

Resolved correctly with references and formulas by  
Maryam Khokhar BS-BA (HR) completed  
remember me in your prayers & special thanks to my  
friend Sajjad Ali

*MGT402 – Cost & Management Accounting  
Golden File*

for  
composing  
such

*For: Final Term Exