is Rs. 50,000 for producing 2,400 units then what is the amount of FOH cost if FOH cost is assumed as 50% of direct labor cost?

- ▶ Rs. 25,000
- ▶ Rs. 1,200
- ▶ Rs. 26,200
- ▶ Cannot be calculated

$$50000 * 50 \% = 25000$$

Question No: 42 (Marks: 1) - Please choose one

Which of the following is an example of financial expense?

- ▶ Salaries of employees
- ▶ Utility bills
- ▶ Interest paid
- ▶ Depreciation of office equipment

Question No: 43 (Marks: 1) - Please choose one

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

Question No: 44 (Marks: 1) - Please choose one

All of the following costs are relevant to decision making **EXCEPT**:

- ▶ Incremental Cost
- ▶ Overtime wages
- ▶ Variable cost
- ▶ Research & development cost

Question No: 45 (Marks: 1) - Please choose one

All of the following costs are irrelevant to decision making **EXCEPT**:

- ▶ Incremental cost
- ▶ Sunk cost
- ▶ Fixed cost
- ▶ Supervisor's routine salary

Question No: 46 (Marks: 1) - Please choose one

An ice factory has a contribution margin of Rs. 450,000 and fixed cost for the year amounts to Rs. 495,000. The fixed cost of Rs. 215,000 can be eliminated if the operations are to be closed during winter season. An extra sale of Rs. 25,000 is also expected during winter season. What would be the decision?

- ▶ Operations would be closed during winter season
- ▶ Operations would be continued as we are having extra sales in winter season
(my ans)

- ▶ Operations would be partially closed
- ▶ None of the given options

Question No: 47 (Marks: 1) - Please choose one

A contract will be rejected in which of the following condition?

- ▶ If it reduces the contribution margin
- ▶ If it increases the contribution margin
- ▶ If it reduces the fixed cost
- ▶ None of the given options

Question No: 48 (Marks: 1) - Please choose one

A contract will be accepted in which of the following condition?

- ▶ If it reduces the contribution margin
- ▶ If it increases the contribution margin
- ▶ If it increases the fixed cost
- ▶ If it decreases sales revenue

Question No: 1 (Marks: 1) - Please choose one

All of the following indicate the problems in traditional budget EXCEPT:

Programmes and activities involving wasteful expenditure are identified, resulting in unavoidable financial and other costs

Inefficiencies of a prior year are carried forward in determining subsequent years levels of performance

Managers are not encouraged to identify and evaluate alternate means of

accomplishing the same objective

Decision-making is irrational in the absence of rigorous analysis of all proposed costs and benefits

Question No: 2 (Marks: 1) - Please choose one

Railway Product Ltd makes one product that sells for Rs. 72 per unit. Fixed costs are Rs. 81,000 per month & the product has a contribution to sales ratio of 37.5%. In a period when actual sales were Rs. 684,000 the company's unit margin of safety was:

4,000 units

4,800 units

5,500 units

6,500 units

BREAK EVEN SALES = FIXED COST / C/S RATIO

= 81000 / 37.5%

= 216000

MOS = ACTUAL SALES – BREAK EVEN SALES

= 684000 – 216000

= 468000

UNIT MOS = MOS / SALES PER UNIT

= 468000 / 72

=6500

Question No: 3 (Marks: 1) - Please choose one

Coins Company adds materials in the beginning of the process in Forming Department, which is the first of two stages of its production cycle. Information concerning the materials used in the Forming department in June is as follows:

Units Material Cost (Rs.)

Work in process June 01 15,000 21,000

Units started during June 35,000 79,000

Units completed and transferred out 40,000

Using the weighted average method, what were the materials cost in work in process at June 30?

Rs. 30,000

Rs. 10,000

Rs. 20,000

Rs. 40,000

OPENING WIP 15000

ADD STARTED 35000

50000

LESS COMPLETED 40000

CLOSINH WIP 10000

Question No: 4 (Marks: 1) - Please choose one

Which statement is true related to the differences in absorption and variable costing methods?

The shorter the period of time, the less net operating income figures will

tend to differ under the two costing methods

In the long run, net operating income under the two methods will tend to be the same

In the long run, net operating income under the two methods will not same

In the short run, net operating income under the two methods will tend to be the same

Question No: 5 (Marks: 1) - Please choose one

Net sales were Rs. 360,000. The cost of goods sold was Rs. 180,000. Operating expenses were Rs. 120,000. The ending balance of the Accounts Receivable was Rs. 20,000. The merchandise turnover ratio was 12.75. What was the Net profit ratio?

16.67%

20.0%

40.0%

33.3%

SALES	360000
LESS CGS	180000
<hr/>	
GROSS PROFIT	180000
LESS OPERATING EXP	120000
<hr/>	
PROFIT	60000

$$\text{NET PROFIT RATIO} = 60000 / 360000 * 100 \\ = 16.67\%$$

Question No: 6 (Marks: 1) - Please choose one

Cost of finished goods inventory is calculated by:

Multiplying units of finished goods inventory with the cost per unit

Dividing units of finished goods inventory with the cost per unit

Multiplying total cost with finished goods inventory

Deducting total cost from finished goods inventory

Question No: 7 (Marks: 1) - Please choose one

When purchases are added to raw material opening Inventory, we get the value of:

Material consumed.

Material available for use.

Material needed.

Raw material ending inventory.

Question No: 8 (Marks: 1) - Please choose one

In the basic EOQ model, if Units= 50 per month, Ordering cost =Rs. 10, and carrying cost =Rs. 10 per unit per month, EOQ is:

30

10

12

25

$2 \times 50 \times 10 / 10$ UNDER ROOT = 10

Question No: 9 (Marks: 1) - Please choose one

While calculating the EOQ, carrying cost is taken as the:

%age of unit cost

%age of ordering cost

%age of annual required units

Total unit cost

Question No: 10 (Marks: 1) - Please choose one

Which of the following document evidences the transaction of purchase of material?

Material requisition

Store requisition

Purchase order

Purchase invoice

Question No: 11 (Marks: 1) - Please choose one

Which of the following is **NOT** time based incentive wage plan?

Hasley Premium Plan

Hasley Weir Premium Plan

Rowan Premium Plan

Merrick Differential Piece Rates System

Question No: 12 (Marks: 1) - Please choose one

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

Question No: 13 (Marks: 1) - Please choose one

Which of the following statement is true regarding Repeated distribution method?

The re-allocation continues until the numbers being dealt with become very small

The re-allocation continues until the numbers being dealt with become very Large

The re-allocation continues until the numbers being dealt with become small

None of the given options

Question No: 14 (Marks: 1) - Please choose one

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

Question No: 15 (Marks: 1) - Please choose one

The appropriate journal entry to transfer the cost of completed units from the Work in Process account would involve a credit to Work in Process and a debit to which of the following accounts?

Income Summary

Raw Materials Inventory

Finished Goods

Manufacturing Summary

Question No: 16 (Marks: 1) - Please choose one

Materials requisitioned from the storeroom included Rs. 1,000 of direct materials and Rs. 2,000 of indirect materials. Manufacturing overhead should be debited for what amount to record the transaction:

Rs. 1,000

Rs. 2,000

Rs. 3,000

Rs. 0

Question No: 17 (Marks: 1) - Please choose one

Materials are added at the start of the process in Gruden Company's forming department. The following information is available for the month of June:

Units

Work in process June 01 (40% complete to conversion) 30,000

Units started in process 220,000

Units completed and transferred out 160,000

Lost in process 35,000

Work in process June 30 (60% complete to conversion) 55,000

Under Gruden's cost accounting system, the costs incurred on the lost units are absorbed by the remaining good units.

Required: Using the average cost method, what are the equivalent units for the materials?

193,000 units

215,000 units

211,000 units

250,000 units

MATERIAL

160000

CLOSING WIP

(55000*60%) = 33000

MATERIAL UNITS

193000

Question No: 18 (Marks: 1) - Please choose one

By using absorption costing method, which of the following is **NOT** shown in Income Statement?

Cost of goods manufactured

Contribution margin

Selling and administrative expenses

Cost of goods sold

Question No: 19 (Marks: 1) - Please choose one

The following data related to production of ABC Company:

Units produced 8,000 units

Direct materials Rs.6

Direct labor Rs.12

Fixed overhead Rs.24000

Variable overhead Rs.6

Fixed selling and administrative Rs.2000

Variable selling and administrative Rs.2

Using the data given above, what will be the unit product cost under marginal costing?

Rs. 22

Rs. 24

Rs. 28

Rs. 30

Direct material +direct labor +variable foh

Question No: 20 (Marks: 1) - Please choose one

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

Direct material Rs. 15

Direct labor Rs. 10

Other cost: Fixed Variable

Manufacturing Rs. 5 Rs. 7

Distribution Rs. 4 Rs. 3

Required: Identify the unit cost of sprockets under direct costing

Rs. 44

Rs. 37

Rs. 32

Rs. 35

Question No: 21 (Marks: 1) - Please choose one

When production is equal to sales, which of the following is **TRUE**?

No change occurs to inventories for either use absorption costing or variable costing methods

The use of absorption costing produces a higher net income than the use of variable costing

The use of absorption costing produces a lower net income than the use of variable costing

The use of absorption costing causes inventory value to increase more than they would though the use of variable costing

Question No: 22 (Marks: 1) - Please choose one

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

Rs. 6

Rs. 12

Rs. 14

Rs. 8

Question No: 23 (Marks: 1) - Please choose one

In CVP analysis, when the number of units sold changes, which one of the following will remain the same?

Total contribution margin

Total sales revenues

Total variable costs

Total fixed costs

Question No: 24 (Marks: 1) - Please choose one

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

1,000 units

15,077 units

18,200 units

539 units

variable cost = 18

cm = sales – vc

= 28 – 18.2

= 9.8

BREAK EVEN POINT = FIXED COST / CM

= 9800 / 9.8

= 1000

Question No: 25 (Marks: 1) - Please choose one

In process costing, a joint product is

A product which is later divided in to many parts

A product which is produced simultaneously with other products and is of similar value to at least one of the other products

A product which is produced simultaneously with other products but which is of a greater value than any of the other products

A product produced jointly with another organization

Question No: 26 (Marks: 1) - Please choose one

The Rose Willaim Company budgeted sales of Rs. 200,000 and a profit of Rs. 60,000. The fixed cost is Rs. 40,000. Keeping in view the given data, what would be the contribution margin ratio?

20%

25%

50%

75%

FIXED COST + PROFIT = CONTRIBUTION

40000 + 60000 = 100000

CM RATIO = CM / SALES *100

= 100000 / 200000 *100

= 50%

Question No: 27 (Marks: 1) - Please choose one

All of the following are assumptions in constructing a Break even chart **EXCEPT**:

There is no change of time value of money

Price of cost factors remains constant

Long term period will be considered

Cost is affected by volume

Question No: 28 (Marks: 1) - Please choose one

Budget for an organization is prepared by which of the following person?

Functional head

Manager

Auditor

Administrator

Question No: 29 (Marks: 1) - Please choose one

Which of the following factor is responsible for a difference between units sold and units produced?

Factory overhead

Direct Labor

Change in Inventory

Total production cost

Question No: 30 (Marks: 1) - Please choose one

The master budget comprises:

The budgeted profit and loss account

The capital expenditure budget

The budgeted profit and loss account, budgeted cash flow and budgeted balance sheet

The budgeted cash flows

Question No: 31 (Marks: 1) - Please choose one

Consider the following data for the month of January:

Sales 600 units

Opening stock 80 units

If the closing stock has to be 50% higher than the previous month then production will have to be:

700 units

720 units

640 units

600 units

OPENING STOCK = 80

CLOSING STOCK = $80 \times 50 / 100 = 40 + 80 = 120$

PRODUCTION = SALES + CLOSING STOCK – OPENING STOCK
= $600 + 120 - 80$
= 640

Question No: 32 (Marks: 1) - Please choose one

All of the following compose cost of goods sold EXCEPT:

Raw material

Labor

Capital

Factory overhead

Question No: 33 (Marks: 1) - Please choose one

If a firm is using activity-based budgeting, the firm would use this in place of which of the following budgets?

Direct labor budget

Direct materials budget

Revenue budget

Manufacturing overhead budget

Question No: 34 (Marks: 1) - Please choose one

Gleason Company has budgeted Rs. 15,000 in variable factory overhead costs and Rs. 10,000 in fixed factory overhead costs for the production of 2,000 units requiring 4,000 direct labor hours. The standard factory overhead rate per direct labor hour and the standard overhead cost per unit are:

Rs. 12.50, Rs. 6.25

Rs. 7.50; Rs. 15.00

Rs. 15.00, Rs. 7.50

Rs. 6.25, Rs. 12.50 REPEATED

Question No: 35 (Marks: 1) - Please choose one

Which of the following factor/s should be considered while constructing an administrative selling expense budget?

Fixed expenses

Past experience

Variable expenses

All of the given options

Question No: 36 (Marks: 1) - Please choose one

All of the following are balance sheet budgets EXCEPT:

Selling and administrative expenses budget

Cash budget

Accounts receivable budget

Liabilities budget

Question No: 37 (Marks: 1) - Please choose one

Which of the following budgets provide information for preparation of the owner's equity section of a budgeted balance sheet?

Sales budget

Cash budget

Capital expenditures budget

Budgeted income statement

Question No: 38 (Marks: 1) - Please choose one

Which of the following best describe a flexible budget?

A budget of variable production costs only

A budget which shows the costs and revenues at different levels of activity

A budget which is prepared using a computer spreadsheet model

A budget which is updated with actual costs and revenues as they occur during the budget period

Question No: 39 (Marks: 1) - Please choose one

Decision making should be based on all of the following relevant costs features EXCEPT:

Relevant Costs are sunk costs

Relevant Costs are future costs

Relevant Costs are cash flows

Relevant Costs are incremental costs

Question No: 40 (Marks: 1) - Please choose one

For a retail outlet chain with multiple stores, which of the following statements would be correct?

Stores which have a net loss should be discontinued

Stores with a negative contribution margin should be discontinued

Stores with a negative contribution margin should be discontinued provided such discontinuation will not cause an increase in sales at other stores

Stores with a negative contribution margin should not be discontinued if such discontinuation will cause profitable stores to bear a portion of the unprofitable store's overhead

Question No: 1 (Marks: 1) - Please choose one

Which of the following is the correct order of preparation for the various components of the income statement budget?

Sales budget, direct labor budget, production budget, cost of goods sold budget

Sales budget, production budget, budgeted income statement, selling and administrative expenses budget

Sales budget, production budget, budgeted income statement, cost of goods sold budget

Sales budget, production budget, cost of goods sold budget, budgeted income statement

Question No: 2 (Marks: 1) - Please choose one

All of the following are features of Zero based budgeting EXCEPT:

It provides the organization with a systematic way to evaluate different operations and programmes undertaken. It enables management to allocate resources according to the priority of the programmes

It ensures that each and every programme undertaken by management is really essential for the organization, and is being performed in the best possible way

It disables the management to approve departmental budgets on the basis of cost-benefit analysis. No arbitrary cuts or increases in budget estimates are made (PAGE 221)

It links budgets with the corporate objectives. Nothing will be allowed simply because it was being done in the past. An activity may be shelved if it does not help in achieving the goals of the enterprises

Question No: 3 (Marks: 1) - Please choose one

The contribution margin ratio is 30% for the Spice Co. and the breakeven point in sales is Rs. 150,000. If the company desires a target net income of Rs. 60,000, what would have to be the amount of actual sales?

Rs. 200,000

Rs. 350,000

Rs. 250,000

Rs. 210,000

FIXED COST = SALES * CONTRIBUTION MARGIN

$$= 150000 * 30\%$$

$$= 45000$$

ACTUAL SALES = NET INCOME + FIXED COST / CM RATIO

$$= 60000 + 45000 / 30\%$$

$$= 350000$$

Question No: 4 (Marks: 1) - Please choose one

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

Product cost

Both product and period cost

Historical cost

Period cost

Question No: 5 (Marks: 1) - Please choose one

Cost of finished goods inventory is calculated by:

Multiplying units of finished goods inventory with the cost per unit

Dividing units of finished goods inventory with the cost per unit

Multiplying total cost with finished goods inventory

Deducting total cost from finished goods inventory

Question No: 6 (Marks: 1) - Please choose one

Which of the following is very uncommon method of employee wage payments now a day?

Payment by cash

Payment by cheque

Payment by bank transfer

Payment through the Banks Automated Clearing System (BACS)

Question No: 7 (Marks: 1) - Please choose one

$$\left[\frac{\text{Time Allowed} - \text{Actual Time taken}}{\text{Time Allowed}} \times 100 \times \text{Basic Pay} \right] + \text{Basic Pay}$$

Time Allowed

Above mentioned formula is derivation of:

Rowan Plan

Halsey Premium Plan

Halsey Weir Plan

Merrick's differential system

Question No: 8 (Marks: 1) - Please choose one

Which of the following is a cost that changes in proportion to changes in volume?

Fixed cost

Sunk cost

Opportunity cost

None of the given options

Question No: 9 (Marks: 1) - Please choose one

When prices are rising over time, which of the following inventory costing methods will result in the lowest gross margin?

FIFO

LIFO

Weighted Average

Cannot be determined

Question No: 10 (Marks: 1) - Please choose one

EOQ is a point where:

Ordering cost is equal to carrying cost

Ordering cost is higher than carrying cost

Ordering cost is lesser than the carrying cost

Total cost is maximum

Question No: 11 (Marks: 1) - Please choose one

A store sells five cases of soda each day. Ordering costs are Rs. 8 per order, and soda costs Rs. 3 per case. Orders arrive four days from the time they are placed. Daily holding costs are equal to 5% of the cost of the soda. What is the EOQ for soda?

4 cases

8 cases

10 cases

23 cases

SOLUTION

$$2 \times 5 \times 8 / 3 \times .5$$

$$80 / .15$$

$$533.33 \text{ UNDERROOT} = 23$$

Question No: 12 (Marks: 1) - Please choose one

Which of the following best describe piece rate system?

The increased volume of production results in decreased cost of production

The increased volume of production in minimum time

Establishment of fair standard rates

Higher output is a result of efficient management

Question No: 13 (Marks: 1) - Please choose one

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:

Direct labor hours

Direct labor costs

Machine hours

Cost of material used

Question No: 14 (Marks: 1) - Please choose one

Which cost accumulation procedure is best suited to a continuous mass production process of similar units?

Job order costing

Process costing

Standard costing

Actual costing

Question No: 15 (Marks: 1) - Please choose one

The following data relates to the operations of Month 1 of a garden gnome producer, where plaster gnomes are bought in and decorated to customers' requirements.

No work-in-progress at the start

50,000 plaster gnomes introduced during the month

30,000 completed gnomes transferred during the month

20,000 remain in process, 70% completed

Costs incurred during the month Rs. 105,600

How much the equivalent units of output would be produced?

20,000 units

30,000 units

36,000 units

44,000 units

completed = 30000

wip = 20000*70%= 14000

unit produced = 30000+14000 = 44000

Question No: 16 (Marks: 1) - Please choose one

The Superior Company manufactures paint and uses a process costing system. During February, Superior started 80,000 gallons of paint. During the month the company completed 92,000 gallons and transferred them to the mixing department. Superior had 38,000 gallons (30% complete as to conversion) in beginning inventory and 26,000 gallons (20% complete as to conversion) in ending inventory. The company uses a FIFO costing.

Required: What were the equivalent units for conversion costs during February?

72,600 units

85,800 units

88,600 units

92,900 units

Question No: 17 (Marks: 1) - Please choose one

According to marginal costing concept, all fixed costs are considered as:

Period cost

Production cost

Mixed cost

Sunk cost

Question No: 18 (Marks: 1) - Please choose one

Which of the following costs are treated as period costs under direct costing?

Only direct cost

Fixed selling and administrative expenses

Fixed manufacturing overhead

Both fixed manufacturing overhead and fixed selling and administrative Expenses (page 179)

Question No: 19 (Marks: 1) - Please choose one

Cost volume Profit analysis (CVP) is a behavior of how many variables?

2

3

4

5

Question No: 20 (Marks: 1) - Please choose one

For management decisions making, Income statement is prepared on the basis of which of the following cost concept?

Cost concept

Revenue generation concept

Marginal costing

Absorption costing

Question No: 21 (Marks: 1) - Please choose one

Which of the following statements is **CORRECT**?

A by-product is a product produced at the same time as other products which has a relatively low volume

Since a by-product is a saleable item it should be separately costed in the process account and should absorb some of the process costs

Cost incurred prior to the point of separation are known as common or joint costs

A by-product is a product produced at the same time as other products which has a relatively high volume compared with the other products

Question No: 22 (Marks: 1) - Please choose one

The following detail is related to Bloch Company:

Opening work-in

process

2,000 litres, 100% completed to material, 40% as to conversion cost

Material put in process 24,000 liters

Closing work-in-process

3,000 litres, 100% completed to material and 45% as to conversion cost

Required: The numbers of equivalent units as to Conversion cost, using FIFO method would be:

26,000 units

25,550 units

24,200 units

24,350 units

Question No: 23 (Marks: 1) - Please choose one

Super phosphate 786 an agriculture fertilizer is manufactured in a single continuous process

Opening Work-in-process

200, units, (100% completed to material 25% as to conversion cost)

Opening work-in-process cost

25,200 as to material, 4,895 as to conversion

Unit added during the month

12,00 units, with material cost

Rs, 16,8000

conversion cost Rs, 158,125

Closing Work-in-process

200 units, (100% completed as to material, 50% as to conversion cost)

What would be the equivalent units of production under FIFO method?

1,400 units Material and 1,350 units conversion cost

1,200 units Material and 1,150 units conversion cost

1,200 units Material and 1,150 units conversion cost

1,200 units Material and 1,250 units conversion cost

Question No: 24 (Marks: 1) - Please choose one

Éclair Ltd manufactured three products, JP, 1, JP2, JP, 3 with the following cost of raw material 10,000 kg, cost Rs. 24,000 and conversion cost is Rs. 28,000.

Process costs are apportioned on a sales value basis.

Required: What was the apportioned cost for JP1.

Rs. 13,520

Rs. 52,000

Rs. 22,880

Out-Put Production, Kg sales price, per Kg

JP, 1 4,000 11

JP,2 3,000 10
JP,3 1,000 26
Rs. 15,600

Question No: 25 (Marks: 1) - Please choose one

Eclair Ltd manufactured three products, JP,1, JP2, JP,3 with the following cost of raw material 10,000 kg, cost Rs,24,000 and conversion cost is Rs,28,000. Process costs are apportioned on a sales value basis.

Required: What was the apportioned cost for JP3.

Rs. 52,000

Rs. 13,520

Rs. 15,600

Rs. 22,880

Question No: 26 (Marks: 1) - Please choose one

The point at which the cost line intersects the sales line will be called:

Budgeted sales

Break Even sales

Margin of safety

Contribution margin

Question No: 27 (Marks: 1) - Please choose one

When using conventional cost-volume-profit analysis, some assumptions about costs and sales prices are made. Which one of the following is **NOT** one of those assumptions?

The costs can be expressed as straight lines in a break-even graph

The variable cost will remain unchanged per unit

The sales price will remain unchanged per unit

The actual variable cost per unit must vary over the production range

Question No: 28 (Marks: 1) - Please choose one

Consider the following data for the month of April:

Closing stock 80 units

Production 280 units

Sales 330 units

Based on the data, the opening stock for April will have to be:

50 units

410 units

70 units

130 units

Question No: 29 (Marks: 1) - Please choose one

Production cost budget is also known as:

Direct material budget

Direct labor budget

Factory overhead budget

Manufacturing budget

Question No: 30 (Marks: 1) - Please choose one

Quantum Leap Inc. is trying to prepare a purchases budget for next month. Given the following information, how much will the company have to spend for merchandise purchases next month?

Estimated sales 250 units

Estimated beginning inventory 22 units

Estimated ending inventory 15 units

Estimated cost per unit Rs.450

Rs. 109,350

Rs.112, 500

Rs.115, 650

Rs.115, 920

Question No: 31 (Marks: 1) - Please choose one

Hogan Company plans to assemble 5,000 tables. Each table requires 0.25 hours of direct labor at Rs. 19 per direct labor hour. The amount of direct labor that should be budgeted for is:

Rs. 380,000

Rs. 95,000

Rs. 39,583

Rs. 23,750

Question No: 32 (Marks: 1) - Please choose one

Which of the following is relied on by all other items in the master budget?

Production budget

Cash budget

Sales budget

Budgeted balance sheet

Question No: 33 (Marks: 1) - Please choose one

Usually the first step in the production of the master budget is the:

Sales forecast

Sales budget

Cash budget

Production budget

Question No: 34 (Marks: 1) - Please choose one

Cash budget is based on which of the following concept?

Accrual concept

Cash concept

Both cash and accrual concept

Cost concept

Question No: 35 (Marks: 1) - Please choose one

All are examples of cash disbursements EXCEPT:

Payment for materials purchased

Payment received as collection of accounts receivable

Payment of dividends
Payment of taxes

Question No: 36 (Marks: 1) - Please choose one

Which of the following is **NOT** example of a cash outflow?

Cash drawings
Purchase of new equipment
Commission paid

Depreciation

Question No: 37 (Marks: 1) - Please choose one

The Auslander Company has 1,600 obsolete calculators that are carried in inventory at a total cost of Rs. 106,800. If these calculators are upgraded at a total cost of Rs. 40,000, they can be sold for a total of Rs. 120,000. As an alternative, the calculators can be sold in their present condition for Rs. 44,800. What will be the sunk cost in this situation?

Rs. 0
Rs. 40,000
Rs. 44,800

Rs. 106,800

Question No: 38 (Marks: 1) - Please choose one

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

Heuristics method

Decision making

The Delphi technique
Systematic error

Question No: 39 (Marks: 1) - Please choose one

Which of the following is not true about differential costs?

It is a broader concept than variable cost as it takes into account additional fixed costs caused by management decisions

With the passage of time and change in situation, differential costs will vary

The difference in cost between buying them from outside or make them in the company is differential cost, irrelevant for decisions

They are extra or incremental costs caused by a particular decision

Question No: 40 (Marks: 1) - Please choose one

Lansing Department Store provided information regarding three departments:

Department A

(Rs.)

Department B

(Rs.)

Department C

(Rs.)

Sales 5,000 10,000 12,500

Variable costs 2,500 8,500 13,500

Fixed costs (unavoidable) 1,000 1,000 2,000

Fixed costs (avoidable) 1,000 2,000 500

Assuming the trends in costs and revenues continue, which department should be discontinued?

- A only
- B only
- C only

More than one department should be discontinued

Question No: 1 (Marks: 1) - Please choose one

Brutus Company manufactures glass bottles. The company expects to sell 500,000 bottles next year. The budgeted ending inventory this year is 15,000 bottles and the desired ending inventory for next year is 12,000 bottles. It takes 5 pounds of sand to produce one bottle. The ending inventory of sand this year is expected to be 200,000 pounds, and the desired ending inventory next year is 100,000 pounds. The amount of direct material purchases is expected to be:

2,385,000 pounds

2,465,000 pounds

2,585,000 pounds

2,600,000 pounds

SOLUTION

SALES+DESIRED ENDING INVENTORY – EXPECTEC ENDING INVENTORY *

PRICE PER UNIT

500000 + 12000 – 15000* 5

PROPOSAL BUDGET = 2485000

PROPOSAL BUDGET +DESIRED ENDING INVENTORY+EXPECTED ENDING INVENTORY

2485000+100000-200000

DIRECT MATERIAL PURCHASE = 2385000

Question No: 2 (Marks: 1) - Please choose one

The following data is available for the Bricks Company:

Particulars Rs.

Freight in 20,000

Purchases return and allowances 80,000

Marketing expenses 200,000

Finished goods Inventory, ending 90,000

Cost of goods sold 700% of marketing expenses

You are required to calculate the cost of goods available for sales if Gross Profit is 50% of cost of goods sold.

Rs. 1,390,000

Rs. 1,490,000

Rs. 1,500,000

Rs. 1,590,000

SOLUTION

COST OF GOODS SOLD = 200000*700% = 1400000

COST OF GOODS AVAILABLE FOR SALE = CGS +ENDING FINISHED GOODS
= 1400000 +90000
= 1490000

Question No: 3 (Marks: 1) - Please choose one

Superior started 80,000 gallons of paint. During the month the company completed 92,000 gallons and transferred them to the mixing department. Superior had 38,000 gallons in beginning inventory and 26,000 gallons in ending inventory.

Material is added at the beginning of the process and conversion costs are added evenly throughout the process.

Beginning WIP was 30% complete as to conversion costs and ending WIP was 20% complete as to conversion costs. The company uses a FIFO costing

The company uses a FIFO costing. The cost data for February follow:

Beginning inventory:

Direct materials Rs.22, 200

Conversion costs Rs. 44,000

Costs added this period:

Direct materials Rs. 150,000

Conversion costs Rs. 343,200

Required:

What was the cost of direct materials in ending inventory?

Rs. 37,560

Rs. 42,600

Rs. 45,550

Rs. 48,750

TRANSFERRED OUT	92000
ADD ENDING	26000
	<hr/>
	118000
LESS OPENING	38000
	<hr/>
TOTAL	80000
	<hr/>
150000 / 80000	
1.875	

26000*1.875 =48750

Question No: 4 (Marks: 1) - Please choose one

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

Fixed cost

Variable cost

Step cost

Semi variable cost

Question No: 5 (Marks: 1) - Please choose one

A cost that has been incurred that cannot be changed by present or future decisions is called a:

- Differential cost
- Opportunity cost
- Marginal cost

Sunk cost

Question No: 6 (Marks: 1) - Please choose one

For manufacturing entities inventories are classified into ----- categories?

- One
- Two

Three

Four

Question No: 7 (Marks: 1) - Please choose one

All of the following are deducted from Gross Profit to calculate Operating income

EXCEPT:

- Selling expenses
- Advertising expenses
- Administrative expenses
- Financial expenses

Question No: 8 (Marks: 1) - Please choose one

Order level is a point at which,

It is necessary to start production

It is necessary to initiate purchase orders

It is necessary to maintain minimum stock level

It is necessary to maintain maximum stock level for orders

Question No: 9 (Marks: 1) - Please choose one

In the basic EOQ model, if Units= 50 per month, Ordering cost =Rs. 10, and carrying cost =Rs. 10 per unit per month, EOQ is:

30

10

12

25

SOLUTION

$$2 \times 50 \times 10 / 10 \text{ AND UNDER ROOT} = 10$$

Question No: 10 (Marks: 1) - Please choose one

Counting items to ensure an order is correct, is an activity relates to:

Ordering cost

- Carrying cost
- Stock out cost
- Holding cost

Question No: 11 (Marks: 1) - Please choose one

Nelson Company has following FOH detail.

	Budgeted (Rs.)	Actual (Rs.)
Production Fixed overheads	36,000	39,000
Production Variable overheads	9,000	12,000
Direct labor hours	18,000	20,000

What would be the applied rate.

Rs.2.00 per labor hour

Rs.2.50 per labor hour

Rs.2.55 per labor hour

Rs.0.50 per labor hour

SOLUTION

TOTAL BUDGETED PRODUCTION = 45000

LABOR HOURS = 18000

APPLIED RATE = $45000 / 18000 = 2.5$

Question No: 12 (Marks: 1) - Please choose one

Which cost accumulation procedure is best suited to a continuous mass production process of similar units?

Job order costing

Process costing

Standard costing

Actual costing

Question No: 13 (Marks: 1) - Please choose one

In a process costing system, the journal entry used to record the transfer of units from Department A, a processing department, to Department B, the next processing department, includes a debit to:

Work in Process Department A and a credit to Work in Process Department B

Work in Process Department B and a credit to Work in Process Department A

Work in Process Department B and a credit to Materials

Finished Goods and a credit to Work in Process Department B

Question No: 14 (Marks: 1) - Please choose one

A chemical process has no normal wastage of input. In a period, 3,500 Kg of material were in put and there was abnormal loss of 15% of in put. What quantity of good production was achieved?

2,175 Kg

2,975 Kg

3,325 Kg

4,425 Kg

MATERIAL = 3500

$$\begin{array}{rclclcl} \text{ABNORMAL LOSS} & = & 15\% & = & 3500 \times 15/100 & = & 525 \\ \text{MATERIAL} - \text{ABNORMAL LOSS} & = & \text{PRODUCTION ACHIVED} & & & & \\ 3500 & - & 525 & = & 2975 & & \end{array}$$

Question No: 15 (Marks: 1) - Please choose one

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

Hybrid process

Cannot be determined with so little information

Question No: 16 (Marks: 1) - Please choose one

Which of the following will be included in calculation of per unit cost under variable costing?

Only direct materials and direct labor

Direct materials, direct labor, fixed overhead

Direct materials, direct labor and variable overhead

Direct materials, direct labor, variable overhead, fixed overhead

Question No: 17 (Marks: 1) - Please choose one

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

Direct material Rs. 15

Direct labor Rs. 10

Other cost:	Fixed	Variable
Manufacturing	Rs. 5	Rs. 7

Distribution	Rs. 4	Rs. 3
--------------	-------	-------

Required: Identify the unit cost of sprockets under direct costing

Rs. 44

Rs. 37

Rs. 32

Rs. 35

DIRECT MATERIAL +DIRECT LABOR +VARIABLE OVER HEAD
15+10+7+3

Question No: 18 (Marks: 1) - Please choose one

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

It will increase the profit

It will decrease the profit

No effect on profit

Can not determined with given statement

Question No: 19 (Marks: 1) - Please choose one

Product cost under absorption costing is characteristically:

Higher than under variable costing

Lower than under variable costing

Equal to variable costing

Higher sometimes and lower sometimes than variable costing

Question No: 20 (Marks: 1) - Please choose one

Cost volume Profit analysis (CVP) is a behavior of how many variables?

2

3

4

5

Question No: 21 (Marks: 1) - Please choose one

Once the fixed cost has been met, the remaining increase in contribution margin will be shows as which of the following option?

Profit

Variable cost

Operating profit

Sales volume

Question No: 22 (Marks: 1) - Please choose one

In CVP analysis, when the number of units sold changes, which one of the following will remain the same?

Total contribution margin

Total sales revenues

Total variable costs

Total fixed costs

Question No: 23 (Marks: 1) - Please choose one

Terrell, Inc. sells a single product at a selling price of Rs. 40 per unit. Variable costs are Rs. 22 per unit and fixed costs are Rs. 82,800. Terrell's break- even point is:

Rs. 184,000

3,764 units

Rs. 150,540

2,070 units

SOLUTION

CM = SALES PER UNIT – VARIABLE COST PER UNIT

= 40 - 22

= 18

CONTRIBUTION MARGIN (C/S) RATIO = CM / SALES*100

= 18 / 40 *100

= 45%

$$\begin{aligned}\text{BREAK EVEN POINT} &= \text{FIXED COST} / \text{C/S RATIO} \\ &= 82800 / 45\% \\ &= 184000\end{aligned}$$

Question No: 24 (Marks: 1) - Please choose one

Eclair Ltd manufactured three products, JP,1,JP2,JP,3 with the following cost of raw material 10,000 kg, cost Rs,24,000 and conversion cost is Rs,28,000. Process costs are apportioned on a sales value basis.

Required: What was the apportioned cost for JP3.

Rs. 52,000

Rs. 13,520

Rs. 15,600

Rs. 22,880

Question No: 25 (Marks: 1) - Please choose one

X Company has fixed cost of Rs. 200,000. It sells two products Tetra and Mint. The detail of operational Income is as follows:

	Tetra (Rs.)	Mint (Rs.)
Sales price (Per unit)	2	1
contribution margin	1	2

Required: How much units would be sold at break Even point?

44,444 units

50,000 units

88,888 units

100,000 units

Question No: 26 (Marks: 1) - Please choose one

When using conventional cost-volume-profit analysis, some assumptions about costs and sales prices are made. Which one of the following is **NOT** one of those assumptions?

The sales price will remain unchanged per unit

The actual variable cost per unit must vary over the production range

The costs can be expressed as straight lines in a break-even graph

The variable cost will remain unchanged per unit

Question No: 27 (Marks: 1) - Please choose one

Production budget is an example of which of the following budget?

Functional budget

Master budget

Cost of goods sold budget

Sales budget

Question No: 28 (Marks: 1) - Please choose one

Consider the following data for the month of January:

Sales 600 units

Opening stock 80 units

If the closing stock has to be 50% higher than the previous month then production will have to be:

700 units

720 units

640 units

600 units

closing stock this yr = 50% more = 50% of 80 = 40 so 40+80 = 120 units

unit sold = 600

unit produced = unit sold + closing unit - opening unit
= 600 + 120 - 80 = 640

Question No: 29 (Marks: 1) - Please choose one

Atlas Productions expects to sell 85,000 gimlets its only product next year. The company has a beginning inventory of 14,000 units and wants to have an ending inventory of 12,000 at the end of the year. How many gimlets does Atlas have to produce to meet its goals?

79,000 units

83,000 units

85,000 units

97,000 units

unit produced = sales + ending inventory – opening inventory
= 85000+12000-14000
= 83000

Question No: 30 (Marks: 1) - Please choose one

Production cost budget is also known as:

Direct material budget

Direct labor budget

Factory overhead budget

Manufacturing budget

Question No: 31 (Marks: 1) - Please choose one

Production cost budget is based on which of the following cost?

Market value

Predetermined cost

Future value

Fair value

Question No: 32 (Marks: 1) - Please choose one

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:

Rs. 1,360

Rs. 1,440

Rs. 4,320

Rs. 5,346

cost per case 3 hr @ 12 rs per hr = 36 Rs

cost of 120 case = 120 * 36 = 4320

Question No: 33 (Marks: 1) - Please choose one

The master budget usually begins with a:

Production budget

Direct materials budget

Direct labor budget

Sales budget

Question No: 34 (Marks: 1) - Please choose one

Two or more products produced from a common input are termed:

Common costs

Joint products

Joint costs

By-products

Question No: 35 (Marks: 1) - Please choose one

Which of the following is NOT a relevant cost to decision making?

Opportunity costs

Relevant benefits

Avoidable costs

Sunk costs

Question No: 36 (Marks: 1) - Please choose one

Which of the following is not true about differential costs?

It is a broader concept than variable cost as it takes into account additional fixed costs caused by management decisions

With the passage of time and change in situation, differential costs will vary

The difference in cost between buying them from outside or make them in the company is differential cost, irrelevant for decisions

They are extra or incremental costs caused by a particular decision

Question No: 37 (Marks: 1) - Please choose one

Costs that have been incurred include which of the following?

Only opportunity costs

Costs that have already been paid

Costs that have been committed

Both costs that have already been paid and committed

Question No: 38 (Marks: 1) - Please choose one

The decision to drop a product line should be based on:

The fact that the product line shows a net loss over several periods

The ability of the firm to eliminate some fixed costs as a result of dropping the product

Whether the fixed costs that can be avoided by dropping the product line are less than the contribution margin that will be lost

Whether the fixed costs that can be avoided by dropping the product line are greater than the contribution margin lost

Question No: 39 (Marks: 1) - Please choose one

If an organization has the freedom of choice about whether to make internally or buy externally and has no scarce resources that put a restriction on what it can do itself, the relevant costs for the decision will be the:

Past costs

Differential costs between the two options

Sunk costs

Replacement costs

Question No: 40 (Marks: 1) - Please choose one

Lansing Department Store provided information regarding three departments:

	Department A(Rs.)	Department B(Rs.)	
Department C(Rs.)			
Sales	5,000	10,000	12,500
Variable costs	2,500	8,500	13,500
Fixed costs (unavoidable)	1,000	1,000	2,000
Fixed costs (avoidable)	1,000	2,000	500

Assuming the trends in costs and revenues continue, which department should be discontinued?

A only

B only

C only

More than one department should be discontinued

FINAL TERM EXAMINATION

Fall 2008

MGT402- Cost & Management Accounting (Session - 1)

Marks: 80

Question No: 1 (Marks: 1) - Please choose one

Brutus Company manufactures glass bottles. The company expects to sell 500,000 bottles next year. The budgeted ending inventory this year is 15,000 bottles and the desired ending inventory for next year is 12,000 bottles. It takes 5 pounds of sand to produce one bottle. The ending inventory of sand this year is expected to be 200,000 pounds, and the desired ending inventory next year is 100,000 pounds. The amount of direct material purchases is expected to be:

2,385,000 pounds

2,465,000 pounds

2,585,000 pounds

2,600,000 pounds

SOLUTION

$\text{SALES} + \text{DESIRED ENDING INVENTORY} - \text{EXPECTED ENDING INVENTORY} \times \text{PRICE PER UNIT}$

$500000 + 12000 - 15000 \times 5$

PROPOSAL BUDGET = 2485000

$\text{PROPOSAL BUDGET} + \text{DESIRED ENDING INVENTORY} - \text{EXPECTED ENDING INVENTORY}$

$2485000 + 100000 - 200000$

DIRECT MATERIAL PURCHASE = 2385000

Question No: 2 (Marks: 1) - Please choose one

Apex Corporation experienced the following during April:

Beginning WIP inventory 7,500 units, 40% of labor added in this period

Units started in this period 64,000 units

Ending WIP inventory 5,000 units, 60% of labor added in this period

Direct materials are added at the beginning of the process and direct labor is added uniformly throughout the process.

Required: How many equivalent units for direct materials under FIFO method are produced?

66,500 units

60,500 units

71,500 units

64,000 units

Question No: 3 (Marks: 1) - Please choose one

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

Period cost

Product cost (PG 7)

Both product and period cost

Historical cost

Question No: 4 (Marks: 1) - Please choose one

Cost accountants are concerned about the ratios relating to the Profits and Manufacturing costs. These ratios might include:

Gross Mark up rate

Inventory turnover ratio

Cost of goods sold to sales ratio

All of the given options (PG 30)

Question No: 5 (Marks: 1) - Please choose one

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

Normal Loss.

Abnormal Loss.

Incremental Loss.

Incremental abnormal loss.

Question No: 6 (Marks: 1) - Please choose one

A cost that has been incurred that cannot be changed by present or future decisions is called a:

Differential cost

Opportunity cost

Marginal cost

Sunk cost

Question No: 7 (Marks: 1) - Please choose one

Order level is a point at which,

It is necessary to start production

It is necessary to initiate purchase orders

It is necessary to maintain minimum stock level

It is necessary to maintain maximum stock level for orders

Question No: 8 (Marks: 1) - Please choose one

A store sells five cases of soda each day. Ordering costs are Rs. 8 per order, and soda costs Rs. 3 per case. Orders arrive four days from the time they are placed. Daily holding costs are equal to 5% of the cost of the soda. What is the EOQ for soda?

4 cases

8 cases

10 cases

23 cases

SOLUTION

$2 \times 5 \times 8 / 3 \times .5$ UNDER ROOT = 23

Question No: 9 (Marks: 1) - Please choose one

In cost Accounting, abnormal loss is charged to:

Factory overhead control account

Work in process account

Income Statement

Entire production

Question No: 10 (Marks: 1) - Please choose one

Increased cost of production due to high labor turnover is a result of which of the following factor?

Interruption of production

Coordination between new and old employee to produce more

Increased production due to newly motivated employees

Decrease losses as new employees will be more concerned towards output

Question No: 11 (Marks: 1) - Please choose one

The Process of cost apportionment is carried out so that:

Cost may be controlled

Cost unit gather overheads as they pass through cost centers

Whole items of cost can be charged to cost centers

Common costs are shared among cost centers

A. The charging of discrete identifiable items of cost to cost centers or cost units

B. The collection of costs attributable to cost centers and cost units using the costing

Methods, principles and techniques prescribed for a particular business entity

C. The process of establishing the costs of cost centers or cost units

D. The division of costs amongst two or more cost centers in proportion to the estimated benefit received, using a proxy, e.g. square feet

Question No: 12 (Marks: 1) - Please choose one

In a job-order cost system, indirect labor costs would be recorded as a debit to:

Finished Goods

Manufacturing Overhead

Raw Materials

Work in Process

Question No: 13 (Marks: 1) - Please choose one

Which cost accumulation procedure is best suited to a continuous mass production process of similar units?

Job order costing

Process costing

Standard costing

Actual costing

Question No: 14 (Marks: 1) - Please choose one

Process B had no opening stock, 13,500 units of raw material were transferred in at Rs. 4.50 per unit. Additional material at Rs.1.25 per unit was added in process. Labor and overhead were Rs.2.50 per unit.

If 11,750 completed units were transferred out, what were the quantity/units of

closing work in process?

11,750 units

1,750 units

13,500 units

2,187 units

Question No: 15 (Marks: 1) - Please choose one

In comparing common cost and joint cost:

The terms can be correctly used interchangeably

Both have the same objective of assigning production cost to cost center
They differ since common cost products or services have been obtained separately

Common cost is sometime used as Joint cost

Question No: 16 (Marks: 1) - Please choose one

Which of the following concept is used in absorption costing?

Matching concept

Cost concept

Cash concept

None of the given options

Question No: 17 (Marks: 1) - Please choose one

Variable costing is also known as:

Indirect Costing

Direct Costing

Marginal Costing

Both Direct Costing & Marginal Costing

Question No: 18 (Marks: 1) - Please choose one

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

Direct material Rs. 15

Direct labor Rs. 10

Other cost:	Fixed	Variable
-------------	-------	----------

Manufacturing	Rs. 5	Rs. 7
---------------	-------	-------

Distribution	Rs. 4	Rs. 3
--------------	-------	-------

Required: Identify the unit cost of sprockets under direct costing

Rs. 44

Rs. 37

Rs. 32

Rs. 35

DIRECT MATERIAL +DIRECT LABOR +VARIABLE OVERHEAD

15+ 10+7+3

Question No: 19 (Marks: 1) - Please choose one

Cost volume Profit analysis (CVP) is a behavior of how many variables?

2
3
4
5

Question No: 20 (Marks: 1) - Please choose one

Contribution margin is the result of which of the following two variables?

Sales and variable cost

Variable and fixed cost

Sales and Fixed cost

Sales and operating profit

Question No: 21 (Marks: 1) - Please choose one

A firm's fixed costs are Rs. 54,000, and it sold 350 units at Rs. 140 each. The total variable costs were Rs. 35,000. What is the net income or loss of the firm?

Rs.40,000 loss

Rs. 40,000 income

Rs.14,000 income

Rs. 5,000 loss

SALES (350*140)	49000
LESS VARIABLE COST	35000

	14000
LESS FIXED COST	54000

LOSS	-40000
------	--------

Question No: 22 (Marks: 1) - Please choose one

The difference between total revenues and total variable costs is used to determine which of the following?

Operating Income

Gross margin

Contribution margin

Fixed costs

Question No: 23 (Marks: 1) - Please choose one

Terrell, Inc. sells a single product at a selling price of Rs. 40 per unit. Variable costs are Rs. 22 per unit and fixed costs are Rs. 82,800. Terrell's break- even point is:

Rs. 184,000

3,764 units

Rs. 150,540

2,070 units

CM = SALES PER UNIT –VC PER UNIT
= 40 – 22
= 18

C/SRATIO = CM / SALES
= 18 / 40
=0.45

$$\begin{aligned}\text{BREAK EVEN POINT} &= \text{FIXED COST} / \text{C/S RATIO} \\ &= 82800 / .45 \\ &= 184000\end{aligned}$$

Question No: 24 (Marks: 1) - Please choose one

Which of the following statements is **CORRECT**?

A by-product is a product produced at the same time as other products which has a relatively low volume

Since a by-product is a saleable item it should be separately costed in the process account and should absorb some of the process costs

Cost incurred prior to the point of separation are known as common or joint costs

A by-product is a product produced at the same time as other products which has a relatively high volume compared with the other products

Question No: 25 (Marks: 1) - Please choose one

The following detail is related to Bloch Company:

Opening work-in process

2,000 litres, 100% completed to material, 40% as to conversion cost

Material put in process 24,000 liters

Closing work-in-process

3,000 litres, 100% completed to material and 45% as to conversion cost

Required: The numbers of equivalent units as to Conversion cost, using FIFO method would be:

26,000 units

25,550 units

24,200 units

24,350 units

	MATERIAL	CONVERSION COST
OP WIP	2000	1200
COMPLETED	23000	23000
END WIP	3000	1350
EQUIVALENT UNIT		25550

Question No: 26 (Marks: 1) - Please choose one

Bruce Inc. has the following information about Rut, the only product sold. The selling price for each unit is Rs. 20, the variable cost per unit is Rs. 8, and the total fixed cost for the firm is Rs. 60,000. Bruce has budgeted sales of Rs. 130,000 for the next period. What is the margin of safety in Rs. for Bruce?

Rs. 30,000

Rs. 70,000

Rs. 100,000

Rs. 130,000

$$\begin{aligned} 1^{\text{ST}} \text{ STEP) CM} &= \text{SALES} - \text{VC} \\ &= 20 - 8 \\ &= 12 \end{aligned}$$

$$\begin{aligned} 2^{\text{ND}} \text{ STEP) C/S RATIO} &= \text{CM} / \text{SALES} \\ &= 12 / 20 \\ &= .6 \end{aligned}$$

$$\begin{aligned} 3^{\text{RD}} \text{ STEP) BREAK EVEN SALES} &= \text{FIXED COST} / \text{C/S RATIO} \\ &= 60000 / .6 \\ &= 100000 \end{aligned}$$

$$\begin{aligned} \text{FINAL STEP REQUIRED) MOS} &= \text{BUDGET SALES} - \text{BREAK EVEN SALES} \\ &= 130000 - 100000 \\ &= 30000 \end{aligned}$$

Question No: 27 (Marks: 1) - Please choose one

Information concerning Label Corporation s Product A is as follows:

Rs.

Sales price 300,000

Variable cost 240,000

Fixed Cost 40,000

Assuming that Label increased sales of Product A by 20%, the profit of the product A would be which of the following?

Rs. 20,000

Rs. 24,000

Rs. 32,000

Rs. 80,000

SALES = 300000

INCREASE 20% = 300000*20/100 = 60000

TOTAL SALES= 390000

NET SALES – VARIABLE COST – FIXED COST

360000 – 240000 -40000

80000

Question No: 28 (Marks: 1) - Please choose one

A plan expressed in financial terms may be known as a:

Final account

Forecast

Balanced scorecard

Budget

Question No: 29 (Marks: 1) - Please choose one

A (an) _____ is financial plan of the resources needed to carry out activities and meet financial goals.

Contribution Margin Statement

Income Statement

Budget

Comprehensive Audit

Question No: 30 (Marks: 1) - Please choose one

Which of the following factor is responsible for a difference between units sold and units produced?

Factory overhead

Direct Labor

Change in Inventory

Total production cost

Question No: 31 (Marks: 1) - Please choose one

Production cost budget is also known as:

Direct material budget

Direct labor budget

Factory overhead budget

Manufacturing budget

Question No: 32 (Marks: 1) - Please choose one

All of the following compose cost of goods sold EXCEPT:

Raw material

Labor

Capital

Factory overhead

Question No: 33 (Marks: 1) - Please choose one

If a firm is using activity-based budgeting, the firm would use this in place of which of the following budgets?

Direct labor budget

Direct materials budget

Revenue budget

Manufacturing overhead budget

Question No: 34 (Marks: 1) - Please choose one

Which of the following is true for the direct labor cost budget?

In the direct labor budget, ending inventory is subtracted and beginning inventory is added

The first line of the direct labor budget is total direct labor cost

It is prepared from the sales budget

It is prepared from the production budget

Question No: 35 (Marks: 1) - Please choose one

Which of the following factor would determine the importance of direct labor cost budget in human resource department?

Provide guidance about the requirements of number of work force
Provide feed back about the working of workforce
How much payroll will have been paid?
How the cost units will be produced?

Question No: 36 (Marks: 1) - Please choose one

Which of the following factor/s should be considered while constructing an administrative selling expense budget?

- Fixed expenses
- Past experience
- Variable expenses
- All of the given options

Question No: 37 (Marks: 1) - Please choose one

Two or more products produced from a common input are termed:

- Common costs
- Joint products
- Joint costs
- By-products

Question No: 38 (Marks: 1) - Please choose one

The managers of a firm are in the process of deciding whether to accept or reject a special offer for one of its products. A cost that is not relevant to their decision is the:

- Variable overheads
- Common fixed overhead that will continue if the special offer is not accepted
- Direct materials
- Fixed overhead that will be avoided if the special offer is accepted

Question No: 39 (Marks: 1) - Please choose one

Optimum production plan is based on which of the following factor(s)?

- Identify the limiting factor
- Calculate contribution per unit of limiting factor
- Calculate contribution per unit for each product
- All of the given options

Question No: 40 (Marks: 1) - Please choose one

The effect on a company's operating income of discontinuing a department with a contribution margin of Rs. 8,000 and allocated overhead of Rs. 16,000 (of which Rs. 7,000 cannot be eliminated) would be to:

- Increase operating income by Rs. 1,000
- Increase operating income by Rs. 8,000
- Decrease operating income by Rs. 1,000
- Decrease operating income by Rs. 9,000

FINALTERM EXAMINATION

Spring 2009

MGT402- Cost & Management Accounting (Session - 2)

Question No: 1 (Marks: 1) - Please choose one

All of the following indicate the problems in traditional budget EXCEPT:

▶ **Programmers and activities involving wasteful expenditure are identified, resulting in unavoidable financial and other costs** (page 220)

▶ Inefficiencies of a prior year are carried forward in determining subsequent years' levels of performance

▶ Managers are not encouraged to identify and evaluate alternate means of accomplishing the same objective

▶ Decision-making is irrational in the absence of rigorous analysis of all proposed costs and benefits

Question No: 2 (Marks: 1) - Please choose one

A forecast set of final accounts is also known as:

▶ Cash budget

▶ Capital budget

▶ **Master budget** ((Budgets pertaining to different functions or units are then combined and coordinated into one Master Budget.)

▶ Sales budget

Question No: 3 (Marks: 1) - Please choose one

Brutus Company manufactures glass bottles. The company expects to sell 500,000 bottles next year. The budgeted ending inventory this year is 15,000 bottles and the desired ending inventory for next year is 12,000 bottles. It takes 5 pounds of sand to produce one bottle. The ending inventory of sand this year is expected to be 200,000 pounds, and the desired ending inventory next year is 100,000 pounds. The amount of direct material purchases is expected to be:

Proposal Budget=E.Sales+Desire units-actual units*per unit cost

$$=500000+12000-15000=497000*5=2485000$$

Amount of direct material = proposal budget + desired ending inventory – expected ending inventory

$$= 2485000 + 100000 - 200000 = 2385000$$

- ▶ **2,385,000 pounds**
- ▶ 2,465,000 pounds
- ▶ 2,585,000 pounds
- ▶ 2,600,000 pounds

Question No: 4 (Marks: 1) - Please choose one

BDH produced 30,500 units of Kisty (a product). Each unit of Kisty takes two units of component L. Component L is budgeted to cost Rs. 12 per unit. Current inventory of L is 4,000 units. BDH wants 6,000 units of L on hand at the end of the next year. How much will the direct materials budget show as the cost of materials to be purchased?

- ▶ Rs. 756,000
- ▶ **Rs. 390,000**
- ▶ Rs. 684,000
- ▶ Rs. 330,000

Proposal Budget=E.Sales+Desire units-actual units*per unit cost

$$=30500+6000-4000=32500*12=390000$$

Question No: 5 (Marks: 1) - Please choose one

Railway Product Ltd makes one product that sells for Rs. 72 per unit. Fixed costs are Rs. 81,000 per month & the product has a contribution to sales ratio of 37.5%. In a period when actual sales were Rs. 684,000 the company's unit margin of safety was:

- ▶ 4,000 units
- ▶ 4,800 units
- ▶ 5,500 units
- ▶ **6,500 units**

Safety Margin in units=Sales in units-Break even in units

Sales in units=684000/72=9500

Fixed exp in units= 81000/72=1125

Break even in units = Fixed Exp. In units/Contribution ratio
= 1125/0.375=3000

Safety Margin =9500-3000=6500

Question No: 6 (Marks: 1) - Please choose one

A company decreased the selling price for its product from Rs. 2.00 to Rs. 1.75 per unit when total fixed costs decreased from Rs. 500,000 to Rs. 400,000 and variable cost per unit of Rs. 1 remained unchanged. How would these changes affect the break-even point?

- ▶ **The break-even point in units would be increased**
- ▶ The break-even point in units would be
- ▶ The break-even point in units would remain unchanged
- ▶ The effect cannot be determined from the information given

Question No: 7 (Marks: 1) - Please choose one

The total cost of the beginning inventory was Rs. 60,000. During the month, 50,000 units were transferred out. The equivalent unit cost was computed to be Rs. 4.00 for materials and Rs. 7.40 for conversion costs under the weighted-average method.

With the help of given information, what was the total cost of the units completed and transferred out during the month.

- ▶ Rs. 480,000
- ▶ **Rs. 570,000**
- ▶ Rs. 540,000

► Rs. 510,000

$$=50000 \times 4 = 200000$$

$$=50000 \times 7.4 = 370000$$

$$370000 + 200000 = 570000$$

or $50k \text{ units} \times (4 \text{ material cost} + 7.40 \text{ conversion cost per unit}) = 570000$

Question No: 8 (Marks: 1) - Please choose one

The average cost method of process costing has an advantage when compared to the FIFO method relative to simplicity because under the average method:

- It provides that units started within the current period are valued at the current period cost
- The costs in the beginning inventory in a processing department maintain their separate identity
- The identity of the beginning units in process is typically maintained when they are transferred to the next department
- **All units completed during the period will be assigned the same unit cost**

Question No: 9 (Marks: 1) - Please choose one

Assuming no returns outwards or carriage inwards, the cost of goods sold will be equal to:

- Opening stock Less purchases plus closing stock
- Closing stock plus purchases plus opening stock
- **Sales less gross profit 100%**
- Purchases plus closing stock plus opening stock plus direct labor

$$\text{sales} - \text{cogs} = \text{gross profit}$$

Question No: 10 (Marks: 1) - Please choose one

“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:

- Over stocking
- Under stocking

► **Replenishment of stock (PAGE 50)**

► Acquisition of stock

Replenishment of stock (page 50)

Therefore implies as 'taking steps for the fresh purchase of those stocks which have been exhausted and for which requisitions are to be honored in future'.

Question No: 11 (Marks: 1) - Please choose one

Which of the following would be the effect, if inventory is not properly measured?

- **Expenses and revenues cannot be properly matched**
- **Unfair position in Financial Statements**
- Inventory items show under or over stocking
- All of the given options

BOTH CORRECT

Question No: 12 (Marks: 1) - Please choose one

While calculating the EOQ, carrying cost is taken as the:

- **%age of unit cost ($\text{UNIT COST} * \text{CARRYING COST} \%$)**
- %age of ordering cost
- %age of annual required units
- Total unit cost

EOQ : WHEN CARRING COST AND ORDERING COST PERUNIT IS MINIMUM

Question No: 13 (Marks: 1) - Please choose one

Payroll includes:

- Salaries & Wages of direct labor
- Salaries & Wages of Indirect labor
- Salaries & Wages of Administrative
- **Salaries & Wages of direct labor, Indirect labor, and Administrative**

Question No: 14 (Marks: 1) - Please choose one

Increased cost of production due to high labor turnover is a result of which of the following factor?

- ▶ Interruption of production
- ▶ Coordination between new and old employee to produce more
- ▶ **Increased production due to newly motivated employees**
- ▶ Decrease losses as new employees will be more concerned towards output

Labor Turnover:

Labor turnover may be defined as the rate of change in the composition of the labor force of an organization high rate of labor turnover denotes that labor is not stable and there is frequent change in the labor force in the organization. The high labor turnover rate is an important indication of high labor cost

Question No: 15 (Marks: 1) - Please choose one

The Process of cost apportionment is carried out so that:

- ▶ Cost may be controlled
 - ▶ Cost unit gather overheads as they pass through cost centers
 - ▶ Whole items of cost can be charged to cost centers
 - ▶ **Common costs are shared among cost centers**
- A.** The charging of discrete identifiable items of cost to cost centers or cost units
B. The collection of costs attributable to cost centers and cost units using the costing
Methods, principles and techniques prescribed for a particular business entity
C. The process of establishing the costs of cost centers or cost units
D. The division of costs amongst two or more cost centers in proportion to the estimated benefit received, using a proxy, e.g. square feet

Question No: 16 (Marks: 1) - Please choose one

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:

- ▶ Direct labor hours
- ▶ direct labor costs
- ▶ **Machine hours (correct)**
- ▶ Cost of material used

Question No: 17 (Marks: 1) - Please choose one

Which of the following industries would most likely use a Process cost Accounting system?

- ▶ Construction
- ▶ **Beer**
- ▶ Hospitality
- ▶ Consulting

Question No: 18 (Marks: 1) - Please choose one

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?

- ▶ Operating loss
- ▶ Abnormal loss
- ▶ **Normal loss**
- ▶ Non-operating loss

Question No: 19 (Marks: 1) - Please choose one

A company produces two chemicals in a joint process. Chemical A can be sold at split off while chemical B currently cost Rs. 2 per gallon for disposal. If chemical B is further processed, it would cost Rs. 5 per gallon. At what sales price would the company be in different between disposing of chemical B at split off and further processing the chemical?

- ▶ Rs.3
- ▶ Rs.5
- ▶ Rs.4
- ▶ **Rs.7**

Question No: 20 (Marks: 1) - Please choose one

Variable costing is also known as:

- ▶ Direct Costing
- ▶ Marginal Costing
- ▶ **Both Direct Costing & Marginal Costing**
- ▶ Indirect Costing

Question No: 21 (Marks: 1) - Please choose one

The following data related to production of ABC Company:

Units produced	8,000 units
Direct materials	Rs.6
Direct labor	Rs.12
Fixed overhead	Rs.24000
Variable overhead	Rs.6
Fixed selling and administrative	Rs.2000
Variable selling and administrative	Rs.2

Using the data given above, what will be the unit product cost under marginal costing?

Marginal costing: direct materials, direct labor, direct expenses and variable overheads (but not fixed overheads)

$$=6+12+6=24$$

Selling and admin exp are not added in marginal costing

- ▶ Rs. 22
- ▶ **Rs. 24**
- ▶ Rs. 28
- ▶ Rs. 30

Question No: 22 (Marks: 1) - Please choose one

Net income reported under direct costing will exceed net income reported under absorption costing for a given period if:

- ▶ The fixed overhead exceeds the variable overhead
- ▶ Production equals sales for that period
- ▶ Production exceeds sales for that period
- ▶ **Sales exceed production for that period (page 171)**

Question No: 23 (Marks: 1) - Please choose one

Profit under absorption costing will be higher than under marginal costing if:

- ▶ **Produced units > Units sold (page 171)**
- ▶ Produced units < Units sold
- ▶ Produced units = Units sold
- ▶ Profit cannot be determined with given statement

Question No: 24 (Marks: 1) - Please choose one

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

Contribution Margin = sales value of a cost unit - variable cost per unit

$$= 14 - 8 = 6$$

- ▶ **Rs. 6**
- ▶ Rs. 12
- ▶ Rs. 14
- ▶ Rs. 8

Question No: 25 (Marks: 1) - Please choose one

The break-even point in units is calculated using which of the following factors?

break-even point occurs where contribution margin equals fixed costs is called break even point in units

- ▶ Fixed expenses and the contribution margin ratio
 - ▶ Variable expenses and the contribution margin ratio
 - ▶ **Fixed expenses and the unit contribution margin**
 - ▶ Variable expenses and the unit contribution margin

Question No: 26 (Marks: 1) - Please choose one

The point at which the cost line intersects the sales line will be called:

- ▶ Budgeted sales
- ▶ **Break Even sales**
- ▶ Margin of safety
- ▶ Contribution margin

Question No: 27 (Marks: 1) - Please choose one

If one would prepare a graph with a horizontal axis representing units of production and a vertical axis representing per-unit production cost, how would a line representing fixed production cost is drawn?

- ▶ **As a horizontal line (page 193)**
- ▶ As a vertical line
- ▶ As a straight line sloping upward to the right
- ▶ As a straight line sloping downward to the right

Explanation: The per-unit fixed cost would decline as production increased. That is, total production divided into the constant fixed cost amount would result in a decreasing per unit fixed cost. A line sloping downward to the right would represent this situation.

Question No: 28 (Marks: 1) - Please choose one

Budget for an organization is prepared by which of the following person?

- ▶ Functional head
- ▶ **Manager**
- ▶ Auditor
- ▶ Administrator

<http://www.laynetworks.com/Accounting%20and%20Finance%20on%20Computers.htm>

Question No: 29 (Marks: 1) - Please choose one

Amount of Depreciation on fixed assets will be fixed in nature if calculated under which of the following method?

- ▶ **Straight line method**
- ▶ Reducing balance method
- ▶ Some of year's digits method
- ▶ Double declining method

Solution: Fixed Cost

It is a cost which tends to be constant by increases or decreases in the activity level.

Graph of Fixed Cost

This graph shows that the cost remains fixed regard less of the volume of output.
Examples include:

- a. Salary of the production manager (monthly/annual)**
- b. Insurance premium of factory work shop**
- c. Depreciation on straight line method**

Question No: 30 (Marks: 1) - Please choose one

Which of the following factor/s should be considered while constructing an administrative selling expense budget?

- ▶ Fixed expenses

- ▶ Past experience
- ▶ Variable expenses
- ▶ **All of the given options**

Question No: 31 (Marks: 1) - Please choose one

All are examples of cash disbursements EXCEPT:

- ▶ Payment for materials purchased
- ▶ **Payment received as collection of accounts receivable**
- ▶ Payment of dividends
- ▶ Payment of taxes

Question No: 32 (Marks: 1) - Please choose one

A budget that requires management to justify all expenditures, rather than just changes from the previous year is referred to as:

- ▶ Self-imposed budget
- ▶ Participative budget
- ▶ Perpetual budget
- ▶ **Zero-based budget**

Question No: 33 (Marks: 1) - Please choose one

Which of the following sentences is the best description of zero-base budgeting?

- ▶ Zero-base budgeting is a technique applied in government budgeting in order to have a neutral effect on policy issues
- ▶ **Zero-base budgeting requires a completely clean sheet of paper every year, on which each part of the organization must justify the budget it requires**
- ▶ Zero-base budgeting starts with the figures of the previous period and assumes a zero rate of change
- ▶ Zero based budgeting is an alternative name of flexible budget

Question No: 34 (Marks: 1) - Please choose one

Which of the following is the first step in the decision-making process?

- ▶ **Clarify the decision problem**
- ▶ Collect the data
- ▶ Select an alternative
- ▶ Develop a decision model

Question No: 35 (Marks: 1) - Please choose one

Which the following would be considered a Relevant Cost?

- ▶ The book value of the old equipment
- ▶ Depreciation expense on the old equipment
- ▶ **The current disposal price of the old equipment**
- ▶ Historical cost of an equipment

Question No: 36 (Marks: 1) - Please choose one

The Auslander Company has 1,600 obsolete calculators that are carried in inventory at a total cost of Rs. 106,800. If these calculators are upgraded at a total cost of Rs. 40,000, they can be sold for a total of Rs. 120,000. As an alternative, the calculators can be sold in their present condition for Rs. 44,800. What will be the sunk cost in this situation?

- ▶ Rs. 0
- ▶ Rs. 40,000
- ▶ Rs. 44,800
- ▶ **Rs. 106,800**

A sunk cost is a cost that the already been incurred and cannot be altered by any future decision. If sunk costs are not affected by a decision then they must be non-relevant costs for decision making purposes

Question No: 37 (Marks: 1) - Please choose one

Costs that have been incurred include which of the following?

- ▶ Only opportunity costs
- ▶ Costs that have already been paid
- ▶ Costs that have been committed
- ▶ **Both costs that have already been paid and committed**

Question No: 38 (Marks: 1) - Please choose one

For a retail outlet chain with multiple stores, which of the following statements would be correct?

- ▶ Stores which have a net loss should be discontinued
- ▶ Stores with a negative contribution margin should be discontinued
- ▶ Stores with a negative contribution margin should be discontinued provided such discontinuation will not cause an increase in sales at other stores
- ▶ **Stores with a negative contribution margin should not be discontinued if such discontinuation will cause profitable stores to bear a portion of the unprofitable store's overhead**

Question No: 39 (Marks: 1) - Please choose one

In the process costing when material is issued for production to department no 1. what would be the journal entry Passed?

- ▶ **W.I.P (Dept-I)**

To Material a/c

- ▶ W.I.P (Dept-ii)

To Material a/c

- ▶ Material a/c

To W.I.P (Dept-ii)

► W.I.P (Dept-ii)

To FOH applied.

Question No: 40 (Marks: 1) - Please choose one

FIFO is the abbreviation of:

- Final Interest-Free Option
- **First in First out Method**
- None of the given options
- Fixed income Financial Operations

FINAL TERM EXAMINATION

Fall 2009

MGT402- Cost & Management Accounting (Session - 3)

Time: 120 min

Marks: 84

Question No: 1 (Marks: 1) - Please choose one

the contribution margin ratio is 30% for the Spice Co. and the breakeven point in sales is Rs. 150,000. If the company desires a target net income of Rs. 60,000, what would have to be the amount of actual sales?

C/S RATIO = CONTRIBUTION MARGIN / SALES

CM = C/S RATIO * SALES

=150000 * 30/100 = 45000

NET INCOME + CM / CM RATIO = actual sale

$$45000 + 60000 / .3 = 350000$$

- ▶ Rs. 200,000
- ▶ **Rs. 350,000**
- ▶ Rs. 250,000
- ▶ Rs. 210,000

Question No: 2 (Marks: 1) - Please choose one

Cost of finished goods inventory is calculated by:

- ▶ Deducting total cost from finished goods inventory
- ▶ **Multiplying units of finished goods inventory with the cost per unit**
- ▶ Dividing units of finished goods inventory with the cost per unit
- ▶ Multiplying total cost with finished goods inventory

Question No: 3 (Marks: 1) - Please choose one

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

- ▶ A standard time is set for the completion of a job
- ▶ If the time taken is greater than the time allowed, the workers in the group receive time wages
- ▶ If the time taken is less than the time allowed, the group receives a bonus on time saved
- ▶ **If the time taken is greater than the time allowed, the workers in the group receive time deductions for extra hours (PAGE 93)**

Question No: 4 (Marks: 1) - Please choose one

Superior started 80,000 gallons of paint. During the month the company completed 92,000 gallons and transferred them to the mixing department. Superior had 38,000 gallons in beginning inventory and 26,000 gallons in ending inventory.

Material is added at the beginning of the process and conversion costs are added evenly throughout the process.

Beginning WIP was 30% complete as to conversion costs and ending WIP was 20% complete as to conversion costs. The company uses a FIFO costing

The company uses a FIFO costing. The cost data for February follow:

Beginning inventory:

Direct materials Rs.22, 200

Conversion costs Rs. 44,000

Costs added this period:

Direct materials Rs. 150,000

Conversion costs Rs. 343,200

Required:

What was the cost of direct materials in ending inventory?

- ▶ Rs. 37,560

	▶ Rs. 42,600
	▶ Rs. 45,550
	▶ Rs. 48,750 (CORRECT)
TRANSFERRED OUT	92000
ADD ENDING	26000
	<hr/>
	118000
LESS OPENING	38000
	<hr/>
TOTAL	80000
	<hr/>
150000 / 80000	
1.875	

$$26000 \times 1.875 = 48750$$

Question No: 5 (Marks: 1) - Please choose one

Jones, Industries uses process costing system. In October, the finishing department had 30,000 (20% as to conversion) units in beginning work-in-process, 45,000 (40% as to conversion) units in ending inventory and had 95,000 units transferred in from the previous department. Material is added at the end of the process and conversion costs are added uniformly throughout the process.

Required: If Jones uses weighted average, what are the equivalent units of production for direct material and conversion costs?

- ▶ Material 125,000 units Conversion cost 45,000 units
- ▶ **Material 125,000 units Conversion cost 98,000 units**
- ▶ **Material 125,000 units Conversion cost 18,000 units**
- ▶ Material 125,000 units Conversion cost 80,000 units

Units completed as per material are 100% opening + closing

$$95,000 + 30,000$$

$$\mathbf{1,25,000}$$

Units complete as per Conversion Cost are 40% as it is mentioned the Material is added at the end of process and the conversion costs are added uniformly throughout the process. The 20% as mentioned in question were held by the finishing department. And we are considering only current in process. So

$$45,000 \times 40\% = 18,000$$

As per my knowledge the answer is 3rd option f

Question No: 6 (Marks: 1) - Please choose one

An average cost is also known as:

- ▶ Variable cost
- ▶ **Unit cost**
- ▶ Total cost
- ▶ Fixed cost

Question No: 7 (Marks: 1) - Please choose one

Period costs are:

- ▶ Expensed when the product is sold
- ▶ Included in the cost of goods sold
- ▶ **Related to specific period**
- ▶ Not expensed

Question No: 8 (Marks: 1) - Please choose one

The net profit or loss for a particular period of time is reported on which of the following?

- ▶ Statement of cash flows
- ▶ Statement of changes in owner's equity
- ▶ **Income statement**
- ▶ Balance sheet

Question No: 9 (Marks: 1) - Please choose one

Which of the following is correct?

▶ **Units sold= Opening finished goods units + Units produced – Closing finished goods units (PAGE 37)**

- ▶ 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

Question No: 10 (Marks: 1) - Please choose one

Which of the following is important requirement of the effective material control?

- ▶ There are proper storage facilities
- ▶ There is a proper authority that will regulate the supply of material
- ▶ The accounts should provide a running balance of the value of the materials on hand

▶ **All of the given options**

Effective material control requirements

1. That no material is purchased without proper authority.
2. That the quantity of material purchased is in fact received.
3. That there are proper storage facilities.
4. That no material is issued without proper authorization and the purpose for which the material is required is recorded.
5. That the accounts provide a running balance of the value of the materials on hand.

Question No: 11 (Marks: 1) - Please choose one

Material requisition is a document that supports the requirement of the material. This document is sent to store incharge and approved by:

- ▶ Store manager
- ▶ **Production manager (PAGE 65)**

- ▶ Supplier manager
- ▶ Purchase manager

Question No: 12 (Marks: 1) - Please choose one

The Process of cost apportionment is carried out so that:

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

Apportionment

It refers to the costs that cannot be identified with specific cost centre but must be divided among the concerned department/cost centers.

Question No: 13 (Marks: 1) - Please choose one

Which of the following is characteristic of a job order cost accounting system?

- ▶ It records manufacturing activities using a perpetual inventory system
- ▶ It tracks cost by job
- ▶ It is best suited for customized products
- ▶ **All of the given options**

Question No: 14 (Marks: 1) - Please choose one

A by product:

- ▶ **Is produced from material that would otherwise be of no value**
- ▶ Has a lower selling price than the main product
- ▶ Is created along with the main product, but its sales value does not cover its production cost
- ▶ Always produces a large amount of revenue than the main product

Question No: 15 (Marks: 1) - Please choose one

According to marginal costing concept, all fixed costs are considered as:

- ▶ **Period cost (page 164)**
- ▶ Production cost
- ▶ Mixed cost
- ▶ Sunk cost

Question No: 16 (Marks: 1) - Please choose one

Variable costing is also known as:

- ▶ Direct Costing

- ▶ Marginal Costing
- ▶ **Both Direct Costing & Marginal Costing**
- ▶ Indirect Costing

Question No: 17 (Marks: 1) - Please choose one

Blackhat Chimney Builders constructed 80 units during 1901. The total sales value for these 80 units was Rs. 460,000. Variable costs associated with each unit were Rs. 4,000 and the company's fixed costs for 1901 amounted to Rs. 50,000. How much was the per-unit contribution margin?

- ▶ Rs. 750
- ▶ Rs. 1,125
- ▶ **Rs. 1,750**
- ▶ Rs. 5,125

sales per unit – variable cost per unit= contribution margin
(460,000/80)-4000 = 1750

Question No: 18 (Marks: 1) - Please choose one

Which of the following represents the calculation of contribution margin ratio?

- ▶ (Sales - Total Expenses) / Sales
- ▶ (Sales - Fixed Expenses) / Sales
- ▶ (Sales - Cost of Goods Sold) / Sales
- ▶ **(Sales - Variable Expenses) / Sales**

Question No: 19 (Marks: 1) - Please choose one

The by-product of oil and fuel is:

- ▶ Mobil oil and [lubricating oils](#)
- ▶ Kerosene oil and [Asphalt](#) and [Tar](#)
- ▶ Gasoline and [Petroleum coke](#)
- ▶ **All of the given**

Question No: 20 (Marks: 1) - Please choose one

Information concerning Label Corporation's Product A is as follows:

	Rs.
Sales price	300,000
Variable cost	240,000
Fixed Cost	40,000

Assuming that Label increased sales of Product A by 20%, the profit of the product A would be which of the following?

- ▶ Rs. 20,000
- ▶ Rs. 24,000
- ▶ **Rs. 32,000**
- ▶ **Rs. 80,000 (correct)**

Sale increased = $300000 \times 20/100 = 60000$

Total sale = 360,000

Sale – fixed cost – variable cost

360000 – 40000 – 240000

= 80,000

Question No: 21 (Marks: 1) - Please choose one

While constructing a Break even chart, the gap between sales line and variable cost line shows which of the following?

▶ Fixed cost

▶ Break even point

▶ **Contribution margin**

▶ Variable cost

Question No: 22 (Marks: 1) - Please choose one

If one would prepare a graph with a horizontal axis representing units of production and a vertical axis representing per-unit production cost, how would a line representing fixed production cost be drawn?

▶ **As a horizontal line (page 193)**

▶ As a vertical line

▶ As a straight line sloping upward to the right

▶ As a straight line sloping downward to the right

Question No: 23 (Marks: 1) - Please choose one

All of the following are the objectives of budgeting EXCEPT:

▶ Maximization of sales

▶ Profit maximization

▶ Compete with competitors

▶ **Increased cost**

Question No: 24 (Marks: 1) - Please choose one

Production budget is an example of which of the following budget?

▶ **Functional budget**

▶ Master budget

▶ Cost of goods sold budget

▶ Sales budget

Then, production budget is prepared on the basis of sales budget and the production capacity available. Financial budget (i.e. cash or working capital budget) will be prepared on the basis of sale forecast and production budget

Question No: 25 (Marks: 1) - Please choose one

Consider the following data for the month of April:

Closing stock 80 units

Production 280 units

Sales 330 units

Based on the data, the opening stock for April will have to be:

- ▶ 50 units
- ▶ 410 units
- ▶ 70 units
- ▶ **130 units**

sale – production + closing stock

$$330 - 280 + 80 = 130$$

Question No: 26 (Marks: 1) - Please choose one

Which of the following is a reason of main difference between production budget and Production cost budget?

- ▶ Production budget is constructed in units
- ▶ Production budget is constructed in Rs.
- ▶ Production cost budget is constructed in units
- ▶ **Both are same budgets**

Question No: 27 (Marks: 1) - Please choose one

Which of the following factor would determine the importance of direct labor cost budget in human resource department?

- ▶ **Provide guidance about the requirements of number of work force**
- ▶ Provide feed back about the working of workforce
- ▶ How much payroll will have been paid?
- ▶ How the cost units will be produced?

Question No: 28 (Marks: 1) - Please choose one

Usually the first step in the production of the master budget is the:

- ▶ **Sales forecast**
- ▶ Sales budget
- ▶ Cash budget
- ▶ Production budget

Question No: 29 (Marks: 1) - Please choose one

The master budget usually begins with a:

- ▶ Production budget
- ▶ Direct materials budget
- ▶ Direct labor budget
- ▶ **Sales budget**

http://www.accountingformanagement.com/the_master_budget.htm

Question No: 30 (Marks: 1) - Please choose one

Which of the following is **NOT** example of a cash outflow?

- ▶ Cash drawings
- ▶ Purchase of new equipment
- ▶ Commission paid

► **Depreciation**

Question No: 31 (Marks: 1) - Please choose one

Which of the following is true about flexible budget?

- **A budget that always based on actual capacity**
- A budget that is prepared using spreadsheet model
- A budget in which total variable cost remains unchanged
- Variable costs per unit will remain unchanged

Ref:

The variable costs change in direct proportion to output if flexible budgeting approach is adopted, the budget controller can analyze the variance between actual costs and budgeted costs depending upon the actual level of activity attained during a period of time.

Question No: 32 (Marks: 1) - Please choose one

Smith & Company estimate its overheads to produce 80,000 units are Rs. 1,000,000 (60 percent is variable). What would be the budgeted overhead at a capacity level of 100,000 units?

- Rs. 1,050,000
- **Rs. 1,150,000**
- Rs. 1,250,000
- Rs. 1,450,000

budgeted overhead / overhead produced
100000 / 80000
1.25*1000000 = 1250000

Question No: 33 (Marks: 1) - Please choose one

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

- Heuristics method
- **Decision making (page 219)**
- The Delphi technique
- Systematic error

Question No: 34 (Marks: 1) - Please choose one

The following monthly data are available for the Boarder, Inc. and its only product: Unit sales price = Rs. 36 Unit variable expenses = Rs. 28 Total fixed expenses = Rs. 50,000 Actual sales for the month of May = 7,000 units. The margin of safety for the company for May was:

- Rs. 6,000
- **Rs. 27,000**

► Rs. 56,000

► Rs. 106,000

[Margin of Safety = Total budgeted or actual sales – Break even sales]

Break even sales = fixed cost/ (contribution margin/sales or c/s)

Contribution margin = s-v.c = 36-28=8

Break even Sales = (50,000)/(8/36) 225000

Actual sales = 7000*36 = 252000

MOS = (252000-225000) = 27000

Question No: 35 (Marks: 1) - Please choose one

Perpetual inventory system is:

► A stock control system designed to ensure that the level of stock never falls to zero

► A system of counting and valuing selected stock items at different times on a perpetually rationing basis

► **A system of recording receipts and issues of stock as they occur, showing the resulting balance of each stock item at all times**

► A system of stock recording which remains unchanged over time, in order to monitor trends

Question No: 36 (Marks: 1) - Please choose one

D Corporation uses process costing to calculate the cost of manufacturing Crunchies. During the month 12,500 units were completed, 1,500 units remained in work in process at 25 percent completed. How many equivalent units are produced?

► 12,500 units

► **12,875 units**

► 14,250 units

► 12,125 units

Equivalent units WIP = 1500*.25 = 375

Total = 12500+375 = 12875

Question No: 37 (Marks: 1) - Please choose one

A cost that has been incurred but cannot be changed by present or future decisions is called:

► **Sunk cost**

► Differential cost

► Opportunity cost

► Marginal cost

Question No: 38 (Marks: 1) - Please choose one

All of the following are deducted from Gross Profit to calculate Operating income **EXCEPT**:

- ▶ Selling expenses
- ▶ Advertising expenses (correct)
- ▶ Administrative expenses
- ▶ Financial expenses

Question No: 39 (Marks: 1) - Please choose one

A company produces two chemicals in a joint process. Chemical A can be sold at split off while chemical B currently cost Rs. 12 per gallon for disposal. If chemical B is further processed, it would cost Rs. 17 per gallon. At what sale price would the company be in different between disposing of chemical B at split off and further processing the chemical?

- ▶ Rs. 5
- ▶ Rs. 17
- ▶ Rs. 29
- ▶ Rs. 7

because if company decide 29 Rs. Currently cost profit $29 - 12 = 17$ and after further processing profit $29 - 17 = 12$

Question No: 40 (Marks: 1) - Please choose one

Which of the following is(are) base(is) of cost allocation under joint products?

- ▶ Physical quantity ratio
- ▶ Selling price ratio
- ▶ Hypothetical market value ratio
- ▶ All of given options

Question No: 41 (Marks: 1) - Please choose one

What is the starting point of variable cost line on a break even chart at zero production level?

- ▶ It must start from origin
- ▶ It might start from origin
- ▶ It does not start from origin
- ▶ Non of the given options

Question No: 42 (Marks: 1) - Please choose one

Which of the following is NOT the type of a functional budget?

- ▶ Sales Budget
- ▶ Raw material budget
- ▶ Direct labour budget
- ▶ Cash budget (page 202)

a budget of income and/or expenditure applicable to a particular function. A function may refer to a department or a process. Functional budgets frequently include the following: production cost

budget (based on a forecast of production and plant utilization); marketing cost budget; sales budget; personnel budget; purchasing budget; and research and development budget.

Question No: 43 (Marks: 1) - Please choose one

Which of the following must be required for the preparation of Production cost budget?

— **► Sales in rupees**

- Cash budget
- Flexible budget
- Functional budget

production budget is prepared on the basis of sales budget. sales budget is the key factor in preparing production budget

Question No: 44 (Marks: 1) - Please choose one

Which of the following budget includes an item of indirect material cost?

— **► FOH cost budget**

- Direct labor cost budget
- Direct material cost budget
- None of the given options

FOH = Indirect material costs + power heat and light + depreciation + other manufacturing costs

Question No: 45 (Marks: 1) - Please choose one

The following information is available for Atlas Corporation to prepare a cash budget for the month of September:

- Cash on hand beginning of September Rs. 16,000
- Expected receipts in September Rs. 272,000
- Sales salaries paid Rs. 62,000
- Material purchases (all in cash) Rs. 190,000
- Depreciation Rs. 44,000

What is the ending cash balance in September?

- Rs. (8,000)
- Rs. 22,000
- **► Rs. 36,000**
- Rs. 45,000

Question No: 46 (Marks: 1) - Please choose one

Which of the following cost ('s) will be considered as controllable cost ('s)?

- Direct material
- Direct labor
- Variable overhead

— **► All of the given options (page 234)**

Question No: 47 (Marks: 1) - Please choose one

All of the following costs are irrelevant to decision making **EXCEPT**:

- **► Incremental cost**
- Sunk cost
- Fixed cost

- ▶ Supervisor's routine salary

Question No: 48 (Marks: 1) - Please choose one

Which of the following statement is **TRUE** about opportunity cost?

- ▶ It is irrelevant to decision making
- ▶ It is always a sunk cost
- ▶ It is always a historical cost
- ▶ **It is relevant to decision making**

FINAL TERM EXAMINATION

Fall 2009

MGT402- Cost & Management Accounting (Session - 4)

Time: 120 min

Marks: 84

Question No: 1 (Marks: 1) - Please choose one

Railway Product Ltd makes one product that sells for Rs. 72 per unit. Fixed costs are Rs. 81,000 per month & the product has a contribution to sales ratio of 37.5%. In a period when actual sales were Rs. 684,000 the company's unit margin of safety was:

- ▶ 4,000 units
- ▶ 4,800 units
- ▶ 5,500 units
- ▶ **6,500 units**

Safety Margin in units = Sales in units - Break even sale in units

Sales in units = $684000 / 72 = 9500$

Fixed exp in units = $81000 / 72 = 1125$

Break even SALE in units = Fixed Exp. In units / Contribution SALE ratio

= $1125 / 0.375 = 3000$

Safety Margin = $9500 - 3000 = 6500$

Question No: 2 (Marks: 1) - Please choose one

If Selling price per unit Rs. 15.00; Direct Materials cost per unit Rs. 3.50; Direct Labour cost per unit Rs. 4.00 Variable Overhead per unit Rs. 2.00; Budgeted fixed production overhead costs are Rs. 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.

- ▶ Rs. 9.50
- ▶ Rs. 15.00
- ▶ Rs. 11.50
- ▶ **Rs. 3.50**

direct materials, direct labor, direct expenses,
variable overheads and fixed overheads (absorbed into cost units)

FIXED COST PER UNIT $60000/30000 = 2$

$3.50 + 4 + 2 + 2 = 11.50$

Net profit = sale price per unit - absorption cost per unit

$= 15 - 11.50$

$= 3.5$

Question No: 3 (Marks: 1) - Please choose one

Superior started 80,000 gallons of paint. During the month the company completed 92,000 gallons and transferred them to the mixing department. Superior had 38,000 gallons in beginning inventory and 26,000 gallons in ending inventory.

Material is added at the beginning of the process and conversion costs are added evenly throughout the process.

Beginning WIP was 30% complete as to conversion costs and ending WIP was 20% complete as to conversion costs. The company uses a FIFO costing

The company uses a FIFO costing. The cost data for February follow:

Beginning inventory:

Direct materials Rs.22, 200
Conversion costs Rs. 44,000
Costs added this period:
Direct materials Rs. 150,000
Conversion costs Rs. 343,200

Required:

What was the cost of direct materials in ending inventory?

- ▶ Rs. 37,560
- ▶ Rs. 42,600
- ▶ Rs. 45,550
- ▶ **Rs. 48,750**

SOLUTION

TRANSFERREDUT	92000
ADD ENDING	26000
LESS OPENING	38000
PRODUCED THIS PERIOD	80000

PER UNIT $150000 / 80000 = 1.875$

COST OF DIRECT MATERIAL ENDING INVENTORY

26000 * 1.875
48,750

Question No: 4 (Marks: 1) - Please choose one

Which of the following costs would **NOT** be a period cost?

- ▶ Indirect materials
- ▶ Administrative salaries
- ▶ Advertising costs
- ▶ **Selling costs**

Question No: 5 (Marks: 1) - Please choose one

cost imposed on a firm includes cost when it foregoes an alternative action but doesn't make a physical payment. Such costs are known as?

- ▶ Firm cost
- ▶ Product cost
- ▶ **Implicit cost (page 7)**
- ▶ Explicit cost

In economics, an implicit cost occurs when one forgoes an alternative action but does not make an actual payment.

Question No: 6 (Marks: 1) - Please choose one

Which of the following is **CORRECT** to calculate cost of goods manufactured?

- ▶ Direct labor costs plus total manufacturing costs
- ▶ **The beginning work in process inventory plus total manufacturing costs and subtract the ending work in process inventory**
- ▶ Beginning raw materials inventory plus direct labor plus factory overhead
- ▶ Conversion costs and work in process inventory adjustments results in cost of goods manufactured

Question No: 7 (Marks: 1) - Please choose one

If EOQ = 360 units, order costs are Rs. 5 per order, and carrying costs are Rs. 0.20 per unit, what is the usage in units?

- ▶ **2,592 units**
- ▶ 25,920 units
- ▶ 18,720 units
- ▶ 129,600 units

$$EOQ = \sqrt{(2)(O)(S)/(C) }$$

$$360 = \sqrt{(2)(\$5)(S)/(\$0.20) }$$

$$360 = \sqrt{(50)(S) }$$

$$(360)(360) = 129,600 = (50)(S)$$

$$S = 129,600/50 = 2,592$$

Question No: 8 (Marks: 1) - Please choose one

In cost Accounting, normal loss is/are charged to:

- ▶ **Factory overhead control account (page 60)**
- ▶ Work in process account
- ▶ Income Statement
- ▶ All of the given options

Question No: 9 (Marks: 1) - Please choose one

The flux method of labor turnover denotes:

- ▶ Workers employed under the expansion schemes of the company
- ▶ **The total change in the composition of labor force (page 97)**
- ▶ Workers appointed against the vacancy caused due to discharge or quitting of the organization
- ▶ Workers appointed in replacement of existing employees

Question No: 10 (Marks: 1) - Please choose one

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
- ▶ Budgeted capacity is less than normal capacity
- ▶ **Actual overhead incurred is less than applied Overhead**

FOR EXAMPLE

ACTUAL OVERHEAD	10000
APPLIED OVERHEAD	12000

OVER APPLIED 2000

Question No: 11 (Marks: 1) - Please choose one

Capacity Variance / Volume Variance arises due to

▶ **Difference between Absorbed factory overhead and budgeted factory for capacity attained**

- ▶ Difference between Absorbed factory overhead and absorption rate
- ▶ Difference between Budgeted factory overhead for capacity attained and FOH actually incurred
- ▶ None of the given options

Question No: 12 (Marks: 1) - Please choose one

If a company uses a predetermined rate for the application of factory overhead, the idle capacity variance is the:

▶ **Over or under applied fixed cost element of overheads**

- ▶ Over or under applied variable cost element of overheads
- ▶ Difference in budgeted costs and actual costs of fixed overheads items
- ▶ Difference in budgeted cost and actual costs of variable overheads items

Question No: 13 (Marks: 1) - Please choose one

At the end of the accounting period, a production department manager submits a production report that shows all of the following **EXCEPT**:

- ▶ Number of units in the beginning work in process

▶ **Number of units sold**

- ▶ Number of units in the ending work in process and their estimated stage of completion
- ▶ Number of units completed

Question No: 14 (Marks: 1) - Please choose one

In a process costing system, the journal entry used to record the transfer of units from Department A, a processing department, to Department B, the next processing department, includes a debit to:

- ▶ Work in Process Department A and a credit to Work in Process

Department B

▶ **Work in Process Department B and a credit to Work in Process**

Department A

- ▶ Work in Process Department B and a credit to Materials
- ▶ Finished Goods and a credit to Work in Process Department B

Question No: 15 (Marks: 1) - Please choose one

In the process costing when labor is charged to production department no 1. What would be the journal entry Passed?

▶ Payroll a/c
To W.I.P (Dept-I)

▶ Payroll a/c
To W.I.P (Dept-II)

▶ **W.I.P (Dept-I)**
To Payroll a/c

▶ W.I.P (Dept-II)
To Payroll a/c

Question No: 16 (Marks: 1) - Please choose one

Which of the following method of accounting for joint product cost will produce the same gross profit rate for all products?

- ▶ Actual costing method
- ▶ Services received method
- ▶ **Market value method (page154)s**
- ▶ Physical quantity method

Question No: 17 (Marks: 1) - Please choose one

Which of the following costing method provide the added benefit of usefulness for external reporting purpose?

- ▶ **Absorption costing**
- ▶ Marginal costing
- ▶ Direct costing
- ▶ Variable costing

Question No: 18 (Marks: 1) - Please choose one

Contribution margin contributes to meet which one of the following options?

- ▶ Variable cost
- ▶ **Fixed cost (PAGE 179)**
- ▶ Operating cost
- ▶ Net Profit

Question No: 19 (Marks: 1) - Please choose one

If sales price and variable cost per unit both increases at 10% and the fixed cost does not change, what does its effect be on the contribution margin per unit and contribution margin ratio?

▶ Contribution margin per unit and the contribution margin ratio both remains unchanged

► Contribution margin per unit and the contribution margin ratio both increases

► **Contribution margin per unit increases and the contribution margin ratio remains unchanged**

► Contribution margin per unit decreases and the contribution margin ratio remains decreases

EXAMPLE

Solution	ACTUAL	INCREASE PER UNIT
10%		
Rs.	Rs.	Rs.
Sales (90 x 100)	9,000	(100 x 100)
10,000		
Variable cost (90 x 75)	(6,750)	(100 x 75)
(7,500)		

Contribution margin	2,250
2,500	
Fixed cost	(2,250)
2,250	

Profit / Loss	0
250	
ACTUAL	

$$\begin{aligned} \text{C/S RATIO} &= \text{CM} / \text{SALES} * 100 \\ &= 2250 / 9000 * 100 \\ &= 25\% \end{aligned}$$

INCREASE COST PER UNIT

$$\begin{aligned} \text{C/S RATIO} &= \text{CM} / \text{SALES} * 100 \\ &= 2500 / 1000 * 100 \\ &= 25\% \end{aligned}$$

Question No: 20 (Marks: 1) - Please choose one

Which of the following factor/s would cause the break-even point to change?

► Increased sales volume

► **Fixed costs increased due to addition of physical plant**

► Total variable costs increased as a function of higher production

► All of the given options

Question No: 21 (Marks: 1) - Please choose one

Bruce Inc. has the following information about Rut, the only product sold. The selling price for each unit is Rs. 20, the variable cost per unit is Rs. 8, and the total fixed cost for the firm is Rs. 60,000. Bruce has budgeted sales of Rs. 130,000 for the next period. What is the margin of safety in Rs. for Bruce?

► **Rs. 30,000**

► Rs. 70,000

► Rs. 100,000

► Rs. 130,000

CONTRIBUTION MARGIN = SALE PRICE PER UNIT – VARIABLE COST PER UNIT

$$= 20 - 8$$

$$= 12$$

BREAK EVEN IN RS = FIXED COST / C/S RATIO (CONTRIBUTION MARGIN / SALE)

$$= 60,000 / (12 / 20)$$

MOS = BUDGET SALE OR ACTUAL SALE - BREAK EVEN SALE

$$\text{MOS} = 130,000 - 100,000 = 30,000$$

Question No: 22 (Marks: 1) - Please choose one

Production budget is an example of which of the following budget?

► **Functional budget (PAGE 201)**

► Master budget

► Cost of goods sold budget

► Sales budget

Question No: 23 (Marks: 1) - Please choose one

Which of the following is the main objective of direct material budget?

► Determination of minimum and maximum stock level

► Developing purchasing requirements

► Financial Arrangements

► **All of the given options**

Question No: 24 (Marks: 1) - Please choose one

All of the following compose cost of goods sold EXCEPT:

► Raw material

► Labor

► **Capital**

► Factory overhead

Question No: 25 (Marks: 1) - Please choose one

Financial managers use which of the following to plan for monthly financing needs?

► Capital budget

► **Cash budget**

► Income Statement budget

► Selling & administrative expenses budget

Cash budget

Working capital requirements of a business should be monitored at all times to ensure that there are sufficient funds available to meet short-term expenses.

The cash budget is basically a detailed plan that shows all expected sources and uses of cash. The cash budget has the following six main sections:

1. **Beginning Cash Balance** - contains the last period's closing cash balance.
2. **Cash collections** - includes all expected cash receipts (all sources of cash for the period considered, mainly sales)
3. **Cash disbursements** - lists all planned cash outflows for the period, excluding interest payments on short-term loans, which appear in the financing section. All expenses that do not affect cash flow are excluded from this list (e.g. depreciation, amortization, etc.)
4. **Cash excess or deficiency** - a function of the cash needs and cash available. Cash needs are determined by the total cash disbursements plus the minimum cash balance required by company policy. If total cash available is less than cash needs, a deficiency exists.
5. **Financing** - discloses the planned borrowings and repayments, including interest.
6. **Ending Cash balance** - simply reveals the planned ending cash balance.

Question No: 26 (Marks: 1) - Please choose one

Which of the following sentences is the best description of zero-base budgeting?

► Zero-base budgeting is a technique applied in government budgeting in order to have a neutral effect on policy issues

► **Zero-base budgeting requires a completely clean sheet of paper every year, on which each part of the organization must justify the budget it requires**

► Zero-base budgeting starts with the figures of the previous period and assumes a zero rate of change

► Zero based budgeting is an alternative name of flexible budget

Question No: 27 (Marks: 1) - Please choose one

In a make or buy situation with no limiting factors, which of the following would be the relevant costs for the decision?

► Opportunity costs

► **Differential costs between the two options (PAGE 242)**

► Sunk costs

► Implied costs

Question No: 28 (Marks: 1) - Please choose one

If the cost per equivalent unit is Rs. 1.60. The equivalent units of output are 50,000. The WIP closing stock is 10,000 units, 40% completed. What will be the value of closing stock?

- ▶ Rs. 9,600
- ▶ Rs. 80,000
- ▶ Rs. 16,000
- ▶ **Rs. 6,400**

$$10,000 \times .40 = 4000 = \text{COMPLETED}$$

$$4000 \times 1.60 = 6400$$

Question No: 29 (Marks: 1) - Please choose one

Opening WIP Jan 01	0 units
Units received from preceding department	13,500 units, @4.50 per unit cost
Units completed in this department	11,750 units, @3.75 per unit cost

What were the units of closing work in process?

- ▶ 11,750 units
- ▶ **1,750 units**
- ▶ 13,500 units
- ▶ 2,187 units

$$\text{Closing stock} = \text{opening wip} + \text{unit received} - \text{unit completed}$$

Question No: 30 (Marks: 1) - Please choose one

Which of the following is(are) base(s) of cost allocation under joint products?

- ▶ Physical quantity ratio
- ▶ Selling price ratio
- ▶ Hypothetical market value ratio
- ▶ **All of given options (page 153)**

Question No: 31 (Marks: 1) - Please choose one

Income approach is used for the costing of which of the following?

- ▶ Joint products
- ▶ **By-products (page 159)**
- ▶ Both Joint products and By-products
- ▶ None of the given options

Question No: 32 (Marks: 1) - Please choose one

Which of the following is an element of cost?

- ▶ **Direct Labour Cost (page 23)**
- ▶ Cost of goods sold
- ▶ Cost of goods manufactured

► Mark up

Question No: 33 (Marks: 1) - Please choose one

If, Total fixed cost Rs. 2,000, Variable manufacturing cost Rs. 3,000, Variable selling cost Rs. 1,000 and Sales Rs. 10,000 then what will be the profit under absorption costing?

► Rs.7,000

► **Rs.5,000**

► Rs.4,000

► Rs.8,000

Profit = sale - adsorption cost (total fixed cost + variable manufacturing cost)

$$= 10000 - (2000+3000)$$

$$= 10000 - 5000$$

$$= 5000$$

Question No: 34 (Marks: 1) - Please choose one

Which of the following cannot becomes a part of product cost under marginal costing?

► Direct materials

► Variable manufacturing overhead

► **Fixed manufacturing overhead (page 165)**

► Direct labor

Question No: 35 (Marks: 1) - Please choose one

What would be the margin of safety ratio based on the following information?

• Sales price = Rs. 100 per unit

• Variable cost = Rs. 25 per unit

• Fixed cost = Rs. 50 per unit

► 25%

► **33.333%**

► 66.666%

► 75%

Profit = sale – fixed cost – variable cost

$$= 100 - 50 - 25$$

$$= 25$$

Contribution margin = sale – variable

$$= 100 - 25$$

$$= 75$$

MOS = Profit / Contribution margin * 100

$$= 25 / 75$$

$$= 33.333\%$$

Question No: 36 (Marks: 1) - Please choose one

A company ABC has budgeted sales of Rs. 8,000 and breakeven sales of Rs. 5,000 during a particular period whereas the actual sales amounted to Rs. 7,000. What will be the margin of safety ratio?

▶ None of the given options

▶ **37.5%**

▶ 40%

▶ 60%

MOS = budgeted sales - breakeven sales

= 8000 - 5000

= 3000

MOS RATIO = MOS / BUDGET SALE * 100

= 3000 / 8000 * 100

= 37.5%

Question No: 37 (Marks: 1) - Please choose one

What is the starting point of variable cost line on a break even chart at zero production level?

▶ **It must start from origin (page193)**

▶ It might start from origin

▶ It does not start from origin

▶ Non of the given options

Question No: 38 (Marks: 1) - Please choose one

Responsibility center where the manager is accountable for only the revenues and costs is a(n):

▶ Revenue center

▶ Cost center

▶ **Profit center**

▶ Investment center

Question No: 39 (Marks: 1) - Please choose one

Which of the following is/are included in production budget?

▶ Raw material budget

▶ Direct labour budget

▶ Factory overhead budget

▶ **All of the given options (PAGE 202)**

Question No: 40 (Marks: 1) - Please choose one

If, units of goods to be sold are 800, closing finished goods units are 200 and opening finished goods units are 100. What is the required production?

▶ **900 units**

▶ 1,000 units

▶ 700 units

▶ 600 units

**REQUIRED PRODUCTION = UNIT SOLD + CLOSING FINISHED GOODS –
OPENING FINISHED GOODS**

$$\begin{aligned} &= 800 + 200 - 100 \\ &= 900 \end{aligned}$$

Question No: 41 (Marks: 1) - Please choose one

Which of the following must be required for the preparation of Production cost budget?

- ▶ **Sales in rupees**
- ▶ Cash budget
- ▶ Flexible budget
- ▶ Functional budget

Question No: 42 (Marks: 1) - Please choose one

Which of the following budget includes an item of indirect material cost?

- ▶ **FOH cost budget**
- ▶ Direct labor cost budget
- ▶ Direct material cost budget
- ▶ None of the given options

Question No: 43 (Marks: 1) - Please choose one

Which of the following budget includes the item of depreciation of plant?

- ▶ Direct labor cost budget
- ▶ Variable FOH cost budget
- ▶ **Fixed FOH cost budget**
- ▶ Direct material cost budget

Question No: 44 (Marks: 1) - Please choose one

All of the followings are included in Fixed FOH Cost Budget **EXCEPT**:

- ▶ **Building rent**
- ▶ Insurance
- ▶ Supervisor's salary
- ▶ Heating and lighting

Question No: 45 (Marks: 1) - Please choose one

All of the following are the examples of administrative expenses **EXCEPT**:

- ▶ Salaries of employees
- ▶ Utility bills
- ▶ **Interest paid on debt**
- ▶ Depreciation of office equipment

Question No: 46 (Marks: 1) - Please choose one

Samson Company is required by the bank to maintain a minimum cash balance of Rs. 8,000. The Company is preparing a cash budget for February. Samson's beginning cash balance is Rs. 10,000 and expects cash receipts of Rs. 20,500 and cash disbursements of Rs. 25,000 (including Rs. 3,000 of depreciation). The company currently owes the bank Rs. 20,000. In order to have exactly the required minimum balance at the end of February, Samson must:

- ▶ Borrow Rs. 500
- ▶ **Repay Rs. 500**
- ▶ Borrow Rs. 2,500
- ▶ Repay Rs. 2,500

SOLUTION

$10\ 000 + 20\ 500 - 22\ 000 = 8500$

MINIMUM BALANCE IS 8000 SO IF THEY WANT TO KEEP MINIMUM BALANCE THEY WILL REPAY 500

Question No: 47 (Marks: 1) - Please choose one

Depreciation relating to plant & machinery is the best example of:

- ▶ **Committed fixed cost**
- ▶ Discretionary fixed cost
- ▶ Incremental cost
- ▶ Avoidable cost

As a general rule, committed fixed costs such as those costs arising from the possession of plant, equipment and buildings (giving rise to depreciation and rent) are largely uncontrollable in the short term because they have been committed by longer-term decisions.

Question No: 48 (Marks: 1) - Please choose one

Which of the following is a cost that is always irrelevant to decision making?

- ▶ Opportunity cost
- ▶ **Sunk cost (repeat)**
- ▶ Direct material cost
- ▶ Direct labour cost

FINALTERM EXAMINATION

Fall 2009

MGT402- Cost & Management Accounting (Session - 3)

Time: 120 min

Marks: 84

Question No: 1 (Marks: 1) - Please choose one

All of the following are a part of Planning Process EXCEPT:

- ▶ Identifying the objectives
- ▶ Search for alternative actions
- ▶ Data gathering for alternatives
- ▶ Selection of a fixed action (repeat)

Question No: 2 (Marks: 1) - Please choose one

All of the following indicate the problems in traditional budget EXCEPT:

- ▶ Programmes and activities involving wasteful expenditure are identified, resulting in unavoidable financial and other costs (repeat)
- ▶ Inefficiencies of a prior year are carried forward in determining subsequent years' levels of performance
- ▶ Managers are not encouraged to identify and evaluate alternate means of accomplishing the same objective
- ▶ Decision-making is irrational in the absence of rigorous analysis of all proposed costs and benefits

Question No: 3 (Marks: 1) - Please choose one

The chief financial officer is also known as the:

- ▶ Controller
- ▶ Staff accountant
- ▶ Auditor
- ▶ Finance director

http://en.wikipedia.org/wiki/Chief_financial_officer

Question No: 4 (Marks: 1) - Please choose one

When purchases are added to raw material opening Inventory, we get the value of:

- ▶ Material consumed.
- ▶ Material available for use.
- ▶ Material needed.
- ▶ Raw material ending inventory.

Question No: 5 (Marks: 1) - Please choose one

For manufacturing entities inventories are classified into ----- categories?

- ▶ One
- ▶ Two
- ▶ Three
- ▶ Four

For manufacturing entities inventories are classified into three categories:

1. Material and supplies inventory
2. Work in process inventory
3. Finished goods inventory

Question No: 6 (Marks: 1) - Please choose one

When prices are rising over time, which of the following inventory costing methods will result in the lowest gross margin?

- ▶ FIFO
- ▶ **LIFO (repeat)**
- ▶ Weighted Average
- ▶ Cannot be determined

LIFO gives the highest cost of issues and lowest cost ending inventory, consequently the lowest gross profit.

Question No: 7 (Marks: 1) - Please choose one

All of the following are unavoidable causes of labor turnover **EXCEPT**:

- ▶ Retirement and death leading to labor turnover
- ▶ Domestic responsibilities—to look after old parents
- ▶ Accident or illness rendering workers permanently incapable to work
- ▶ **Unfair methods of promotion and lack of promotions avenues**

(2) Unavoidable Causes include:—

- a) **Personal betterment of worker,**
- b) **Retirement and death leading to labor turnover,**
- c) **Domestic responsibilities—to look after old parents,**
- d) **Accident or illness rendering workers permanently incapable to work,**
- e) **Dismissal or discharge due to insubordination, negligence, inefficiency, etc.,**
- f) **Marriages, specially in case of women workers,**

Question No: 8 (Marks: 1) - Please choose one

The term cost allocation is described as:

- ▶ **The costs that can be identified with specific cost centers. (page 100)**
- ▶ The costs that can not be identified with specific cost centers.
- ▶ The total cost of factory overhead needs to be distributed among specific cost centers.
- ▶ None of the given options

Cost Allocation

It refers to the costs that can be identified with specific cost centers.

Apportionment

It refers to the costs that cannot be identified with specific cost centre but must be divided among the concerned department/cost centers.

Question No: 9 (Marks: 1) - Please choose one

Which of the following statement is true regarding Repeated distribution method?

- ▶ **The re-allocation continues until the numbers being dealt with become very small (page 104)**

- ▶ The re-allocation continues until the numbers being dealt with become very Large
- ▶ The re-allocation continues until the numbers being dealt with become small
- ▶ None of the given options

Repeated distribution method

This method takes each service department in turn and re-allocates its costs to all departments which benefit. The re-allocation continues until the numbers being dealt with become very small.

Question No: 10 (Marks: 1) - Please choose one

Which of the following is **TRUE** regarding the use of blanket rate?

- ▶ **The use of a single blanket rate makes the apportionment of overhead costs unnecessary (page 104)**
- ▶ The use of a single blanket rate makes the apportionment of overhead costs necessary
- ▶ The use of a single blanket rate makes the apportionment of overhead costs uniform
- ▶ None of the given options

Blanket rates

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. The use of a single blanket rate makes the apportionment of overhead costs unnecessary since the total production costs are to be used.

Question No: 11 (Marks: 1) - Please choose one

Which of the following is/are reported in production cost report?

- ▶ The costs charged to the department
- ▶ How the costs were assigned to the output?
- ▶ The equivalent units of production by the department
- ▶ **All of the given options**

Question No: 12 (Marks: 1) - Please choose one

In the process costing when labor is charged to production department no 1. What would be the journal entry Passed?

▶ Payroll a/c
To W.I.P (Dept-I)

▶ Payroll a/c
To W.I.P (Dept-II)

► W.I.P (Dept-I)
To Payroll a/c (correct)

► W.I.P (Dept-II)
To Payroll a/c

Question No: 13 (Marks: 1) - Please choose one

	Materials Costs (Rs.)	Conversion
Costs (Rs.)		
Work-in-process, May 1	46,000	78,000
Current costs (May)	<u>92,000</u>	<u>124,000</u>
Total cost	138,000	202,000

If the equivalent units of production under weighted average costing were 40,000 and 50,000 for materials and conversion costs, respectively, what are the costs per equivalent unit?

- Rs. 1.15, Rs.1.56
- Rs.1.76, Rs.1.94
- Rs. 2.30, Rs. 2.48
- Rs. 3.45, Rs. 4.04

Weighted Average Method (W.Avg):

Total cost/total unites = unit cost

138000 / 40000 = 3.45

202000 / 50000 = 4.04

Question No: 14 (Marks: 1) - Please choose one

In comparing common cost and joint cost:

- The terms can be correctly used interchangeably
- Both have the same objective of assigning production cost to cost center
- They differ since common cost products or services have been obtained separately
- Common cost is sometime used as Joint cost

Question No: 15 (Marks: 1) - Please choose one

Which of the following concept is used in absorption costing?

▶ Matching concept (175)

- ▶ Cost concept
- ▶ Cash concept
- ▶ None of the given options

Absorption costing follows the matching concept by carrying forward a proportion of the production cost in the stock valuation to be matched against the sales value

Question No: 16 (Marks: 1) - Please choose one

Good Job Plc makes one product which sells for Rs. 80 per unit. Fixed costs are Rs. 28,000 per month and marginal costs are Rs. 42 per unit. What sales level in units will provide a profit of Rs. 10,000?

- ▶ 350 units
- ▶ 667 units
- ▶ 1,000 units
- ▶ 1,350 units

Break even = Fix cost / (sales price – variable cost)

We need 1000+ break even

= (28000+1000) / (80-42) = 1000

Question No: 17 (Marks: 1) - Please choose one

Which of the following costs are treated as period costs under direct costing?

- ▶ Only direct cost
- ▶ Fixed selling and administrative expenses
- ▶ Fixed manufacturing overhead

▶ Both fixed manufacturing overhead and fixed selling and administrative expenses (page 179)

Question No: 18 (Marks: 1) - Please choose one

Variable costing is also known as:

- ▶ Direct Costing
- ▶ Marginal Costing
- ▶ Both Direct Costing & Marginal Costing
- ▶ Indirect Costing

Question No: 19 (Marks: 1) - Please choose one

Cost volume Profit analysis (CVP) is a behavior of how many variables?

- ▶ 2
- ▶ 3
- ▶ 4

► 5

CVP is a relationship of four variables

Sales	Volume
Variable cost	Cost
Fixed cost	Cost
Net income	PROFIT

Net income Profit **Question No: 20 (Marks: 1) - Please choose one**

Which of the following costs do **NOT** change when the activity base fluctuates?

- Variable costs
- Discretionary costs
- **Fixed costs**
- Mixed costs

Question No: 21 (Marks: 1) - Please choose one

The break-even point is the point where:

- Total sales revenue equals total expenses (variable and fixed)
- **Total contribution margin equals total fixed expenses**
- Fixed cost plus Profit is equal to contribution margin
- **All of the given options**

Question No: 22 (Marks: 1) - Please choose one

In process costing, a joint product is

- A product which is later divided in to many parts
 - **A product which is produced simultaneously with other products and is of similar value to at least one of the other products**
 - A product which is produced simultaneously with other products but which is of a greater value than any of the other products
 - A product produced jointly with another organization
- http://wps.prenhall.com/ema_uk_he_upchurch_costacct_1/0,4698,223191-.00.html

Question No: 23 (Marks: 1) - Please choose one

Eclair Ltd manufactured three products,JP,1,JP2,JP,3 with the following cost of raw material 10,000 kg,cost Rs,24,000 and conversion cost is Rs,28,000.

Out-Put	Production,Kg	sales price, per Kg
---------	---------------	---------------------

JP,1	4,000	11
JP,2	3,000	10
JP,3	1,000	26

Process costs are apportioned on a sales value basis.

Required: What was the apportioned cost for JP3.

- ▶ Rs. 52,000
- ▶ **Rs. 13,520**
- ▶ Rs. 15,600
- ▶ **Rs. 22,880**

Total cost of raw material	24,000
Total cost as per conversion cost	<u>28,000</u>
Total cost incurred	52,000

Apportioned Cost for JP3

$$52000/10000 = 5.2$$

$$1000 * 5.2 \times 26 = 135200$$

I've got this according to this the answer is may be **Rs. 13,520**. May be I am missing any step. But the calculation of cost apportionment is as mentioned above

Question No: 24 (Marks: 1) - Please choose one

The little Rock Company shows fixed expenses of Rs. 12,150 and Margin of safety ratio is 25% and Break even sales is Rs. 40, 500. If contribution margin ratio is 30% what would be the actual sales?

- ▶ Rs. 40,500
- ▶ **Rs. 54,000**
- ▶ Rs. 12,150
- ▶ Rs. 4,050

SOLUTION

$$\text{FIXED COST / MOS RATIO} * 100$$

$$12150 / .75$$

$$\text{CONTRIBUTION MARGIN} = 16200$$

$$16200 / .30 = 54000$$

Question No: 25 (Marks: 1) - Please choose one

All of the following are assumptions in constructing a Break even chart **EXCEPT**:

- ▶ There is no change of time value of money
- ▶ Price of cost factors remains constant
- ▶ Long term period will be considered
- ▶ **Cost is affected by volume**

Question No: 26 (Marks: 1) - Please choose one

If a firm is using activity-based budgeting, the firm would use this in place of which of the following budgets?

- ▶ Direct labor budget
- ▶ Direct materials budget
- ▶ Revenue budget
- ▶ **Manufacturing overhead budget**

http://wps.prenhall.com/bp_horngren_cost_12/31/8133/2082263.cw/content/index.html

Question No: 27 (Marks: 1) - Please choose one

Hogan Company plans to produce 5,000 wooden tables. Each table requires 10 bd. Ft. of lumber at a price of Rs. 2.50 per bd. Ft. The desired beginning and ending inventories of lumber are 10,000 and 20,000 board feet, respectively. The total direct materials purchase cost for lumber is:

- ▶ Rs. 100,000
- ▶ Rs. 12,500
- ▶ Rs. 175,000
- ▶ **Rs. 150,000**

Required lumber for 5000 tables = $5000 \times 10 = 50,000$

Beginning inventory = 10,000

Closing inventory = 20,000

$50,000 - 10,000 + 20,000 = 60,000$

Cost of lumber = $60,000 \times 2.5 = 1,50,000$

Question No: 28 (Marks: 1) - Please choose one

Which of the following budgets provide information for preparation of the owner's equity section of a budgeted balance sheet?

- ▶ Sales budget
- ▶ Cash budget
- ▶ **Capital expenditures budget**
- ▶ Budgeted income statement

Question No: 29 (Marks: 1) - Please choose one

Which of the following is **NOT** example of a cash outflow?

- ▶ Cash drawings
- ▶ Purchase of new equipment
- ▶ Commission paid
- ▶ Depreciation (correct)

Question No: 30 (Marks: 1) - Please choose one

When using a flexible budget, what will occur to variable costs (on a per unit basis) as production increases?

- ▶ Variable costs are not considered in flexible budgeting
- ▶ Variable costs per unit will decrease
- ▶ Variable costs per unit will remain unchanged (correct)
- ▶ Variable costs per unit will increase

Question No: 31 (Marks: 1) - Please choose one

A relevant cost or benefit is one that will be affected by the decision. Which of the following should be regarded as relevant in the decision-making process?

- ▶ Fixed overheads
 - ▶ Notional costs
 - ▶ Sunk costs
 - ▶ Opportunity costs
- Fixed overheads. These will be incurred regardless of the decision.
 - Notional costs. For example, notional rent - these costs are only a book exercise and do not represent a real cash flow.
 - Past or sunk costs. These have already happened, so they cannot be affected by a future decision. It is vital to note that relevant costs are always future costs.
 - Opportunity costs
A company often has a choice of options. For example, does it choose to use a scarce resource for Contract A instead of Contract B? If it does choose Contract A then Contract B will be deprived of the resource that could have generated a contribution for the company. This is an example of an opportunity cost, a relevant cost for decision-making. By definition, an opportunity cost is *one which measures the cost of sacrificing one course of action in favour of another.*

Question No: 32 (Marks: 1) - Please choose one

Decision making should be based on all of the following relevant costs features EXCEPT:

- ▶ Relevant Costs are future costs
- ▶ Relevant Costs are cash flows
- ▶ Relevant Costs are incremental costs
- ▶ Relevant Costs are sunk costs

sunk cost is past cost is not relevant to decision

Question No: 33 (Marks: 1) - Please choose one

In a make or buy situation with no limiting factors, which of the following would be the relevant costs for the decision?

- ▶ Opportunity costs
- ▶ Differential costs between the two options (page 242)
- ▶ Sunk costs
- ▶ Implied costs

Question No: 34 (Marks: 1) - Please choose one

In one off contracts, a contract will probably be accepted if:

- ▶ It increases contribution margin and decreases profit
- ▶ It increases both contribution margin and profit
- ▶ It reduces contribution margin and increases profit
- ▶ It reduces both contribution margin and profits

Question No: 35 (Marks: 1) - Please choose one

The following monthly data are available for the Boarder, Inc. and its only product: Unit sales price = Rs. 36 Unit variable expenses = Rs. 28 Total fixed expenses = Rs. 50,000 Actual sales for the month of May = 7,000 units. The margin of safety for the company for May was:

- ▶ Rs. 6,000

- ▶ Rs. 27,000

- ▶ Rs. 56,000

- ▶ Rs. 106,000

[Margin of Safety = Total budgeted or actual sales – Break even sales]

Break even sales = fixed cost/ (contribution margin/sales or c/s)

Contribution margin = s-v.c = 36-28=8

Break even Sales = (50,000)/(8/36) 225000

Actual sales = 7000*36 = 252000

MOS = (252000-225000) = 27000

Question No: 36 (Marks: 1) - Please choose one

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.

Question No: 37 (Marks: 1) - Please choose one

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

Materials	5,000 Kgs at 0.50 per Kg
Labor	Rs.700
Production overheads	200% of labor

Normal losses are 10% of input in the process. The out put for the period was 4,200Kg from the process. There was no opening and closing Work- in- process. What were the units of abnormal loss?

- ▶ 500 units
- ▶ **300 units**
- ▶ 200 units
- ▶ 100 units

Total input	5000 kg
Normal loss 10%	<u>500kg</u>
Normal Output	4500 kg
Actual output	<u>4200 kg</u>
Abnormal loss	300 kg

Question No: 38 (Marks: 1) - Please choose one

A cost that has been incurred but cannot be changed by present or future decisions is called:

- ▶ **Sunk cost**
- ▶ Differential cost
- ▶ Opportunity cost
- ▶ Marginal cost

Question No: 39 (Marks: 1) - Please choose one

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

- ▶ Apportionment
- ▶ **Allocation (page 100)**
- ▶ Re-apportionment
- ▶ Absorption

Question No: 40 (Marks: 1) - Please choose one

When By-product is to be recycled, which one of the following will be used for costing?

- ▶ Costing approach (CORRECT)
- ▶ Sale approach
- ▶ Expense approach
- ▶ Asset approach

Question No: 41 (Marks: 1) - Please choose one

What would be the margin of safety ratio based on the following information?

- Sales price = Rs. 100 per unit
 - Variable cost = Rs. 25 per unit
 - Fixed cost = Rs. 50 per unit
- ▶ 25%
 - ▶ 33.333%
 - ▶ 66.666%
 - ▶ 75%

$$\begin{aligned}\text{MOS RATIO} &= \text{PROFIT} / \text{CONTRIBUTION MARGIN} * 100 \\ &= 25 / 75 * 100 \\ &= 33.333\%\end{aligned}$$

$$\begin{aligned}\text{Profit} &= \text{sales} - \text{vc} - \text{fixed cost} \\ &= 100 - 25 - 50 \\ &= 25\end{aligned}$$

$$\begin{aligned}\text{CM} &= 100 - 25 \\ &= 75\end{aligned}$$

Question No: 42 (Marks: 1) - Please choose one

What is the starting point of variable cost line on a break even chart at zero production level?

- ▶ It must start from origin
- ▶ It might start from origin
- ▶ It does not start from origin
- ▶ Non of the given options

Question No: 43 (Marks: 1) - Please choose one

All of the following describe forecasting EXCEPT:

- ▶ It allows you to create budget amounts, and then track how well you are staying within those amounts (page 201)
- ▶ It is a projected cash flow for the future, based on scheduled transactions and estimated amounts
- ▶ A prediction of customer demand used to calculate future inventory levels
- ▶ Predicting current and future market trends using existing data and facts

Question No: 44 (Marks: 1) - Please choose one

Which of the following is NOT considered as external factor while preparing the sales budget?

- ▶ Availability of materials or supplies
- ▶ Governmental rules
- ▶ Market fluctuations
- ▶ Competitor's success (page 203)

Question No: 45 (Marks: 1) - Please choose one

If estimated direct labour cost is Rs. 50,000 for producing 2,400 units then what is the amount of FOH cost if FOH cost is assumed as 50% of direct labor cost?

- ▶ Rs. 25,000
- ▶ Rs. 1,200
- ▶ Rs. 26,200
- ▶ Cannot be calculated

50% of direct labor = $50,000 \times .50 = 25000$

Question No: 46 (Marks: 1) - Please choose one

Which of the following item is NOT included in FOH cost budget?

- ▶ Indirect material cost
- ▶ Indirect labor cost
- ▶ Power and fuel
- ▶ Direct material cost

Question No: 47 (Marks: 1) - Please choose one

Which of the following is the best example of a fixed administrative expense?

- ▶ Rent of building used for office
- ▶ Commission paid
- ▶ Repair and maintenance
- ▶ Stationery expense

Question No: 48 (Marks: 1) - Please choose one

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

FFINALTERM EXAMINATION

Fall 2009

MGT402- Cost & Management Accounting (Session - 4)

Time: 120 min

Marks: 84

Question No: 1 (Marks: 1) - Please choose one

All of the following are the features of fixed costs **EXCEPT**:

- ▶ **Although fixed within a relevant range of activity level but are relevant to a decision making when it is avoidable.**
- ▶ Although fixed within a relevant range of activity level but are relevant to a decision making when it is incremental.
- ▶ Generally it is irrelevant
- ▶ It is relevant to decision making under any circumstances

Question No: 2 (Marks: 1) - Please choose one

The total cost of the beginning inventory was Rs. 60,000. During the month, 50,000 units were transferred out. The equivalent unit cost was computed to be Rs. 4.00 for materials and Rs. 7.40 for conversion costs under the weighted-average method.

With the help of given information, what was the total cost of the units completed and transferred out during the month.

- ▶ Rs. 480,000
- ▶ **Rs. 570,000**
- ▶ Rs. 540,000

► Rs. 510,000

$$50000 * 4 = 200000$$

$$50000 * 7.40 = 370000$$

$$200000 * 370000 = 750000$$

Question No: 3 (Marks: 1) - Please choose one

Cost of incoming freight on merchandise to be sold to customers by a retail chain would be considered by that merchandiser to be:

- Prime costs
- **Inventoriable costs**
- Period costs
- None of the given options

Question No: 4 (Marks: 1) - Please choose one

Which of the following is a cost that changes in proportion to changes in volume?

- Fixed cost
- Sunk cost
- Opportunity cost
- **None of the given options**

Question No: 5 (Marks: 1) - Please choose one

The second name of explicit cost is?

- **Opportunity cost**
- Out of pocket cost
- Implicit cost
- None of the given options

Question No: 6 (Marks: 1) - Please choose one

The net profit or loss for a particular period of time is reported on which of the following?

- ▶ Statement of cash flows
- ▶ Statement of changes in owner's equity
- ▶ **Income statement**
- ▶ Balance sheet

Question No: 7 (Marks: 1) - Please choose one

Which of the following is deducted from purchases in order to get the value of Net purchases?

- ▶ **Purchases returns**
- ▶ Carriage inward
- ▶ Custom duty
- ▶ All of the given options

Question No: 8 (Marks: 1) - Please choose one

When prices are rising over time, which of the following inventory costing methods will result in the lowest gross margin?

- ▶ FIFO
- ▶ **LIFO (PAGE 47)**
- ▶ Weighted Average
- ▶ Cannot be determined

Question No: 9 (Marks: 1) - Please choose one

A store sells five cases of soda each day. Ordering costs are Rs. 8 per order, and soda costs Rs. 3 per case. Orders arrive four days from the time they are placed. Daily holding costs are equal to 5% of the cost of the soda. What is the EOQ for soda?

- ▶ 4 cases

- ▶ 8 cases
- ▶ 10 cases
- ▶ **23 cases**

$$2*5*8 / 3*5\% \text{ UNDERROOT} = 23$$

Question No: 10 (Marks: 1) - Please choose one

If, Basic Salary Rs.10,000

Per Piece commission Rs. 5

Unit sold 700 pieces

Amount of commission received will be:

- ▶ **Rs. 3,500**
- ▶ Rs. 13,500
- ▶ Rs. 10,000
- ▶ Rs. 6,500

$$700 * 5 = 3500$$

Question No: 11 (Marks: 1) - Please choose one

Increased cost of production due to high labor turnover is a result of which of the following factor?

- ▶ Interruption of production
- ▶ Coordination between new and old employee to produce more
- ▶ **Increased production due to newly motivated employees (PAGE 96)**
- ▶ Decrease losses as new employees will be more concerned towards output

Question No: 12 (Marks: 1) - Please choose one

The Process of cost apportionment is carried out so that:

- ▶ Cost may be controlled

- ▶ Cost unit gather overheads as they pass through cost centers
- ▶ Whole items of cost can be charged to cost centers
- ▶ **Common costs are shared among cost centers (repeat)**

Question No: 13 (Marks: 1) - Please choose one

Which of the following is **TRUE** regarding the use of blanket rate?

- ▶ **The use of a single blanket rate makes the apportionment of overhead costs unnecessary (PAGE 116)**
- ▶ The use of a single blanket rate makes the apportionment of overhead costs necessary
- ▶ The use of a single blanket rate makes the apportionment of overhead costs uniform
- ▶ None of the given options

Question No: 14 (Marks: 1) - Please choose one

Nelson Company has following FOH detail.

	<u>Budgeted (Rs.)</u>	<u>Actual (Rs.)</u>
Production Fixed overheads	36,000	39,000
Production Variable overheads	9,000	12,000
Direct labor hours	18,000	20,000

What would be the applied rate.

- ▶ Rs.2.00 per labor hour
- ▶ **Rs.2.50 per labor hour**
- ▶ Rs.2.55 per labor hour
- ▶ Rs.0.50 per labor hour

Budgeted FIXED OVERHEAD + budgeted VARIABLE OVERHEAD / DIRECT LABOR HOUR

36000 +9000 /18000 =2.50

Question No: 15 (Marks: 1) - Please choose one

Which of the following is the best define a by-product?

▶ A by-product is a product arising from a process where the wastage rate is higher than a defined level

▶ **A by-product is a product arising from a process where the sales value is insignificant by comparison with that of the main product or products**

▶ A by-product is a product arising from a process where the wastage rate is unpredictable

▶ A by-product is a product arising from a process where the sales value is significant by comparison with that of the main product or products

Question No: 16 (Marks: 1) - Please choose one

Which of the following method of accounting for joint product cost will produce the same gross profit rate for all products?

▶ Actual costing method

▶ Services received method

▶ **Market value method (PAGE 154)**

▶ Physical quantity method

Question No: 17 (Marks: 1) - Please choose one

Profit under absorption costing will be higher than under marginal costing if:

▶ **Produced units > Units sold (PAGE 171)**

▶ Produced units < Units sold

▶ Produced units =Units sold

▶ Profit cannot be determined with given statement

Question No: 18 (Marks: 1) - Please choose one

Which of the following costs do **NOT** change when the activity base fluctuates?

- ▶ Variable costs
- ▶ Discretionary costs
- ▶ **Fixed costs**
- ▶ Mixed costs

Question No: 19 (Marks: 1) - Please choose one

In CVP analysis, when the number of units sold changes, which one of the following will remain the same?

- ▶ Total contribution margin
- ▶ Total sales revenues
- ▶ Total variable costs
- ▶ **Total fixed costs**

Question No: 20 (Marks: 1) - Please choose one

Terrell, Inc. sells a single product at a selling price of Rs. 40 per unit. Variable costs are Rs. 22 per unit and fixed costs are Rs. 82,800. Terrell's break- even point is:

- ▶ **Rs. 184,000**
- ▶ 3,764 units
- ▶ Rs. 150,540
- ▶ 2,070 units

$$\text{CM} = \text{SALE PER UNIT} - \text{VARIABLE COSR PER UNIT}$$

$$= 40 - 22$$

$$= 18$$

$$\text{BREAK EVEN SALE PER UNIT} = \text{FIXED COST} / \text{CONTRIBUTION PER UNIT}$$

	= 82800 / 18
	= 4600
SALE = (4600* 40)	184000
VARIABLE COST =(4600 *22)	(101200)
	<hr/>
CONTRIBUTION MARGIN	82800
LESS FIXED COST	82800
	<hr/>
PROFIT / LOSS	0

Question No: 21 (Marks: 1) - Please choose one

The following detail is related to Bloch Company:

Opening work-in-process	2,000 litres,100% completed to material, 40% as to conversion cost
Material put in process	24,000 liters
Closing work-in-process	3,000 litres,100% completed to material and 45% as to conversion cost

Required: The numbers of equivalent units as to material, using FIFO method would be:

- ▶ 24,000 units
- ▶ 26,000 units
- ▶ 28,000 units
- ▶ 20,000 units

Question No: 22 (Marks: 1) - Please choose one

The following detail is related to Bloch Company:

Opening work-in process	2,000 litres, 100% completed to material, 40% as to conversion cost
Material put in process	24,000 liters
Closing work-in-process	3,000 litres, 100% completed to material and 45% as to conversion cost

Required: The numbers of equivalent units as to Conversion cost, using FIFO method would be:

- ▶ 26,000 units
- ▶ **25,550 units**
- ▶ **24,200 units**
- ▶ 24,350 units

OPENING WIP	2000
ADD STARTED	24000
LESS CLOSING	3000
	<hr/>
COMPLETED	23000

EQUIVALENT UNIT CONVERSION COST

OPENING WIP (2000*60%)	1200
ADD COMPLETED	23000
CLOSING WIP (3000*45%)	1350
	<hr/>
TOTAL UNITS	25 250

Question No: 23 (Marks: 1) - Please choose one

The by-product of flour is:

- ▶ Fats
- ▶ **Bran (PAGE 157)**
- ▶ Glycerin
- ▶ Meat Hides

Question No: 24 (Marks: 1) - Please choose one

The point at which the cost line intersects the sales line will be called:

- ▶ Budgeted sales
- ▶ **Break Even sales (PAGE 193)**
- ▶ Margin of safety
- ▶ Contribution margin

Question No: 25 (Marks: 1) - Please choose one

All of the following are assumptions in constructing a Break even chart **EXCEPT**:

- ▶ There is no change of time value of money
- ▶ Price of cost factors remains constant
- ▶ Long term period will be considered
- ▶ **Cost is affected by volume**

Question No: 26 (Marks: 1) - Please choose one

When using conventional cost-volume-profit analysis, some assumptions about costs and sales prices are made. Which one of the following is **NOT** one of those assumptions?

- ▶ The sales price will remain unchanged per unit
- ▶ **The actual variable cost per unit must vary over the production range**

- ▶ The costs can be expressed as straight lines in a break-even graph
- ▶ The variable cost will remain unchanged per unit

Question No: 27 (Marks: 1) - Please choose one

Which one of the following is **NOT** a tool of financial forecasting?

- ▶ Cash budget
- ▶ **Capital budget**
- ▶ Pro forma balance sheet
- ▶ Pro forma income statement

Question No: 28 (Marks: 1) - Please choose one

Which of the following factor/s should be considered while constructing an administrative selling expense budget?

- ▶ Fixed expenses
- ▶ Past experience
- ▶ Variable expenses
- ▶ **All of the given options**

Question No: 29 (Marks: 1) - Please choose one

The master budget usually begins with a:

- ▶ Production budget
- ▶ Direct materials budget
- ▶ Direct labor budget
- ▶ **Sales budget**

Question No: 30 (Marks: 1) - Please choose one

Financial managers use which of the following to plan for monthly financing needs?

- ▶ Capital budget
- ▶ **Cash budget**
- ▶ Income Statement budget
- ▶ Selling & administrative expenses budget

Question No: 31 (Marks: 1) - Please choose one

When using a flexible budget, a decrease in production levels within a relevant range:

- ▶ **Decreases variable cost per unit**
- ▶ Decreases total costs
- ▶ Increases total fixed costs
- ▶ Increases variable cost per unit

Question No: 32 (Marks: 1) - Please choose one

The decision to drop a product line should be based on:

▶ **The fact that the product line shows a net loss over several periods (PAGE 246)**

▶ The ability of the firm to eliminate some fixed costs as a result of dropping the product

▶ Whether the fixed costs that can be avoided by dropping the product line are less than the contribution margin that will be lost

▶ Whether the fixed costs that can be avoided by dropping the product line are greater than the contribution margin lost

Question No: 33 (Marks: 1) - Please choose one

A cost that has been incurred but cannot be changed by present or future decisions is called:

- ▶ **Sunk cost (PAGE 227)**

- ▶ Differential cost
- ▶ Opportunity cost
- ▶ Marginal cost

Question No: 34 (Marks: 1) - Please choose one

If sales is greater than cost, it means:

- ▶ **Profit**
- ▶ Loss
- ▶ Neither profit nor Loss
- ▶ Can not be determined

Question No: 35 (Marks: 1) - Please choose one

If, Total fixed cost Rs. 2,000, Variable manufacturing cost Rs. 3,000, Variable selling cost Rs. 1,000 and Sales Rs. 10,000 then what will be the profit under absorption costing?

- ▶ Rs.7,000
- ▶ **Rs.5,000**
- ▶ Rs.4,000
- ▶ Rs.8,000

Question No: 36 (Marks: 1) - Please choose one

Which of the following cannot becomes a part of product cost under absorption costing?

- ▶ Fixed manufacturing overhead
- ▶ **Selling cost**
- ▶ Direct materials
- ▶ Variable manufacturing overhead

Question No: 37 (Marks: 1) - Please choose one

A company ABC has contribution to sales ratio of 35%, variable cost to sales ratio of 65% and a profit to sales ratio of 17%. What will be the margin of safety ratio?

- ▶ 48.6%
- ▶ 53.8%
- ▶ 26.2%
- ▶ It can not be calculated from the given data

$$\text{PROFIT SALES RATIO /CONTRIBUTION TO SALES RATIO *100}$$
$$17\%/35\%*100$$

48.6%

Question No: 38 (Marks: 1) - Please choose one

Which of the following is TRUE at Break even point?

- ▶ Profit is zero
- ▶ Fixed cost + variable cost = sales
- ▶ Fixed cost = contribution margin
- ▶ All of the given options

Question No: 39 (Marks: 1) - Please choose one

Which one of the following factors would caused a budgeted revenue to be less than the expected demand?

- ▶ Excess capacity exists
- ▶ Abundant resources are available
- ▶ Demand exceeds capacity
- ▶ Excess supply of labor exists

Question No: 40 (Marks: 1) - Please choose one

If:

Cost of goods available for sales Rs. 7,000

Cost of opening finished goods inventory is Rs. 1,000

Commercial expenses Rs. 2,000.

Which of the following is the cost of goods to be produced?

- ▶ **Rs. 6,000**
- ▶ Rs. 4,000
- ▶ Rs. 8,000
- ▶ Rs. 10,000

CSOT OF GOODS AVAILABLE FOR SALE – OPENING FINISHED GOOD

Question No: 41 (Marks: 1) - Please choose one

If:

Cost of opening finished goods Rs. 2,000

Cost of goods to be produced Rs. 6,000

Operating expenses Rs. 1,000.

Which of the following is the cost of goods available for sale?

- ▶ **Rs. 8,000**
- ▶ Rs. 4,000
- ▶ Rs. 7,000
- ▶ Rs. 9,000

Question No: 42 (Marks: 1) - Please choose one

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

Question No: 43 (Marks: 1) - Please choose one

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

Question No: 44 (Marks: 1) - Please choose one

A company produced a desired level of product 'A' in 5,500 Hours. The standard hours required to produce the same product are 5,000 Hours. What is the amount & nature of variance?

- ▶ 500 hours (Favorable)
- ▶ **500 hours (Unfavorable)**
- ▶ 5,000 hours (Favorable)
- ▶ 5,000 hours (Unfavorable)

Question No: 45 (Marks: 1) - Please choose one

Which of the following cost would be increases with an increase in activity level?

- ▶ Incremental cost
- ▶ **Avoidable cost**
- ▶ Sunk cost
- ▶ Opportunity cost

Question No: 46 (Marks: 1) - Please choose one

An ice factory has a contribution margin of Rs. 450,000 and fixed cost for the year amounts to Rs. 495,000. The fixed cost of Rs. 215,000 can be eliminated if the operations are to be closed during winter season. An extra sale of Rs. 25,000 is also expected during winter season. What would be the decision?

▶ **Operations would be closed during winter season**

▶ Operations would be continued as we are having extra sales in winter season

▶ Operations would be partially closed

▶ None of the given options

Question No: 47 (Marks: 1) - Please choose one

A contract will be accepted in which of the following condition?

▶ If it reduces the contribution margin

▶ **If it increases the contribution margin**

▶ If it increases the fixed cost

▶ If it decreases sales revenue

Question No: 48 (Marks: 1) - Please choose one

Which of the following statement is **TRUE** about opportunity cost?

▶ It is irrelevant to decision making

▶ It is always a sunk cost

▶ It is always a historical cost

▶ **It is relevant to decision making**

FINAL TERM EXAMINATION

Fall 2008

MGT402- Cost & Management Accounting (Session - 1)

Marks: 80

Question No: 1 (Marks: 1) - Please choose one

Which of the following is the correct order of preparation for the various components of the income statement budget?

Sales budget, direct labor budget, production budget, cost of goods sold budget

Sales budget, production budget, budgeted income statement, selling and administrative expenses budget

Sales budget, production budget, budgeted income statement, cost of goods sold budget

Sales budget, production budget, cost of goods sold budget, budgeted income statement

Question No: 2 (Marks: 1) - Please choose one

A forecast set of final accounts is also known as:

Cash budget

Capital budget

Master budget

Sales budget

Question No: 3 (Marks: 1) - Please choose one

BDH Corporation, which makes only one product, Kisty, has the following information available for the coming year. BDH expects sales to be 30,000 units at Rs. 50 per unit. The current inventory of Kisty is 3,000 units. BDH wants an ending inventory of 3,500 units. BDH pays its sales staff commission of 5% of sales. How much will be recorded on the marketing budget for sales commissions for the next period?

Rs. 75,000

Rs. 30,000

Rs. 150,000

Rs. 1,500,000

Question No: 4 (Marks: 1) - Please choose one

Apex Corporation experienced the following during April:

Beginning WIP inventory 7,500 units, 40% of labor added in this period

Units started in this period 64,000 units
Ending WIP inventory 5,000 units, 60% of labor added in this period
Direct materials are added at the beginning of the process and direct labor is added uniformly throughout the process.

Required: What should be the equivalent units for direct materials and direct labor under a weighted average method?

66,500 units 66,500 units

66,500 units 72,000 units

71,500 units 69,500 units REPEATED

64,000 units 74,000 units

Question No: 5 (Marks: 1) - Please choose one

The average cost method of process costing has an advantage when compared to the FIFO method relative to simplicity because under the average method:

It provides that units started within the current period are valued at the current period cost

The costs in the beginning inventory in a processing department maintain their separate identity

The identity of the beginning units in process is typically maintained when they are transferred to the next department

All units completed during the period will be assigned the same unit cost

oQuestion No: 6 (Marks: 1) - Please choose one

Information concerning Department B of Baba Company for the month of April is as follows:

	Units	Material Cost (Rs.)
Work in process opening	7,000	21,000
Units started in April	68,000	210,800
Units completed and transferred out	66,000	
Work in process ending	9,000	

All materials are added at the beginning of the process.

Required: Using the average cost method. How much be the cost

(rounded to two places) per equivalent unit for materials?

Rs. 3.00

Rs. 3.10

Rs. 3.09

Rs. 3.05

Calculation

	Material
Completed	66000
Add ending wip	9000
total	<hr/> 75000

$$\begin{aligned}\text{total material} &= 210800 + 21000 \\ &= 231800\end{aligned}$$

$$\text{per equivalent unit for materials} = 231800 / 75000 = 3.09$$

Question No: 7 (Marks: 1) - Please choose one

Net Income before Interest and tax is also called:

Operating Income/Profit

Gross Profit

Marginal Income

Other Income

Question No: 8 (Marks: 1) - Please choose one

The total cost to produce one unit is Rs. 600. Direct materials are 20% of the total cost and direct labor is 1/3 of the combined total of direct labor and direct materials. What was the cost for direct materials, direct labor, and factory overhead?

Rs. 420, Rs. 60 and Rs. 120, respectively

Rs. 60, Rs. 120 and Rs. 420, respectively

Rs. 120, Rs. 60 and Rs. 420, respectively

Rs 60, Rs. 420 and Rs. 120, respectively

Question No: 9 (Marks: 1) - Please choose one

Net sales = Sales less:

Sales returns

Sales discounts

Sales returns & allowances

Sales returns & allowances and sales discounts

Question No: 10 (Marks: 1) - Please choose one

Inventory of Rs. 96,000 was purchased during the year. The cost of goods sold was Rs. 90,000 and the ending inventory was Rs. 18,000. What was the inventory turnover ratio for the year?

5.0 times

5.3 times

6.0 times

6.4 times

$$\begin{aligned}\text{INVENTORY TURNOVER RATIO} &= \text{CGS} / \text{AVERAGE INVENTORY} \\ &= 90000 / 18000 \\ &= 5.0\end{aligned}$$

Question No: 11 (Marks: 1) - Please choose one

Period costs are:

Expensed when the product is sold

Included in the cost of goods sold

Related to specific period

Not expensed

Question No: 12 (Marks: 1) - Please choose one

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

Question No: 13 (Marks: 1) - Please choose one

Which of the following is important requirement of the effective material control?

There are proper storage facilities

There is a proper authority that will regulate the supply of material

The accounts should provide a running balance of the value of the materials on hand

All of the given options

Question No: 14 (Marks: 1) - Please choose one

Payroll includes:

Salaries & Wages of direct labor

Salaries & Wages of Indirect labor

Salaries & Wages of Administrative

Salaries & Wages of direct labor, Indirect labor, and Administrative

Question No: 15 (Marks: 1) - Please choose one

In which of the following center FOH cost incurred.

Production Center

Service Center

General Cost Center

All of the given options

Question No: 16 (Marks: 1) - Please choose one

Which of the following industries would most likely use a Process cost Accounting system?

Construction

Beer

Hospitality

Consulting

Question No: 17 (Marks: 1) - Please choose one

In order to compute equivalent units of production, which of the following must be reasonably estimated?

Units

The percentage of completion

Direct material cost

Units started and completed

Question No: 18 (Marks: 1) - Please choose one

Beginning work in process was 1,200 units, 2,800 additional units were put into production, and ending work in process was 500 units. How many units were completed?

500 units

3,000 units

3,500 units

3,300 units	
BIGNING WIP	1200
ADD ADDITIONAL	2800
	<hr/>
	4000
LESS CLOSING WIP	500
	<hr/>
COMPLETED	3500

Question No: 19 (Marks: 1) - Please choose one

The Superior Company manufactures paint and uses a process costing system. During February, Superior started 80,000 gallons of paint. During the month the company completed 92,000 gallons and transferred them to the mixing department. Superior had 38,000 gallons (30% complete as to conversion) in beginning inventory and 26,000 gallons (20% complete as to conversion) in ending inventory. The company uses a FIFO costing.

Required: What were the equivalent units for conversion costs during February?

- 72,600 units
- 85,800 units
- 88,600 units
- 92,900 units

Equivalent units for conversion costs

OPENING WIP (38000*70/100)	26600
COMPLETED	92000
ENDING WIP (26000 *20/100)	5200
	<hr/>
TOTAL	123800

Question No: 20 (Marks: 1) - Please choose one

Good Job Plc makes one product which sells for Rs. 80 per unit. Fixed costs are Rs. 28,000 per month and marginal costs are Rs. 42 per unit. What sales level in units will provide a profit of Rs. 10,000?

- 350 units
- 667 units
- 1,000 units
- 1,350 units

TRAGET CM = FIXED COST +PROFIT

= 28000+ 10000

= 38000

CM = 80-42

= 38

SALES = TRAGET CM/ C M PER UNIT

= 38000 / 38

= 1000

Question No: 21 (Marks: 1) - Please choose one

Contribution margin is the result of which of the following two variables?

Sales and variable cost

Variable and fixed cost

Sales and Fixed cost

Sales and operating profit

Question No: 22 (Marks: 1) - Please choose one

The difference between total revenues and total variable costs is used to determine which of the following?

Operating Income

Gross margin

Contribution margin

Fixed costs

Question No: 23 (Marks: 1) - Please choose one

The break-even point in units is calculated using which of the following factors?

Fixed expenses and the contribution margin ratio

Variable expenses and the contribution margin ratio

Fixed expenses and the unit contribution margin

Variable expenses and the unit contribution margin

Question No: 24 (Marks: 1) - Please choose one

The by-product of flour is:

Fats

Bran

Glycerin

Meat Hides

Question No: 25 (Marks: 1) - Please choose one

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 or actual sales over the break-even volume of sales

The excess of budgeted net income over actual net income

Question No: 26 (Marks: 1) - Please choose one

X Company has fixed cost of Rs. 200,000. It sells two products Tetra and Mint.

The detail of operational Income is as follows:

	Tetra (Rs.)	Mint (Rs.)
Sales price(Per unit)	2	1
contribution margin	1	2

Required: How much units would be sold at break Even point?

44,444 units

50,000 units

88,888 units

100,000 units

$$\begin{aligned}\text{BREAK EVEN IN UNITS} &= \text{FIXED COST} / \text{CM PER UNIT} \\ &= 200000 / 2 \\ &= 100000\end{aligned}$$

Question No: 27 (Marks: 1) - Please choose one

A (an) _____ is financial plan of the resources needed to carry out

activities and meet financial goals.

Contribution Margin Statement

Income Statement

Budget

Comprehensive Audit

Question No: 28 (Marks: 1) - Please choose one

Consider the following data for the month of April:

Closing stock 80 units

Production 280 units

Sales 330 units

Based on the data, the opening stock for April will have to be:

50 units
410 units
70 units
130 units

$$\begin{aligned}\text{OPENING STOCK} &= \text{SALES} + \text{CLOSING STOCK} - \text{PRODUCTION} \\ &= 330 + 80 - 280 \\ &= 130\end{aligned}$$

Question No: 29 (Marks: 1) - Please choose one

BDH Corporation, which makes only one product, Kisty, has the following information available for the coming year. BDH expects sales to be 30,000 units at Rs. 50 per unit. The current inventory of Kisty is 3,000 units. BDH wants an ending inventory of 3,500 units. How many units will the production budget show to be produced for the coming year?

33,500 units
29,500 units
30,000 units
30,500 units

$$\begin{aligned}\text{UNIT PRODUCED} &= \text{SALES} + \text{CLOSING STOCK} - \text{OPENING STOCK} \\ \text{UNIT PRODUCED} &= 30000 + 3500 - 3000 \\ &= 30500\end{aligned}$$

Question No: 30 (Marks: 1) - Please choose one

Production cost budget is based on which of the following cost?

Market value
Predetermined cost
Future value
Fair value

Question No: 31 (Marks: 1) - Please choose one

Which of the following is the main objective of direct material budget?

Determination of minimum and maximum stock level
Developing purchasing requirements
Financial Arrangements
All of the given options

Question No: 32 (Marks: 1) - Please choose one

Quantum Leap Inc. is trying to prepare a purchases budget for next month. Given the following information, how much will the company have to spend for merchandise purchases next month?

Estimated sales 250 units
Estimated beginning inventory 22 units
Estimated ending inventory 15 units
Estimated cost per unit Rs.450

Rs. 109,350

Rs.112, 500

Rs.115, 650

Rs.115, 920

SALES +ENDING INV - OPENING INV *PER UNIT COST

Question No: 33 (Marks: 1) - Please choose one

Which of the following is true for the manufacturing overhead budget?

Provides a schedule of all costs of production other than direct materials and direct labor

Includes both variable and fixed costs associated with overhead

Depreciation has to be deducted as a non-cash expense in order to determine the level of cash required for overhead

All of the given options (IDEA)

Question No: 34 (Marks: 1) - Please choose one

Which of the following budget is the most important in service organizations?

Production budget

Merchandise purchases budget

Direct labor budget

Direct materials budget

Question No: 35 (Marks: 1) - Please choose one

The master budget usually begins with a:

Production budget

Direct materials budget

Direct labor budget

Sales budget

Question No: 36 (Marks: 1) - Please choose one

Which of the following is true about flexible budget?

A budget that always based on actual capacity

A budget that is prepared using spreadsheet model

A budget in which total variable cost remains unchanged

Variable costs per unit will remain unchanged

Question No: 37 (Marks: 1) - Please choose one

Which of the following sentences is the best description of zero-base budgeting?

Zero-base budgeting is a technique applied in government budgeting in order to have a neutral effect on policy issues

Zero-base budgeting requires a completely clean sheet of paper every year, on which each part of the organization must justify the budget it requires

Zero-base budgeting starts with the figures of the previous period and assumes a zero rate of change

Zero based budgeting is an alternative name of flexible budget

Question No: 38 (Marks: 1) - Please choose one

The decision to drop a product line should be based on:

The fact that the product line shows a net loss over several periods

The ability of the firm to eliminate some fixed costs as a result of dropping the product

Whether the fixed costs that can be avoided by dropping the product line are less than the contribution margin that will be lost

Whether the fixed costs that can be avoided by dropping the product line are greater than the contribution margin lost

Question No: 39 (Marks: 1) - Please choose one

If an organization has the freedom of choice about whether to make internally or buy externally and has no scarce resources that put a restriction on what it can do itself, the relevant costs for the decision will be the:

Past costs

Differential costs between the two options

Sunk costs

Replacement costs

Question No: 40 (Marks: 1) - Please choose one

For a retail outlet chain with multiple stores, which of the following statements would be correct?

Stores which have a net loss should be discontinued

Stores with a negative contribution margin should be discontinued

Stores with a negative contribution margin should be discontinued provided such discontinuation will not cause an increase in sales at other stores

Stores with a negative contribution margin should not be discontinued if such discontinuation will cause profitable stores to bear a portion of the unprofitable store's overhead

FINAL TERM EXAMINATION

Fall 2008

MGT402- Cost & Management Accounting (Session - 1)

Marks: 80

Question No: 1 (Marks: 1) - Please choose one

Superior Products makes a special ski. Next year Superior expects to produce

20,000 pairs of skis. Seven pounds of fiberglass are required to make each pair of skis. The company expects to have 21,000 lbs of fiberglass in inventory at the end of this year and next year wants to have an ending inventory of fiberglass of 18,000 lbs. How much fiberglass does Superior expect to purchase next year?

137,000 lbs

140,000 lbs

158,000 lbs

160,000 lbs

Question No: 2 (Marks: 1) - Please choose one

The total cost of the beginning inventory was Rs. 60,000. During the month, 50,000 units were transferred out. The equivalent unit cost was computed to be Rs. 4.00 for materials and Rs. 7.40 for conversion costs under the weighted average method.

With the help of given information, what was the total cost of the units completed and transferred out during the month.

Rs. 570,000

Rs. 540,000

Rs. 510,000

Rs. 480,000

Solution

$50000 \times 4 = 200000$

$50000 \times 7.4 = 370000$

$370000 + 200000 = 570000$

Question No: 3 (Marks: 1) - Please choose one

Coins Company adds materials in the beginning of the process in Forming Department, which is the first of two stages of its production cycle.

Information concerning the materials used in the Forming department in June is as follows:

	Units	Material Cost (Rs.)
Work in process June 01	15,000	21,000
Units started during June	35,000	79,000
Units completed and transferred out	40,000	

Using the weighted average method, what were the materials cost in work in process at June 30?

Rs. 30,000

Rs. 10,000

Rs. 20,000

Rs. 40,000

Question No: 4 (Marks: 1) - Please choose one

Apex Corporation experienced the following during April:

Beginning WIP inventory 7,500 units, 40% of labor added in this period

Units started in this period 64,000 units

Ending WIP inventory 5,000 units, 60% of labor added in this period

Direct materials are added at the beginning of the process and direct labor is added uniformly throughout the process.

Required: What should be the equivalent units for direct materials and direct labor under a weighted average method?

66,500 units 66,500 units
 66,500 units 72,000 units
71,500 units 69,500 units
 64,000 units 74,000 units

SOLUTION

Opening wip	7500
Unit started	64000

total material	71500
closing wip	5000
completed	66500

	material	labor
completed	66500	66500
wip ending	5000	3000
total	71500	69500

Question No: 5 (Marks: 1) - Please choose one

Which statement is true related to the differences in absorption and variable costing methods?

The shorter the period of time, the less net operating income figures will tend to differ under the two costing methods (DOUBTED)

In the long run, net operating income under the two methods will tend to be the same

In the long run, net operating income under the two methods will not same

In the short run, net operating income under the two methods will tend to be the same

Question No: 6 (Marks: 1) - Please choose one

Consider the following data:

Particulars Rs.

Raw material inventory beginning 14,000

Purchases of Raw materials 120,000

Raw material inventory Ending 10,000

Direct labor 200,000

Manufacturing Overhead (actual) 402,000

Manufacturing Overhead (applied) 404,000

What is the amount of under or over applied manufacturing overhead cost?

Over applied Rs. 2,000

Over applied Rs. 3,000

Under applied Rs. 3,000

Under applied Rs. 2,000

SOLUTION

Manufacturing Overhead (actual)	402,000
LESS Manufacturing Overhead (applied)	404,000
	<hr/>
OVER APPLIED (FAVORABLE)	2000

Question No: 7 (Marks: 1) - Please choose one

A firm had beginning finished goods inventory of Rs.15,000, ending finished goods inventory of Rs. 20,000 and cost of goods sold of Rs. 80,000. What was the cost of goods manufactured?

Rs. 80,000

Rs.85,000

Rs.75,000

Rs.65,000

SOLUTION

COST OF GOODS SOLD	80000
ADD ENDING FINISHED GOOD	20000
	<hr/>
	100000
LESS OPENING FINISHED GOOD	15000
	<hr/>
COST OF GOODS MANUFACTURED	85000

Question No: 8 (Marks: 1) - Please choose one

You made Rs. 10,000 loan to your cousin's company. At the end of one year, the company returned to you Rs. 10,850. The Rs. 850 is called which one of the following?

Increases in loan

Increases in dividends

An 8.5% return on investment

All of the given options

SOLUTION

$$850 / 10000 = 0.085 * 100 = 8.5$$

Question No: 9 (Marks: 1) - Please choose one

Restocking of stores, in order to ensure efficient functioning of the stores department and steady flow of materials to the production departments, is duty of:

Managers

Storekeeper (PAGE 50)

Production In charge
Sales supervisor

Question No: 10 (Marks: 1) - Please choose one

Superior started 80,000 gallons of paint. During the month the company completed 92,000 gallons and transferred them to the mixing department. Superior had 38,000 gallons in beginning inventory and 26,000 gallons in ending inventory.

Material is added at the beginning of the process and conversion costs are added evenly throughout the process.

Beginning WIP was 30% complete as to conversion costs and ending WIP was 20% complete as to conversion costs. The company uses a FIFO costing.

Required: How many gallons were started and completed this period?

42,000 units
48,000 units
54,000 units
66,000 units

opening wip	38000		
started	80000		
	118000		
ending	26000		
completed	92000		
	material	conversion cost	
	opening wip	completed	closing
wip	total		
material	0	92000	26000
118000			
conversion	$38000 \times 70\% = 26600$	92000	$26000 \times 20\%$
=5200	123800		

units

material

GALLONS STARTED AND COMPLETED THIS PERIOD

	MATERIAL	LABOR	OVERHEAD
OP INVENTORY	-----	26600	26600
ADD STARTED	80000	80000	80000
started this period	80000	106600	106600
transferred out	92000	92000	92000
ending inventory	26000	5200	5200
completed this period	118000	97200	97200

Question No: 11 (Marks: 1) - Please choose one

Superior started 80,000 gallons of paint. During the month the company completed 92,000 gallons and transferred them to the mixing department. Superior had 38,000 gallons in beginning inventory and 26,000 gallons in ending inventory.

Material is added at the beginning of the process and conversion costs are added evenly throughout the process.

Beginning WIP was 30% complete as to conversion costs and ending WIP was 20% complete as to conversion costs. The company uses a FIFO costing The company uses a FIFO costing. The cost data for February follow:

Beginning inventory:

Direct materials Rs.22, 200

Conversion costs Rs. 44,000

Costs added this period:

Direct materials Rs. 150,000

Conversion costs Rs. 343,200

Required:

What was the cost of direct materials in ending inventory?

Rs. 37,560

Rs. 42,600

Rs. 45,550

Rs. 48,750

SOLUTION

MATERIAL THIS PERIOD / UNITE STARTED

150000 / 80000

1.875
ENDING INVENTORY * RATE
26000* 1.875
48750

Question No: 12 (Marks: 1) - Please choose one
The cost of Telephone bill of the factory is treated as:

Fixed cost
Variable cost
Step cost
Semi variable cost

Question No: 13 (Marks: 1) - Please choose one
The salary of factory clerk is treated as:

Direct labor cost
Indirect labor cost
Conversion cost
Prime cost

Question No: 14 (Marks: 1) - Please choose one
For manufacturing entities inventories are classified into -----
categories?

One
Two
Three
Four
REF : RAW MATERIAL , FINISHED GOOD , WIP

Question No: 15 (Marks: 1) - Please choose one
If EOQ = 360 units, order costs are Rs. 5 per order, and carrying costs are Rs. 0.20 per unit, what is the usage in units?

2,592 units
25,920 units
18,720 units
129,600 units

Question No: 16 (Marks: 1) - Please choose one
Which of the following is a reason for the overtime to be incurred?

Make up for lost time
Produce more of the product than anticipated
Increase efficiency of the workers
Both for make up of lost time and produced more product than anticipated

Question No: 17 (Marks: 1) - Please choose one
P Ltd applied overheads on the basis of direct labor hours. The overhead

applied rate for the period has been based on budgeted overhead of Rs.150, 000 and 50,000 direct labor hours. During the period overhead of Rs. 180,000 were incurred and 60,000 direct labor hours were used.

Which of the following statement is correct?

- Overhead was Rs.30,000 over applied**
- Overhead was Rs.30,000 under applied
- No under or over applied occurred
- None of the given

Question No: 18 (Marks: 1) - Please choose one

Of the following manufacturing operations, which is the best suited to the utilization of a job order system?

- Soft drink bottling operation
- Crude oil refining
- Cement Production
- None of the given options**

Question No: 19 (Marks: 1) - Please choose one

In a process costing system, the journal entry used to record the transfer of units from Department A, a processing department, to Department B, the next processing department, includes a debit to:

- Work in Process Department A and a credit to Work in Process Department B
- Work in Process Department B and a credit to Work in Process Department A**
- Work in Process Department B and a credit to Materials
- Finished Goods and a credit to Work in Process Department B

Question No: 20 (Marks: 1) - Please choose one

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
- Hybrid process
- Cannot be determined with so little information**

Question No: 21 (Marks: 1) - Please choose one

Which of the following concept is used in absorption costing?

- Matching concept (PAGE 175)**
- Cost concept
- Cash concept
- None of the given options

Question No: 22 (Marks: 1) - Please choose one

Which of the following will be included in calculation of per unit cost under absorption costing?

Direct materials, direct labor, fixed overhead

Direct materials, direct labor and variable overhead

Direct materials, direct labor, variable overhead, fixed overhead (PAGE 164)

Only direct materials and direct labor

Question No: 23 (Marks: 1) - Please choose one

When closing stock is over valuated, what would its effect on profit?

It will increase the profit

It will decrease the profit

No effect on profit

Can not be determined with given statement

Question No: 24 (Marks: 1) - Please choose one

Advantages of variable costing include which of the following?

Data that is required for CVP analysis can be taken directly from the contribution margin format income statement

All things being equal, profit for the period is not affected by changing inventories

Profits tend to move in the same direction as sales

All of the given options

Question No: 25 (Marks: 1) - Please choose one

Contribution margin contributes to meet which one of the following options?

Variable cost

Fixed cost

Operating cost

Net Profit

Question No: 26 (Marks: 1) - Please choose one

Janet sells a product for Rs. 6.25. The variable costs are Rs. 3.75. Janet's breakeven units are 35,000. What is the amount of fixed costs?

Rs. 87,500

Rs. 35,000

Rs. 131,250

Rs. 104,750

$$\begin{aligned}\text{CM} &= \text{SALES PER UNIT} - \text{VARIABLE COST PER UNIT} \\ &= 6.25 - 3.75\end{aligned}$$

$$\begin{aligned}
 &= 2.5 \\
 \text{FIXED COST} &= \text{BREAK EVEN IN UNITS} * \text{FIXED COST IN UNITS} \\
 &= 35000 * 2.5 \\
 &= 87500
 \end{aligned}$$

CHECK

SALES (6.25*35000)	218750
LESS VARIABLE COST (3.75*35000)	131250
CM	87500
LESS FIXED COST	87500
BREAK EVEN (NO LOSS NO PROFIT)	0

Question No: 27 (Marks: 1) - Please choose one
 Eclair Ltd manufactured three products,JP,1,JP2,JP,3 with the following cost of raw material 10,000 kg,cost Rs,24,000 and conversion cost is Rs,28,000. Process costs are apportioned on a sales value basis.

Required: What was the apportioned cost for JP3.

Rs. 52,000

Rs. 13,520

Rs. 15,600

Rs. 22,880

COST + CONVERSION COST

24000 + 28000

52000

Question No: 28 (Marks: 1) - Please choose one
 If one would prepare a graph with a horizontal axis representing units of production and a vertical axis representing per-unit production cost, how would a line representing fixed production cost be drawn?

As a horizontal line

As a vertical line

As a straight line sloping upward to the right

As a straight line sloping downward to the right

Question No: 29 (Marks: 1) - Please choose one

Out-Put	Production,Kg	sales price, per Kg
JP,1	4,000	11
JP,2	3,000	10
JP,3	1,000	26

A (an) _____ is financial plan of the resources needed to carry out activities and meet financial goals.

Contribution Margin Statement

Income Statement

Budget

Comprehensive Audit

Question No: 30 (Marks: 1) - Please choose one

Production budget is an example of which of the following budget?

Functional budget

Master budget

Cost of goods sold budget

Sales budget

Question No: 31 (Marks: 1) - Please choose one

Which of the following factor is responsible for a difference between units sold and units produced?

Factory overhead

Direct Labor

Change in Inventory

Total production cost

Question No: 32 (Marks: 1) - Please choose one

The master budget comprises:

The budgeted profit and loss account

The capital expenditure budget

The budgeted profit and loss account, budgeted cash flow and budgeted balance sheet

The budgeted cash flows

Question No: 33 (Marks: 1) - Please choose one

All of the following compose cost of goods sold EXCEPT:

Raw material

Labor

Capital

Factory overhead

Question No: 34 (Marks: 1) - Please choose one

Hogan Company plans to produce 5,000 wooden tables. Each table requires 10 bd. Ft. of lumber at a price of Rs. 2.50 per bd. Ft. The desired beginning and ending inventories of lumber are 10,000 and 20,000 board feet, respectively. The total direct materials purchase cost for lumber is:

Rs. 100,000

Rs. 12,500

Rs. 175,000

Rs. 150,000

SOLUTION

WOODEN TABLE (5000*10)

50000

$$\text{DIRECT MATERIAL PURCHASED} = 50000 + 20000 + 10000 \times 2.5$$

$$= 150000$$

Question No: 35 (Marks: 1) - Please choose one

Amount of Depreciation on fixed assets will be fixed in nature if calculated under which of the following method?

Straight line method (PAGE 3)

Reducing balance method

Some of year's digits method

Double declining method

Question No: 36 (Marks: 1) - Please choose one

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 Rs. 12.50 per hour, what is budgeted labor cost for the job?

Rs. 26,000

Rs. 37,500

Rs. 50,000

Rs. 42,000

$$\text{BUDGET LABOR COST} = \text{ACTUAL LABOR HOUR} \times \text{WAGES RATE PER HOUR}$$

$$= 3000 \times 12.5$$

$$= 37500$$

Question No: 37 (Marks: 1) - Please choose one

Which of the following factor/s should be considered while constructing an administrative selling expense budget?

Fixed expenses

Past experience

Variable expenses

All of the given options

Question No: 38 (Marks: 1) - Please choose one

Two or more products produced from a common input are termed:

Common costs

Joint products

Joint costs

By-products

Question No: 39 (Marks: 1) - Please choose one

A relevant cost or benefit is one that will be affected by the decision. Which of the following should be regarded as relevant in the decision-making process?

Fixed overheads

Notional costs

Sunk costs

Opportunity costs

FINAL TERM EXAMINATION

fall 2008

MGT402- Cost & Management Accounting (Session - 2)

Marks: 80

Question No: 2 (Marks: 1) - Please choose one

A forecast set of final accounts is also known as:

Cash budget

Capital budget

Master budget

Sales budget

Question No: 3 (Marks: 1) - Please choose one

Brutus Company manufactures glass bottles. The company expects to sell 500,000 bottles next year. The budgeted ending inventory this year is 15,000 bottles and the desired ending inventory for next year is 12,000 bottles. It takes 5 pounds of sand to produce one bottle. The ending inventory of sand this year is expected to be 200,000 pounds, and the desired ending inventory next year is 100,000 pounds. The amount of direct material purchases is expected to be:

2,385,000 pounds

2,465,000 pounds

2,585,000 pounds

2,600,000 pounds

proposal pudget = $500000 + 12000 - 15000 * 5 = 2485000$

direct material purchase = $2485000 + 100000 - 200000 = 2385000$

Question No: 4 (Marks: 1) - Please choose one

Cost accountants are concerned about the ratios relating to the Profits and Manufacturing costs. These ratios might include:

Gross Mark up rate

Inventory turnover ratio

Cost of goods sold to sales ratio

All of the given options

Question No: 5 (Marks: 1) - Please choose one

Which of the following is calculated by a formula that uses net sales as denominator?

Inventory turnover ratio

Gross profit rate

Return on Investment
None of the given options

Question No: 6 (Marks: 1) - Please choose one

Jones, Industries uses process costing system. In October, the finishing department had 30,000 (20% as to conversion) units in beginning work-in-process, 45,000 (40% as to conversion) units in ending inventory and had 95,000 units transferred in from the previous department. Material is added at the end of the process and conversion costs are added uniformly throughout the process.

Required: If Jones uses FIFO method, what are the equivalent units of production for conversion costs?

98,000 units
45,000 units
80,000 units
None of the given options

Op wip	30000	
Unit transferred	95000	
		--
total	125000	
ending	45000	
completed	80000	
	material	
	80000	
	18000	

Question No: 7 (Marks: 1) - Please choose one

Period costs are:
Expensed when the product is sold
Included in the cost of goods sold
Related to specific period
Not expensed

Question No: 8 (Marks: 1) - Please choose one

Which of the following is a period cost?

Direct materials
Indirect materials
Factory utilities
Administrative expenses

Period Cost

The cost is not related to production and is matched against on a time period basis. This cost is considered to be expired during the accounting period and is charged to the profit & loss account.

Example

Selling and administrative expenses

Question No: 9 (Marks: 1) - Please choose one

Given data that:

Work in Process Opening Inventory Rs. 20,000

Work in Process Closing Inventory 10,000

Finished goods Opening Inventory 30,000

Finished goods Closing Inventory 50,000

Cost of goods sold 190,000

What will be the value of total manufactured cost?

Rs. 200,000

Rs. 210,000

Rs. 220,000

Rs. 240,000

solution

cost of goods sold	190000
--------------------	--------

add ending finished goods	50000
---------------------------	-------

	240000
--	--------

less opening finished good	30000
----------------------------	-------

cost of good manufactured	210000
---------------------------	--------

Question No: 10 (Marks: 1) - Please choose one

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

Lead time

Re-order level

Maximum consumption

Danger level

Question No: 11 (Marks: 1) - Please choose one

EOQ is a point where:

Ordering cost is equal to carrying cost

Ordering cost is higher than carrying cost

Ordering cost is lesser than the carrying cost

Total cost is maximum

Question No: 12 (Marks: 1) - Please choose one

All of the following are cases of labor turnover **EXCEPT**:

Workers appointed against the vacancy caused due to discharge or quitting of the organization

Workers employed under the expansion schemes of the company

The total change in the composition of labor force
Workers retrenched

Question No: 13 (Marks: 1) - Please choose one

Capacity Variance / Volume Variance arises due to

Difference between Absorbed factory overhead and budgeted factory for capacity attained

Difference between Absorbed factory overhead and absorption rate
Difference between Budgeted factory overhead for capacity attained and FOH actually incurred
None of the given options

Question No: 14 (Marks: 1) - Please choose one

PEL & co found that a production volume of 400 units corresponds to production cost of Rs, 10,000 and that a production volume of 800 units corresponds to production costs of Rs.12,000. The variable cost per unit would be?

Rs. 5.00 per unit

Rs. 1.50 per unit
Rs. 2.50 per unit
Rs. 0.50 per unit

Solution

$$12000 - 10000 = 2000$$

$$800 - 400 = 400$$

$$2000 / 400 = 5.00$$

Question No: 15 (Marks: 1) - Please choose one

Beginning work in process was 1,200 units, 2,800 additional units were put into production, and ending work in process was 500 units. How many units were completed?

500 units
3,000 units
3,500 units
3,300 units

solution

OP WIP	1200
ADD ADDITIONAL	2800
TOTAL	4000
LESS ENDING WIP	500
COMPLETED	3500

Question No: 16 (Marks: 1) - Please choose one

The appropriate journal entry to transfer the cost of completed units from the Work in Process account would involve a credit to Work in Process and a debit to which of the following accounts?

- Income Summary
- Raw Materials Inventory
- Finished Goods**
- Manufacturing Summary

Question No: 17 (Marks: 1) - Please choose one

The point at which joint product costs become separately identifiable is known as the:

- Split-off point**
- Relative sales value point
- Joint processing cost
- None of the given options

Question No: 18 (Marks: 1) - Please choose one

Which of the following best describe a by product?

A product that usually produces a large amount of revenue which compared to the main product revenue

A product that is produced from raw material that would otherwise be Scraped

A product that has higher selling price per unit than the main product

A product created with the main product where sales value does not cover its cost of production

Question No: 19 (Marks: 1) - Please choose one

If joint products are to be processed further beyond the point of separation, costs should be assigned to the products on the basis of:

- Adjusted sales value
- Ultimate sales value
- A physical unit of measure**
- An engineering analysis

Question No: 20 (Marks: 1) - Please choose one

When two products are manufactured during a common process, the factor that determine whether the products are joint product or one main product and one is by product is the:

- Potential marketability for each product
- Amount of work expended in the production of each product**
- Relative total sales value of each product
- Management policy

Question No: 21 (Marks: 1) - Please choose one

Which of the following will be included in calculation of per unit cost under absorption costing?

Direct materials, direct labor, fixed overhead

Direct materials, direct labor and variable overhead

Direct materials, direct labor, variable overhead, fixed overhead

Only direct materials and direct labor

Question No: 22 (Marks: 1) - Please choose one

Which of the following will be included in calculation of per unit cost under variable costing?

Only direct materials and direct labor

Direct materials, direct labor, fixed overhead

Direct materials, direct labor and variable overhead

Direct materials, direct labor, variable overhead, fixed overhead

Question No: 23 (Marks: 1) - Please choose one

Using variable costing, which costs are included in product cost?

All variable product costs, including direct materials, direct labor, and variable manufacturing overhead

All variable and fixed allocations of product costs, including direct materials, direct labor, and both variable and fixed manufacturing overhead

All variable product costs except for variable manufacturing overhead

All variable and fixed allocations of product costs, except for both variable and fixed manufacturing overhead

Question No: 24 (Marks: 1) - Please choose one

Cost volume Profit analysis (CVP) is a behavior of how many variables?

2

3

4

5

Question No: 25 (Marks: 1) - Please choose one

Contribution margin contributes to meet which one of the following options?

Variable cost

Fixed cost

Operating cost

Net Profit

Question No: 26 (Marks: 1) - Please choose one

The difference between total revenues and total variable costs is used to determine which of the following?

Operating Income
Gross margin
Contribution margin
Fixed costs

Question No: 27 (Marks: 1) - Please choose one

Eclair Ltd manufactured three products, JP,1, JP2, JP,3 with the following cost of raw material 10,000 kg, cost Rs,24,000 and conversion cost is Rs,28,000. Process costs are apportioned on a sales value basis.

Required: What was the apportioned cost for JP3.

Rs. 52,000

Rs. 13,520

Rs. 15,600

Rs. 22,880

Question No: 28 (Marks: 1) - Please choose one

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 or actual sales over the break-even volume of sales

The excess of budgeted net income over actual net income

Question No: 29 (Marks: 1) - Please choose one

Out-Put Production, Kg sales price, per Kg

JP,1 4,000 11

JP,2 3,000 10

JP,3 1,000 26

The little Rock Company shows fixed expenses of Rs. 12,150 and Margin of safety ratio is 25% and Break even sales is Rs. 40,500. If contribution margin ratio is 30% what would be the actual sales?

Rs. 40,500

Rs. 54,000

Rs. 12,150

Rs. 4,050

Question No: 30 (Marks: 1) - Please choose one

Consider the following data for the month of January:

Sales 600 units

Opening stock 80 units

If the closing stock has to be 50% higher than the previous month then production will have to be:

700 units

720 units

640 units

600 units

Question No: 31 (Marks: 1) - Please choose one

If a firm is using activity-based budgeting, the firm would use this in place of which of the following budgets?

Direct labor budget

Direct materials budget

Revenue budget

Manufacturing overhead budget

Question No: 32 (Marks: 1) - Please choose one

Which of the following is true for the manufacturing overhead budget?

Provides a schedule of all costs of production other than direct materials and direct labor

Includes both variable and fixed costs associated with overhead

Depreciation has to be deducted as a non-cash expense in order to determine the level of cash required for overhead

All of the given options

Question No: 33 (Marks: 1) - Please choose one

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 Rs. 12.50 per hour, what is budgeted labor cost for the job?

Rs. 26,000

Rs. 37,500

Rs. 50,000

Rs. 42,000

3000 *12.50

Question No: 34 (Marks: 1) - Please choose one

Which of the following budget is the most important in service organizations?

Production budget

Merchandise purchases budget

Direct labor budget (DOUBTED)

Direct materials budget

Question No: 35 (Marks: 1) - Please choose one

When using a flexible budget, what will occur to variable costs (on a per unit basis) as production increases?

Variable costs are not considered in flexible budgeting

Variable costs per unit will decrease

Variable costs per unit will remain unchanged

Variable costs per unit will increase

Question No: 36 (Marks: 1) - Please choose one

Which of the following is not true about differential costs?

It is a broader concept than variable cost as it takes into account additional fixed costs caused by management decisions

With the passage of time and change in situation, differential costs will vary

The difference in cost between buying them from outside or make them in the company is differential cost, irrelevant for decisions

They are extra or incremental costs caused by a particular decision (DOUBTED)

Question No: 37 (Marks: 1) - Please choose one

If the materials have no resale value and no other possible use, then what would be the relevant cost of using them for the opportunity under consideration?

Equal to replacement cost

Equal to opportunity cost

It would be nil (DOUBTED)

Equal to its historical cost

Question No: 38 (Marks: 1) - Please choose one

Optimum production plan is based on which of the following factor(s)?

Identify the limiting factor

Calculate contribution per unit of limiting factor

Calculate contribution per unit for each product

All of the given options

Question No: 39 (Marks: 1) - Please choose one

The effect on a company's operating income of discontinuing a department with a contribution margin of Rs. 8,000 and allocated overhead of Rs. 16,000 (of which Rs. 7,000 cannot be eliminated) would be to:

Increase operating income by Rs. 1,000

Increase operating income by Rs. 8,000

Decrease operating income by Rs. 1,000

Decrease operating income by Rs. 9,000

Question No: 40 (Marks: 1) - Please choose one

In one off contracts, a contract will probably be accepted if:

It increases contribution margin and decreases profit

It increases both contribution margin and profit

It reduces contribution margin and increases profit

It reduces both contribution margin and profits

MGT402 MCQs

D Corporation uses process costing to calculate the cost of manufacturing Crunchies. During the month 12,500 units were completed, 1,500 units remained in work in process at 25 percent completed. How many equivalent units are produced?

- ▶ 12,500 units
- ▶ **12,875 units**
- ▶ 14,250 units
- ▶ 12,125 units

Opportunity cost is the best example of:

- ▶ **Relevant Cost**
- ▶ Irrelevant Cost
- ▶ Standard Cost
- ▶ Sunk Cost

Which of the following is calculated by a formula that uses net sales as denominator?

- ▶ Inventory turnover ratio
- ▶ Gross profit rate
- ▶ Return on Investment
- ▶ **None of the given options**

A typical factory overhead cost is:

- ▶ Distribution
- ▶ Internal audit
- ▶ **Compensation of plant manager**
- ▶ Design

Period costs are:

- ▶ Expensed when the product is sold
- ▶ Included in the cost of goods sold
- ▶ **Related to specific period**
- ▶ Not expensed

When purchases are added to raw material opening Inventory, we get the value of:

- ▶ Material consumed.
- ▶ **Material available for use.**
- ▶ Material needed.
- ▶ Raw material ending inventory.

Which of the following is deducted from purchases in order to get the value of Net purchases?

- ▶ Purchases returns
- ▶ Carriage inward
- ▶ Custom duty
- ▶ **All of the given options**

All of the following indicate the problems in traditional budget EXCEPT:

▶ **Programmes and activities involving wasteful expenditure are identified, resulting in unavoidable financial and other costs**

- ▶ Inefficiencies of a prior year are carried forward in determining subsequent years' levels of performance
- ▶ Managers are not encouraged to identify and evaluate alternate means of accomplishing the same objective
- ▶ Decision-making is irrational in the absence of rigorous analysis of all proposed costs and benefits

A forecast set of final accounts is also known as:

- ▶ Cash budget
- ▶ Capital budget
- ▶ **Master budget**
- ▶ Sales budget

A company decreased the selling price for its product from Rs. 2.00 to Rs. 1.75 per unit when total fixed costs decreased from Rs. 500,000 to Rs. 400,000 and variable cost per unit of Rs. 1 remained unchanged. How would these changes affect the break-even point?

- ▶ The break-even point in units would be increased
- ▶ **The break-even point in units would be decreased**
- ▶ The break-even point in units would remain unchanged
- ▶ The effect cannot be determined from the information given

Assuming no returns outwards or carriage inwards, the cost of goods sold will be equal to:

- ▶ Opening stock Less purchases plus closing stock
- ▶ Closing stock plus purchases plus opening stock
- ▶ **Sales less gross profit**
- ▶ Purchases plus closing stock plus opening stock plus direct labor

Which of the following would be the effect, if inventory is not properly measured?

- ▶ **Expenses and revenues cannot be properly matched**
- ▶ Unfair position in Financial Statements
- ▶ Inventory items show under or over stocking
- ▶ All of the given options

Increased cost of production due to high labor turnover is a result of which of the following factor?

- ▶ Interruption of production
- ▶ Coordination between new and old employee to produce more
- ▶ **Increased production due to newly motivated employees**
- ▶ Decrease losses as new employees will be more concerned towards

output

The Process of cost apportionment is carried out so that:

- ▶ Cost may be controlled
- ▶ Cost unit gather overheads as they pass through cost centers

- ▶ Whole items of cost can be charged to cost centers
- ▶ **Common costs are shared among cost centers**

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:

- ▶ Direct labor hours
- ▶ **Direct labor costs**
- ▶ Machine hours
- ▶ Cost of material used

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?

- ▶ Operating loss
- ▶ Abnormal loss
- ▶ **Normal loss**
- ▶ Non-operating loss

A company produces two chemicals in a joint process. Chemical A can be sold at split off while chemical B currently cost Rs. 2 per gallon for disposal. If chemical B is further processed, it would cost Rs. 5 per gallon. At what sales price would the company be in different between disposing of chemical B at split off and further processing the chemical?

- ▶ **Rs.3**
- ▶ Rs.5
- ▶ Rs.4
- ▶ Rs.7

Variable costing is also known as:

- ▶ Direct Costing
- ▶ Marginal Costing
- ▶ **Both Direct Costing & Marginal Costing**
- ▶ Indirect Costing

Net income reported under direct costing will exceed net income reported under absorption costing for a given period if:

- ▶ The fixed overhead exceeds the variable overhead
- ▶ Production equals sales for that period
- ▶ Production exceeds sales for that period
- ▶ **Sales exceed production for that period**

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

- ▶ **Rs. 6**
- ▶ Rs. 12

- ▶ Rs. 14
- ▶ Rs. 8

If one would prepare a graph with a horizontal axis representing units of production and a vertical axis representing per-unit production cost, how would a line representing fixed production cost is drawn?

- ▶ As a horizontal line
- ▶ As a vertical line
- ▶ As a straight line sloping upward to the right
- ▶ **As a straight line sloping downward to the right**

Budget for an organization is prepared by which of the following person?

- ▶ Functional head
- ▶ **Manager**
- ▶ Auditor
- ▶ Administrator

All are examples of cash disbursements EXCEPT:

- ▶ Payment for materials purchased
- ▶ **Payment received as collection of accounts receivable**
- ▶ Payment of dividends
- ▶ Payment of taxes

Which of the following is the first step in the decision-making process?

- ▶ **Clarify the decision problem**
- ▶ Collect the data
- ▶ Select an alternative
- ▶ Develop a decision model

Which the following would be considered a Relevant Cost?

- ▶ The book value of the old equipment
- ▶ Depreciation expense on the old equipment
- ▶ **The current disposal price of the old equipment**
- ▶ Historical cost of an equipment

The Auslander Company has 1,600 obsolete calculators that are carried in inventory at a total cost of Rs. 106,800. If these calculators are upgraded at a total cost of Rs. 40,000, they can be sold for a total of Rs. 120,000. As an alternative, the calculators can be sold in their present condition for Rs. 44,800. What will be the sunk cost in this situation?

- ▶ Rs. 0
- ▶ Rs. 40,000
- ▶ Rs. 44,800
- ▶ **Rs. 106,800**

Costs that have been incurred include which of the following?

- ▶ Only opportunity costs
- ▶ Costs that have already been paid
- ▶ Costs that have been committed
- ▶ **Both costs that have already been paid and committed**

For a retail outlet chain with multiple stores, which of the following statements would be correct?

- ▶ Stores which have a net loss should be discontinued
- ▶ **Stores with a negative contribution margin should be discontinued**
- ▶ Stores with a negative contribution margin should be discontinued provided such discontinuation will not cause an increase in sales at other stores
- ▶ Stores with a negative contribution margin should not be discontinued if such discontinuation will cause profitable stores to bear a portion of the unprofitable store's overhead

In the process costing when material is issued for production to department no 1. what would be the journal entry Passed?

▶ **W.I.P (Dept-I)**
To Material a/c

▶ W.I.P (Dept-ii)
To Material a/c

▶ Material a/c
To W.I.P (Dept-ii)

▶ W.I.P (Dept-ii)
To FOH applied.

If, Sales = Rs. 800,000 appli Markup = 25% of cost What would be the value of Gross profit?

Select correct option:

Rs. 200,000

Rs. 160,000

Rs. 480,000

Rs. 640,000

On a cost-volume-profit chart (break-even graph), where are the total fixed costs shown?

Select correct option:

At the point where the sales line intersects the cost line

At the point where the sales line crosses the total cost line

At the point where the total cost line intersects the cost line

At the point where the total cost line intersects the volume line

Byer produced 20,000 units and their total factory cost was Rs. 450,000, other cost like property tax on factory building was Rs. 10,000 included in that cost till year ended the cost of per unit would be:

Select correct option:

Rs.22.5

Rs.23.5

Rs.24.5

Rs.26.5

By using table method where----- is equal, that point is called Economic order quantity.

Select correct option:

Ordering cost

Carrying cost

Ordering and carrying cost

Per unit order cost

Bouch Company has following the data. Units Produced and sold were 100,000 @ 100 each. Production Cost per unit Variable cost is Rs.25, Fixed cost is Rs.50, Total cost is Rs.75 What would be the margin of safety ratio?

Select correct option:

25%

33.333%

66.666%

75%

<http://vuabid.blogspot.com/2009/05/mgt402-cost-management-accounting-quiz.html>

<http://www.principlesofaccounting.com/questions%20-%20multiple%20choice/chapter%2018%20-%20multiple%20choice.htm>

Manufacturing entities classified the inventory in which of three kinds?

Select correct option:

Material inventory,WIP inventory,Finished goods inventory

Material inventory,purchased good inventory,WIP inventory

Material inventory,purchased good inventory,Finished goods inventory

WIP inventory,Finished goods inventory,purchased good inventory

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

Select correct option:

Normal capacity

Designed capacity

Direct Labor hours

Machine hours

Which of the following items of expense are to be add in FOH cost

Select correct option:

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

Consider the following data for the month of April: Closing stock 80 units,Production 280 units,Sales 330 units Based on the data, the opening stock for April will have to be:

Select correct option:

50 units

410 units

70 units

130 units

Jones, Industries uses process costing system. In October, the finishing department had 30,000 units in beginning work-in-process, 45,000 units in ending inventory and had 95,000 units transferred in from the previous department. Material is added at the end of the process and conversion costs are added uniformly throughout the process. Beginning work-in-process was 20% complete with respect to conversion costs; ending inventory was 40% complete with respect to conversion costs. If Jones uses FIFO, the equivalent units of production for transferred-in costs, direct material, and conversion costs are:

Select correct option:

Material 125,000 units Conversion cost 98,000 units

Material 125,000 units Conversion cost 45,000 units

Material 125,000 units Conversion cost 80,000 units

None of the given options

A high inventory turnover may indicate:

Select correct option:

An efficient use of the investment in inventory

A high risk of stock-outs

Stock position of store room

All of the given options

EOQ is a point where:

Select correct option:

Ordering cost is equal to carrying cost

Ordering cost is higher than carrying cost

Ordering cost is lesser than the carrying cost

Total cost is maximum

Examples of industries that would use process costing include all of the following EXCEPT:

Select correct option:

Beverages

Food

Hospitality

Petroleum

If one would prepare a graph with a horizontal axis representing units of production and a vertical axis representing per-unit production cost, how would a line representing fixed production cost is drawn?

Select correct option:

As a horizontal line

As a vertical line

As a straight line sloping upward to the right

As a straight line sloping downward to the right

Which of the following is a characteristic of process cost accounting system?

Select correct option:

Material, Labor and Overheads are accumulated by orders

Companies use this system if they process custom orders

Opening and Closing stock of work in process are related in terms of completed units

Only Closing stock of work in process is restated in terms of completed units

In furniture manufacturing use of nail, pins, glue, and polish which use to increase its esteem value that cost is treated as:

Select correct option:

Direct material cost

Indirect material cost

FOH cost

Prime cost

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

Select correct option:

Fixed cost

Variable cost

Step cost

Semi variable cost

Under/Over applied FOH cost can be adjusted in which of the following:

Select correct option:

Entire Production

Cost of Good sold

Net Profit

All of given options

All Indirect cost is charged/record in the head of

Select correct option:

Prime cost

FOH cost

Direct labor cost

None of the given options

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?

Select correct option:

Overhead was under-applied by Rs.6,200

Overhead was over-applied by Rs.6,200

Overhead was under-applied by Rs.7,200

Overhead was over-applied by Rs.7,200

The current sales price is Rs. 25 per unit and the current variable cost is Rs. 17 per unit. Fixed costs are Rs. 40,000. If the sales price is increased by Rs. 2 and all other costs remain unchanged, what will happen to the break-even point in units?

Select correct option:

It will increase by 1,000 units

It will decrease by 1,000 units

It will decrease by 2,000 units

It will not change

Which of the following manufacturers is most likely to use a job order cost accounting system?

Select correct option:

A soft drink producer

A flour mill

A textile mill

A builder of offshore oil rigs

A cost unit is

Select correct option:

The cost per hour of operating a machine

The cost per unit of electricity consumed

A unit of product or services in relation to which costs are ascertained

A measure of work output in a standard hour

Amount of net purchase can be calculated as follow

Select correct option:

Purchase of direct material add trade discount less purchase return add carriage inward less other material handling cost

Purchase of direct material less trade discount I add purchase return add carriage inward less other material handling cost

Purchase of direct material less trade discount less purchase return less carriage inward add other material handling cost

Purchase of direct material less trade discount less purchase return add carriage inward add other material handling cost

Which of the following is the best definition of a by-product?

Select correct option:

A by-product is a product arising from a process where the wastage rate is higher than a defined level

A by-product is a product arising from a process where the sales value is insignificant by comparison with that of the main product or products

A by-product is a product arising from a process where the wastage rate is unpredictable

A by-product is a product arising from a process where the sales value is significant by comparison with that of the main product or products

Which of the following concept is used in absorption costing?

Select correct option:

Matching concept

Cost concept

Cash concept

All of the given options

Inventory turnover ratio can be calculated as follow?

Select correct option:

Cost of goods sold/Average inventory

Gross profit/Average inventory

Cost of goods sold/sale

Cost of goods sold/Gross profit

Under Periodic Inventory system Purchase of inventory is treared as:

Select correct option:

Assets

Expense

Income

Liability

Under/Over applied FOH cost can be adjusted in which of the following:

Select correct option:

Entire Production

Cost of Good sold

Net Profit

All of given options

Which of the following is/are not associated with ordering costs?

Interest

Insurance

Opportunity costs

All of the given options

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

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

Question # 1 of 15 (Start time: 08:03:14 PM) Total Marks: 1

Which of the following is a characteristic of process cost accounting system?

Select correct option:

Material, Labor and Overheads are accumulated by orders

Companies use this system if they process custom orders

Opening and Closing stock of work in process are related in terms of completed units

Only Closing stock of work in process is restated in terms of completed units

Question # 2 of 15 (Start time: 08:04:16 PM) Total Marks: 1

In furniture manufacturing use of nail, pins, glue, and polish which use to increase its esteem value that cost is treated as:

Select correct option:

Direct material cost

Indirect material cost

FOH cost

Prime cost

Question # 3 of 15 (Start time: 08:04:53 PM) Total Marks: 1

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

Select correct option:

Fixed cost

Variable cost

Step cost

Semi variable cost

All Indirect cost is charged/record in the head of

Select correct option:

Prime cost

FOH cost

Direct labor cost

None of the given options

The current sales price is Rs. 25 per unit and the current variable cost is Rs. 17 per unit. Fixed costs are Rs. 40,000. If the sales price is increased by Rs. 2 and all other costs remain unchanged, what will happen to the break-even point in units?

Select correct option:

It will increase by 1,000 units

It will decrease by 1,000 units

It will decrease by 2,000 units

It will not change

Which of the following manufacturers is most likely to use a job order cost accounting system?

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Gross profit/Average inventory

Cost of goods sold/sale

Cost of goods sold/Gross profit

Under Periodic Inventory system Purchase of inventory is treated as:

Select correct option:

Assets

Expense

Income

Liability

All of the following are terms used to denote Factory Overheads EXCEPT:

Select correct option:

Factory burden

Factory expenses

Manufacturing overhead

Conversion costs

Inventory turnover ratio can be calculated as follow?

Select correct option:

Cost of goods sold/Average inventory

Gross profit/Average inventory

Cost of goods sold/sale

Cost of goods sold/Gross profit

EOQ is a point where:

Select correct option:

Ordering cost is equal to carrying cost

Ordering cost is higher than carrying cost

Ordering cost is lesser than the carrying cost

Total cost is maximum

Which of the following is a characteristic of process cost accounting system?

Select correct option:

Material, Labor and Overheads are accumulated by orders

Companies use this system if they process custom orders

Opening and Closing stock of work in process are related in terms of completed units

Only Closing stock of work in process is restated in terms of completed units

The Term Maximum Level Represents:

Select correct option:

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

_____ are future costs that effect the current management decision.

Select correct option:

Sunk Cost

Standard Cost

Relevant Cost

Irrelevant Cost

Opening work in process was 1,200 units, 2,800 additional units were put into production, closing work in process was 500 units. How many units were completed?

Select correct option:

500 units

3,000 units

3,500 units

3,300 units

All of the following are assumptions in constructing a Break even chart EXCEPT:

Select correct option:

There is no change of time value of money

Price of cost factors remains constant

Long term period will be considered

Cost is effected by volume

Contribution margin contributes to meet which one of the following options?

Select correct option:

Variable cost

Fixed cost

Operating cost

Net Profit

All Indirect cost is charged/record in the head of

Select correct option:

Prime cost

FOH cost

Direct labor cost

None of the given options

The Superior Company manufactures paint and uses a process costing system. During February, Superior started 80,000 gallons of paint. During the month the company completed 92,000 gallons and transferred them to the mixing department. Superior had 38,000 gallons in beginning inventory and 26,000 gallons in ending inventory. Material is added at the beginning of the process and conversion costs are added evenly throughout the process. Beginning WIP was 30% complete as to conversion costs and ending WIP was 20% complete as to conversion costs. The company uses a FIFO costing. What were the equivalent units for conversion costs during February?

Select correct option:

72,600 units

85,800 units

88,600 units

92,900 units

An assumption of CVP analysis is that a change in total costs is caused because of a change in which of the following factor?

Select correct option:

Direct labor cost

The number of units sold

Sales commission per unit

Direct material cost

Which of the following is/are not associated with ordering costs?

Select correct option:

Interest

Insurance

Opportunity costs

All of the given options

Cost volume Profit analysis (CVP) is a behavior of how many variables?

Select correct option:

2

3

4

5

Bruce Inc. has the selling price per unit is Rs. 20, the variable cost per unit is Rs. 8, and the total fixed cost is Rs. 60,000. The firm's current tax rate is 25%. If Bruce wants to earn Rs. 60,000 in profits after taxes, how many units must it

Select correct option:

10,000 units

6,000 units

11,667 units

7,000 units

EOQ is the order quantity that _____ over our planning horizon

Select correct option:

Minimizes total ordering costs

Minimizes total carrying costs

Minimizes total inventory costs

Minimize the required safety stock

Which of the following is/are reported in production cost report?

Select correct option:

The costs charged to the department

How the costs were assigned to the output?

The equivalent units of production by the department

All of the given options

opening WIP 3500 units that was 70%completed. completed during the month was 19,000 units. Closing WIP 6500 units that was 30%completed. How many units were started during January?

Select correct option:

19,000 units

22,000 units

16,000 units

25,500 units

In which of the following center FOH cost NOT incurred

Select correct option:

Production Center

Service Center

General Cost Center

Head Office

All of the following are essential requirements of a good wage system EXCEPT:

Select correct option:

Reduced overhead costs

Reduced per unit variable cost

Increased production

Increased operating costs

Which of the following is called Non Statutory deductions:

Select correct option:

Subscriptions to a trade union

Contributions by the employee to a pension scheme

Contributions by the employer to a pension scheme

All of the given

Which of the following is not true

Select correct option:

Managerial accounting information is prepared for internal users

Preparation of Managerial accounting information is not a legal requirement

There are specific standards of acceptability for managerial accounting

The structure of managerial accounting practice is relatively flexible

Sales are Rs. 450,000. Beginning finished goods were Rs. 23,000. Ending finished goods are Rs. 30,000. The cost of goods sold is Rs. 300,000. What is the cost of goods manufactured?

Select correct option:

Rs. 323,000

Rs. 330,000

Rs. 293,000

None of the given options

EOQ is a point where:

Select correct option:

Ordering cost is equal to carrying cost

Ordering cost is higher than carrying cost

Ordering cost is lesser than the carrying cost

Total cost is maximum

Increase in material Inventory means:

Select correct option:

The ending inventory is greater than opening inventory

The ending inventory is less than opening inventory

Both ending and opening inventories are equal

Can not be determined

High labor turnover is NOT desirable because:

Select correct option:

It denotes the instability of the labor force

It is an indication of high labor cost

It shows frequent changes in the labor force

All of the given options

FOH absorption rate is calculated by the way of

Select correct option:

Estimated FOH Cost/Direct labor hours

Estimated FOH Cost/No of units produced

Estimated FOH Cost/Prime Cost

All of the given options

In which of the following would there be a difference between financial and managerial accounting?

Select correct option:

Users of the information

Purpose of the information

Flexibility of practices

All of the given options

While constructing a Break even chart, the gap between sales line and variable cost line shows which of the following?

Fixed cost

Break even point

Contribution margin

Variable cost

Manufacturing entities classified the inventory in which of three kinds?

Select correct option:

Material inventory,WIP inventory,Finished goods inventory

Material inventory,purchased good inventory,WIP inventory

Material inventory,purchased good inventory,Finished goods inventory

WIP inventory,Finished goods inventory,purchased good inventory

Opportunity cost is the best example of:

Select correct option:

Sunk Cost

Standard Cost

Relevant Cost

Irrelevant Cost

While calculating the EOQ, number of orders is calculated by:

Select correct option:

Multiplying the required units with cost per order

Dividing required unit by ordered quantity

Multiplying the required units with ordered quantity

Multiplying the ordered quantity with cost per order

A company has calculated that volume variance for a given month was unfavorable. This could have been caused by which of the following factors?

Select correct option:

The number of rejected units was higher than normal

Machine breakdowns were higher than normal

Delays were experienced in the issuing of material to production

All of the given options

What will be the impact of normal loss on the overall per unit cost?

Select correct option:

Per unit cost will increase

Per unit cost will decrease

Per unit cost remain unchanged

Normal loss has no relation to unit cost

Cost volume Profit analysis (CVP) is a behavior of how many variables?

Select correct option:

2

3

4

5

Which of the following factors would cause the break-even point to change?

Select correct option:

Increased sales volume

Fixed costs increased due to addition of physical plant

Total variable costs increased as a function of higher production

All of the given options

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

Select correct option:

Smart card

Time sheet

Clock card

Store card

In furniture manufacturing use of nail, pins, glue, and polish which use to increase its esteem value that cost is treated as:

Select correct option:

Direct material cost

Indirect material cost

FOH cost

Prime cost

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

Select correct option:

30% of the units are completed

70% of the units are completed

Each unit has been completed to 70% of its final stage

Each of the unit is 30% completed

Costs which are constant for a relevant range of activity and rise to new constant level once that range exceeded is called:

Select correct option:

A fixed cost

A variable cost

A mixed cost

A step cost

A Blanket Rate is:

Select correct option:

A single rate which used throughout the organisation departments

A double rates which used throughout the organisation departments

A single rates which used in different departments of the organisation

None of the given options

A worker is paid Rs. 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:

Select correct option:

$$18 \times 7 \times 0.50 = \text{Rs. } 63$$

$$18 \times 0.50 = \text{Rs. } 9$$

$$18 \times 7 = \text{Rs. } 126$$

$$7 \times 0.5 = \text{Rs. } 3.5$$

Which of the following cost is used in the calculation of cost per unit?

Select correct option:

Total production cost

Cost of goods available for sales

Cost of goods manufactured

Cost of goods Sold

A method by which the first goods to be received are said to be the first to be sold

Select correct option:

LIFO

AVCO

FIFO

WASH

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

According to marginal costing concept, all fixed costs are considered as:

Period cost

Production cost
Mixed cost
Sunk cost

Which of the following costs is part of the prime cost for manufacturing company?

Cost of transporting raw materials from the suppliers premises

Wages of factory workers engaged in machine maintenance
Depreciation of truck used for deliveries to customers
Cost of indirect production materials

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:
Select correct option:

Project cost

Sunk cost

Opportunity cost
Relevant cost

Merrick Differential Piece Rate System:

worker is not penalized even if his performance does not exceed 80 per cent of the High Task.

worker is not penalized even if his performance does not exceed 70 per cent of the High Task.

worker is not penalized even if his performance does not exceed 50 per cent of the High Task.

worker is not penalized even if his performance does not exceed 30 per cent of the High Task.

Which of the following costs do not change when the activity base fluctuates?

Select correct option:

Variable costs
Discretionary costs
Fixed costs
Mixed costs

_____ are future costs that effect the current management decision.
Select correct option:

Sunk Cost
Standard Cost

Relevant Cost

Irrelevant Cost

Merrick Differential system uses----- rates.

Select correct option:

Two

Three

Four

Five

Reduction of labor turnover, accidents, spoilage, waste and absenteeism are the results of which of the following wage plan?

Select correct option:

Piece rate plan

Time rate plan

Differential plan

Group bonus system

in the process costing when Cost of units transferred to the next department -II. What would be the journal entry Passed?

Select correct option:

W.I.P (Dept-II) a/c To W.I.P (Dept-I)

Finish Goods To W.I.P (Dept-I)

W.I.P (Dept-II) To FOH applied

W.I.P (Dept-I) To Payroll a/c

EOQ is the order quantity that _____ over our planning horizon

Select correct option:

Minimizes total ordering costs

Minimizes total carrying costs

Minimizes total inventory costs

Minimize the required safety stock

The appropriate journal entry to transfer the cost of completed units from the Work in Process account would involve a credit to Work in Process and a debit to which of the following accounts?

Select correct option:

Income Summary
Raw Materials Inventory
Finished Goods
Manufacturing Summary

When a budget is administered wisely, it will

Select correct option:

Discourage managers and employees
Provide a framework for performance evaluation
Eliminate coordination and communication between subunits
Discourage strategic planning

→ The value of finished goods inventory is calculated by which of the following formula?

- ▶ Cost of goods manufactured / no. of units manufactured
- ▶ **Closing finished goods units X cost per unit**
- ▶ **Cost of goods available for sale X cost per unit**
- ▶ None of the given options

Cost accounting department prepares _____ that helps the in preparing final accounts.

Select correct option:

Cost sheets
Cost of goods sold statement
Cost of production Report
Material requisition form

Which of the following statement(s) is (are) true?

- ▶ A manufacturer of ink cartridges would ordinarily use process costing rather than job-order costing
- ▶ If a company uses a process costing system it accumulates costs by processing department rather than by job
- ▶ The output of a processing department must be homogeneous in order to use process costing
- ▶ **All of the given options**

Which one of the following organization follows the cost of production report _____?

► **Textile unit**

- Chartered accountant firm
- Software houses
- None of the given option

Internal Factor(s) which affects/affect sales budget

- Government policies
- **Previous trend of sales**
- Seasonal fluctuations
- Competition

_____ = Reorder level – (Average consumption * Lead time)

► **Minimum stock level**

- Maximum stock level
- Re-order level
- Re- order quantity

if, COGS = Rs. 70,000 GP Margin = 30% of sales What will be the value of Sales?

Select correct option:

- Rs. 200,000
- Rs. 66,667**
- Rs. 100,000
- Rs. 62,500

Which of the following cost is used in the calculation of cost per unit?

Select correct option:

- Total production cost
- Cost of goods available for sales
- Cost of goods manufactured**
- Cost of goods Sold

Annual requirement is 7800 units; consumption per week is 150 units. Unit price Rs 5, order cost Rs 10 per order. Carrying cost Rs 1 per unit and lead time is 3 week, The Economic order quantity would be:

Select correct option:

395 units

300 units

250 units

150 units

Which of the following is to be called product cost

Select correct option:

Material cost

Labor cost

FOH cost

All of the given options

which of the following would there be a difference between financial and managerial accounting?

Select correct option:

Users of the information

Purpose of the information

Flexibility of practices

All of the given options

Period cost

Select correct option:

Expensed when the product is sold

Included in the cost of goods sold

Related to specific Period

Not expensed

Cost of goods sold Rs. 30,000, opening Inventory Rs. 9,000, Closing inventory Rs. 7,800. What was the inventory turnover ratio?

Select correct option:

3.57 times

3.67 times

3.85 times

5.36 times

**All of the following are terms used to denote Factory Overheads EXCEPT:
Select correct option:**

Factory burden

Factory expenses

Manufacturing overhead

Conversion costs

**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?
Select correct option:**

Overhead was under-applied by Rs.6,200

Overhead was over-applied by Rs.6,200

Overhead was under-applied by Rs.7,200

Overhead was over-applied by Rs.7,200

Explanation:

48,000 * 5.60 = 268,800 -----> applied

275,000 -----> actual

**Which of the following would be considered to be an investment centre?
Select correct option:**

Managers have control over marketing

Management have a sales team

Management have a sales team and are given a credit control function

Managers can purchase capital assets and are given a credit control function

If, Sales = Rs. 800,000 appli Markup = 25% of cost What would be the value of Gross profit?

Select correct option:

Rs. 200,000

Rs. 160,000

Rs. 480,000

Rs. 640,000

Loss by fire is an example of:

Select correct option:

Normal Loss

Abnormal Loss

Incremental Loss

Can not be determined

The Environmental Filter Company is planning to sell air filter systems for Rs. 2,500 per unit. Variable costs are Rs. 1,500 per unit and total fixed costs are Rs. 1,000,000. What is the value of sales necessary to break even?

Select correct option:

Rs. 1,000,000

Rs. 2,000,000

Rs. 2,500,000

Rs. 5,000,000

Which of the following best describe a by product?

Select correct option:

A product that usually produces a large amount of revenue as compared to the main product revenue

A product that is produced from raw material that would otherwise be scraped

A product that has always higher selling price per unit than the main product

A product created with the main product where sales value does not cover its cost of production

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

Select correct option:

Inventory to Cash

Cash to Purchases

Purchases to Inventory

None of the given options

While deducting Income Tax from the gross pay of the employee, the employer acts as a (an) _____ for Income Tax Department.

Select correct option:

Agent of his own Company

Paid tax collection agent

Unpaid tax collection agent

None of the given options

Which of the following statement measures the financial position of the entity on particular time?

Select correct option:

Income Statement

Balance Sheet

Cash Flow Statement

Statement of Retained Earning

Cost of finished goods inventory is calculated by:

a) Multiplying units of finished goods inventory with the cost per unit

b) Dividing units of finished goods inventory with the cost per unit

c) Dividing per unit cost with finished goods inventory

d) Deducting total cost from finished goods inventory

Q: 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) Can not be determined

Q: FOH absorption rate is calculated by the way of

a) Estimated FOH Cost/Direct labor hours

b) Estimated FOH Cost/No of units produced

c) Estimated FOH Cost/Prime Cost

d) All of the given options

Q: 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

Cost of Goods Manufactured can be calculated as follow

a) Total factory Cost Add Opening Work in process inventory Less Closing Work in process inventory

b) Total factory Cost Less Opening Work in process inventory Add Closing Work in process inventory

c) Total factory Cost Less Opening Work in process inventory Less Closing Work in process inventory

d) Total factory Cost Add Opening Work in process inventory Add Closing Work in process inventory

Under/Over applied FOH cost can be adjusted in which of the following:

a) Entire Production

b) Cost of Good sold

c) Net Profit

d) All of given options

If, Gross profit = Rs. 40,000 GP Margin = 20% of sales What will be the value of cost of goods sold?

a) Rs. 160,000

b) Rs. 120,000

c) Rs. 40,000

d) Rs. 90,000

Q: The Economic order quantity can be calculated by:

a) Formula Method

b) Table Method

c) Graph Method

d) All of the given

Q: Contribution margin is the result of which of the following two variables?

a) Sales and variable costs

- b) Variable and fixed costs
- c) Sales and Fixed cost
- d) Sales and operating profit

The appropriate journal entry to transfer the cost of completed units from the Work in Process account would involve a credit to Work in Process and a debit to which of the following accounts?

- a) Income Summary
- b) Raw Materials Inventory
- c) Finished Goods**
- d) Manufacturing Summary

According to marginal costing concept, all fixed costs are considered as:

a) Period cost

- b) Production cost
- c) Mixed cost
- d) Sunk cost

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

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 I 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**

Which cost accumulation procedure is best suited to a continuous mass

production process of similar units?

- ▶ Job order costing
- ▶ **Process costing**
- ▶ Standard costing
- ▶ Actual costing

Which of the following is NOT time based incentive wage plan?

- ▶ Hasley Premium Plan
- ▶ Hasley Weir Premium Plan
- ▶ Rowan Premium Plan
- ▶ **Merrick Differential Piece Rates System**

Which of the following is TRUE for Merrick Differential System?

- ▶ Merrick Differential system is a slight modification of the Taylor's system
- ▶ **Merrick Differential system used two rates of wage determination instead of three**
- ▶ Normal piece rates are applicable at 75% of efficiency of worker
- ▶ Normal piece rates are applicable at 125% of efficiency of worker

Which of the following is a point of differentiation between blanket rates and department rates?

- ▶ **Blanket rate is a single overhead rate established for the entire factory**
- ▶ Department rates are separate overhead rates for all departments of factory through which the products pass
- ▶ Department rate is a single overhead rate established for the entire factory
- ▶ Blanket rates are separate overhead rates for all departments of factory through which the product passes

Which of the following is NOT included under the head of FOH cost?

- ▶ Indirect Material
- ▶ Indirect Labor
- ▶ Indirect Expense
- ▶ **Direct labor**

Question No: 8 (Marks: 1) - Please choose one

In a job order cost system, the use of direct materials would be recorded as a debit to:

- ▶ Finished Goods inventory
- ▶ Manufacturing Overhead
- ▶ Raw Materials inventory
- ▶ **Work in Process inventory**

Reference by Zubair Hussain.

When direct materials are requisitioned from the storeroom for use in production, they are recorded as a debit to the Work in Process account.

Under applied FOH costs are:

- ▶ Fixed costs not allocated to units produced
- ▶ **Factory overhead costs not allocated to units costs**
- ▶ Excess variable factory overhead costs
- ▶ Costs that can not be controlled

A spending variance for factory overhead is the difference between actual factory overhead cost and factory overhead cost that should have been incurred for actual hours worked and results from:

- ▶ Price difference of FOH costs
- ▶ Quantity differences of FOH costs
- ▶ **Price and quantity differences for FOH costs**
- ▶ Difference caused by production volume variations

Capacity Variance / Volume Variance arises due to

- ▶ Difference between Absorbed factory overhead and budgeted factory for capacity attained
- ▶ Difference between Absorbed factory overhead and absorption rate
- ▶ **Difference between Budgeted factory overhead for capacity attained and FOH actually incurred**
- ▶ None of the given options

Budget/spending variance arises due to:

- ▶ Difference between absorbed factory overhead & capacity level attained
- ▶ **Difference between budgeted factory overhead for capacity attained and FOH actually incurred**
- ▶ Difference between absorbed factory overhead and FOH actually incurred
- ▶ None of the given options

Which of the following statement about overhead applied rates are NOT true?

- ▶ They are predetermined in advance for each period
- ▶ They are used to charge overheads to product
- ▶ **They are based on actual data for each period**
- ▶ None of the given options

Which of the following is TRUE regarding the use of blanket rate?

- ▶ **The use of a single blanket rate makes the apportionment of overhead costs unnecessary**
- ▶ The use of a single blanket rate makes the apportionment of overhead costs necessary
- ▶ The use of a single blanket rate makes the apportionment of overhead costs uniform
- ▶ None of the given options

Beginning work in process was 1,200 units, 2,800 additional units were put into production, and ending work in process was 500 units. How many units were completed?

- ▶ 500 units
- ▶ 3,000 units
- ▶ **3,500 units**
- ▶ 3,300 units

Question No: 18 (Marks: 1) - Please choose one

Under Piece Rate System wages are paid to employees on the basis of:

- ▶ **Units produced**
- ▶ Time saved
- ▶ Over time

- ▶ Competencies

The term Cost apportionment is referred to:

- ▶ The costs that can not be identified with specific cost centers.
- ▶ The total cost of factory overhead needs to be distributed among specific cost centers but must be divided among the concerned department/cost centers.
- ▶ **The total cost of factory overhead needs to be distributed among specific cost centers.**
- ▶ None of the given options

Budget/spending variance arises due to:

- ▶ Difference between absorbed factory overhead & capacity level attained
- ▶ **Difference between budgeted factory overhead for capacity attained and FOH actually incurred**
- ▶ Difference between absorbed factory overhead and FOH actually incurred
- ▶ None of the given options

Which of the following statements is TRUE?

- ▶ **Companies that produce many different products or services are more likely to use job-order costing systems than process costing systems**

▶ Costs are traced to departments and then allocated to units of product when job-order costing is used

▶ Job-order costing systems are used by service firms only and process costing systems are used by manufacturing concern only

▶ Companies that produce many different products or services are more likely to use process costing systems than Job order costing systems

Which of the following would be considered a major aim of a job order costing system?

▶ To determine the costs of producing each job

▶ To compute the cost per unit

▶ To include separate records for each job to track the costs

▶ **All of the given options**

Of the following production operations, which one most likely employ job order cost accumulation?

▶ Soft drink manufacturing

▶ **Ship builders**

▶ Crude Oil refining

▶ Candy manufacturing

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?

▶ 25,000 units

▶ 10,000 units

▶ **65,000 units**

▶ 80,000 units

In the process costing when material is issued for production to department no 1. what would be the journal entry Passed?

▶ **W.I.P (Dept-I)**

To Material a/c

▶ W.I.P (Dept-ii)
To Material a/c

▶ Material a/c
To W.I.P (Dept-ii)

▶ W.I.P (Dept-ii)
To FOH applied.

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?

- ▶ Operating loss
- ▶ Abnormal loss
- ▶ Normal loss
- ▶ **Non-operating loss**

In the process costing when labor is charged to production department no 1. What would be the journal entry Passed?

▶ Payroll a/c
To W.I.P (Dept-I)

▶ Payroll a/c
To W.I.P (Dept-II)

▶ **W.I.P (Dept-I)**
To Payroll a/c

▶ W.I.P (Dept-II)
To Payroll a/c

In a process costing system, the journal entry used to record the transfer of units from Department A, a processing department, to Department B, the next processing department, includes a debit to:

▶ Work in Process Department A and a credit to Work in Process Department B

▶ **Work in Process Department B and a credit to Work in Process Department A**

▶ Work in Process Department B and a credit to Materials

- ▶ Finished Goods and a credit to Work in Process Department B

Which of the following is/are reported in production cost report?

- ▶ The costs charged to the department
- ▶ How the costs were assigned to the output?
- ▶ The equivalent units of production by the department
- ▶ **All of the given options**

All of the following are not characteristics of Process costing EXCEPT:

- ▶ High production volume and heterogeneous products
- ▶ High production volume and homogeneous products
- ▶ **Low production volume and heterogeneous products**
- ▶ Low production volume and homogeneous products

Which of the following is characteristic of a job order cost accounting system?

- ▶ It records manufacturing activities using a perpetual inventory system
- ▶ It tracks cost by job
- ▶ It is best suited for customized products
- ▶ **All of the given options**

A company decreased the selling price for its product from Rs. 2.00 to Rs. 1.75 per unit when total fixed costs decreased from Rs. 500,000 to Rs. 400,000 and variable cost per unit of Rs. 1 remained unchanged. How would these changes affect the break-even point?

- ▶ The break-even point in units would be increased
- ▶ **The break-even point in units would be decreased**
- ▶ The break-even point in units would remain unchanged
- ▶ The effect cannot be determined from the information given

The average cost method of process costing has an advantage when compared to the FIFO method relative to simplicity because under the average method:

- ▶ It provides that units started within the current period are valued at the current period cost
- ▶ The costs in the beginning inventory in a processing department maintain their separate identity

▶ The identity of the beginning units in process is typically maintained when they are transferred to the next department

▶ **All units completed during the period will be assigned the same unit cost**

Assuming no returns outwards or carriage inwards, the cost of goods sold will be equal to:

▶ Opening stock Less purchases plus closing stock

▶ Closing stock plus purchases plus opening stock

▶ **Sales less gross profit**

▶ Purchases plus closing stock plus opening stock plus direct labor

Which of the following would be the effect, if inventory is not properly measured?

▶ Expenses and revenues cannot be properly matched

▶ Unfair position in Financial Statements

▶ Inventory items show under or over stocking

▶ **All of the given options**

The Process of cost apportionment is carried out so that:

▶ Cost may be controlled

▶ Cost unit gather overheads as they pass through cost centers

▶ Whole items of cost can be charged to cost centers

▶ **Common costs are shared among cost centers**

If one would prepare a graph with a horizontal axis representing units of production and a vertical axis representing per-unit production cost, how would a line representing fixed production cost is drawn?

▶ **As a horizontal line**

- ▶ As a vertical line
- ▶ As a straight line sloping upward to the right
- ▶ As a straight line sloping downward to the right

Budget for an organization is prepared by which of the following person?

- ▶ Functional head

▶ **Manager**

- ▶ Auditor
- ▶ Administrator

Amount of Depreciation on fixed assets will be fixed in nature if calculated under which of the following method?

▶ **Straight line method**

- ▶ Reducing balance method
- ▶ Some of year's digits method
- ▶ Double declining method

A summary of all operations budgets is the budgeted _____

- ▶ Income statement
- ▶ **Master budget**
- ▶ Cash budget

► None of the given options

Fixed costs are Rs. 45,000. The unit sales price is Rs.12. The contribution margin per unit is Rs. 40. What are the break-even sales units?

► **1,125 units**

► 3,750 units

► 9,375 units

► Not determinable from the information provided

Using direct costing, unit cost of product includes combination of costs direct materials, direct labor, and variable overhead and fixed overhead.

► **True**

► False

Gross profit margin Rate= Gross profit ÷ Cost of Goods Sold *100

► True

► **False**

Gross Profit margin rate = Gross Profit x 100 = %Sales

Actual hours worked ÷ Budgeted hours x 100 represents

► Activity Ratio

► **Capacity Ratio**

► Efficiency Ratio

► None of the given options

12. Which of the following is a cost that changes in proportion to changes in volume?

a) Fixed cost

b) Sunk cost

c) Opportunity cost

d) None of the given options

13. Cost accounting information can be used for all EXCEPT:

a) Budget control and evaluation

b) Determining standard costs and variances

- c) Pricing and inventory valuation decisions
- d) Analyzing the data

14. Which of the following is not an element of factory overhead?

- a) Depreciation on the maintenance equipment
- b) Salary of the plant supervisor
- c) Property taxes on the plant buildings
- d) **Salary of a marketing manager**

15. The main difference between the profit center and investment center is:

- a) Decision making
- b) **Revenue generation**
- c) Cost incurrence
- d) All of the given options

17- If, Sales = Rs. 800,000, Markup = 25% of cost, what would be the value of Gross profit?

- a) **Rs. 200,000**
- b) Rs. 160,000
- c) Rs. 480,000
- d) Rs. 640,000

18- Which of the following is correct?

a) Opening finished goods units + Units produced – Closing finished goods units = Units sold

- b) Units Sold = Units produced + Closing finished goods units - Opening finished goods units
- c) Sales + Average units of finished goods inventory
- d) None of the given options

19- Loss by fire is an example of:

- a) Normal Loss
- b) **Abnormal Loss**
- c) Both normal loss and abnormal loss
- d) Can not be determined

20- In cost Accounting, abnormal loss is charged to:

- a) Factory overhead control account
- b) **Work in process account**
- c) Income Statement

d) All of the given options

An example of an inventor able cost would be:

- a) Shipping fees
- b) Advertising flyers
- c) Sales commissions
- d) Direct materials**

3. 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**

6. 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**
- c) Emergency lead time
- d) Danger level

7. 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 should be maximum

→ Grumpy & Dopey Ltd estimated that during the year 75,000 machine hours would be used and it has been using an overhead absorption rate of Rs. 6.40 per machine hour in its machining department. During the year the overhead expenditure amounted to Rs. 472,560 and 72,600 machine hours were used. Which one of the following statements is correct?

- a) Overhead was under-absorbed by Rs.7,440**
- b) Overhead was under-absorbed by Rs.7,920
- c) Overhead was over-absorbed by Rs.7,440

d) Overhead was over-absorbed by Rs.7,920

→ A business always absorbs its overheads on labor hours. In the 8th period, 18,000 hours were worked, actual overheads were Rs. 279,000 and there was Rs. 36,000 over-absorption. The overhead absorption rate per hours was:

a) Rs. 15.50

b) Rs. 17.50

c) Rs. 18.00

d) Rs. 13.50

$279000/18000$

10. 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

11. PEL Limited has been using an overhead rate of Rs. 5.60 per machine hour.

During the year, overheads of Rs. 275,000 were incurred and 48,000 machine

hours worked. Therefore, overheads were:

A. Under-applied by Rs.7,600

B. Over-applied by Rs. 6,200

C. Under-applied by Rs. 6,200

D. Over-applied by Rs. 7,600

12. Factory overhead should be allocated on the basis of:

A. Direct labor hours

B. Direct labor costs

C. An activity basis which relates to cost incurrence

D. Machine hours

13. If a company uses a predetermined rate for the application of factory overhead,

the idle capacity variance is the:

A. Over or under applied variable cost element of overheads

B. Difference in budgeted costs and actual costs of fixed overheads items

C. Difference in budgeted cost and actual costs of variable overheads items

D. Over or under applied fixed cost element of overheads

14. Which of the following manufacturing operations, which is best, suited to the

utilization of a job order system?

- A. Soft drink bottling operation
- B. Crude oil refining
- C. Plastic molding operation
- D. Helicopter manufacturing**

15. Which of the following is a characteristic of process cost accounting system?

- A. Material, Labor and Overheads are accumulated by orders
- B. Companies use this system if they process custom orders
- C. Only Closing stock of work in process is restated in terms of completed units
- D. Opening and Closing stock of work in process are related in terms of completed units**

16. Which cost accumulation procedure is best suited to a continuous mass production process of similar units?

- A. Job order costing
- B. Standard costing
- C. Actual costing
- D. Process costing**

17. Which of the following is an objective of cost accounting?

- A. Provide information to management for decision making
- B. Computation of cost per unit**
- C. Preparation of Financial Statement
- D. Computation of relevant costs

18. Which of the following would be considered an external user of the firm's accounting information?

- A. President
- B. Stockholder**
- C. Sales manager
- D. Controller

19. Cost accounting concepts include all of the following EXCEPT:

- A. Planning
- B. Controlling
- C. Sharing**
- D. Costing

20. The chief financial officer is also known as the:

- A. Controller
- B. Staff accountant
- C. Auditor

D. Finance director

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?

A. Weighted Average

B. FIFO

C. They offer the same degree of information

D. Cannot be determined with so little information

4. A complete set of Financial Statements for Nestle Company at December 31,

2008 would include each of the followings, EXCEPT:

A. Balance Sheet as of December 31, 2008

B. Statement of Projected Cash flows for 2009

C. Income Statement for the year ended December 31, 2008

D. Notes containing additional information that is useful in interpreting the Financial Statements

5. Total Fixed cost _____ with the increase in production.

A. Remains constant

B. Decreases

C. Increases

D. There is no relation between fixed cost and activity level

→ The following data is available for the Bricks Company:

Particulars Rs.

Freight in 20,000

Purchases return and allowances 80,000

Marketing expenses 200,000

Finished goods Inventory, ending 90,000

Cost of goods sold 700% of marketing expenses

You are required to calculate the cost of goods available for sales if Gross Profit is

50% of cost of goods sold.

A. Rs. 1,490,000

B. Rs. 1,390,000

C. Rs. 1,500,000

D. Rs. 1,590,000

by Rasheed

$700\% \text{ of } 200000 = 1400000$

110000 is cost of goods sold

50% of this is 55000 gross profit

$300,000 - 90000 = 110000$

90000 is finished inventory

add freight, allowances, and marketing expense

less finished inventory

Consider the following:

Beginning work in process inventory Rs. 20,000

Direct material used Rs. 50,000

Direct labor used Rs. 80,000

Manufacturing overhead Rs. 120,000

Ending work in process inventory Rs. 10,000

Cost of finished goods manufactured Rs. 260,000

The total manufacturing costs would be:

A. Rs. 250,000

B. Rs. 260,000

C. Rs. 270,000

D. Rs. 280,000

→ Job 210 was unfinished at the end of the accounting period. The total

cost

assigned to the job was Rs. 12,000 of which Rs. 3,000 was direct material cost.

Factory overheads were allocated to goods in process at 150% of direct labor

cost. What was the amount of direct labor cost charged to Job 210?

A. Rs. 3,600

B. Rs. 3,000

C. Rs. 5,400

D. Rs. 9,000

→ The over applied balance of the Factory Overhead ledger account is Rs. 36,000, a significant amount. The ending balances of Goods in Process Inventory, Finished Goods Inventory and Cost of Goods Sold accounts are Rs. 12,000, Rs. 8,000, and Rs. 60,000, respectively. On the basis of ending balances, how much of the over applied balance of overhead should be allocated to each of these accounts?

A. Rs. 5,400, Rs. 27,600, Rs. 3,000

B. Rs. 27,400, Rs. 3,600, Rs. 5,000

C. Rs. 5,400, Rs. 3,600, Rs. 27,000

D. None of the given options

Net Income before Interest and tax is also called:

Select correct option:

Operating Income/Profit

Gross Profit

Marginal Income

Other Income

_____ are future costs that effect the current management decision.

Select correct option:

- Sunk Cost
- Standard Cost
- Relevant Cost**
- Irrelevant Cost

**In cost Accounting, abnormal loss is charged to:
Select correct option:**

- Factory overhead control account
- Work in process account**
- Income Statement
- Entire production

Annual requirement is 7800 units; consumption per week is 150 units. Unit price Rs 5, order cost Rs 10 per order. Carrying cost Rs 1 per unit and lead time is 3 week, The Economic order quantity would be:

Select correct option:

- 395 units**
- 300 units
- 250 units
- 150 units

Which of the following is a mechanical device to record the exact time of the workers?

Select correct option:

- Clock Card**
- Store Card
- Token System
- Attendance Register

The Term Maximum Level Represents:

Select correct option:

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.

**Direct material opening inventory add net purchases is called
Select correct option:**

Material consumed

Material available for use

Total material purchased

Material ending inventory

Which of the following statement measures the financial position of the entity on particular time?

Select correct option:

Income Statement

Balance Sheet

Cash Flow Statement

Statement of Retained Earning

Manufacturing entities classified the inventory in which of three kinds?

Select correct option:

Material inventory,WIP inventory,Finished goods inventory

Material inventory,purchased good inventory,WIP inventory

Material inventory,purchased good inventory,Finished goods inventory

WIP inventory,Finished goods inventory,purchased good inventory

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:
Select correct option:

Project cost

Sunk cost

Opportunity cost

Relevant cost

Costs which are constant for a relevant range of activity and rise to new constant level once that range exceeded is called:
Select correct option:

A fixed cost

A variable cost

A mixed cost

A step cost

What will be the impact of normal loss on the overall per unit cost?
Select correct option:

Per unit cost will increase

Per unit cost will decrease

Per unit cost remain unchanged

Normal loss has no relation to unit cost

The danger Level can be calculated ?
Select correct option:

Average consumption x Lead time to get urgent supplies

Normal consumption x Lead time to get urgent supplies

Maximum consumption x Lead time to get urgent supplies

Minimum consumption x Lead time to get urgent supplies

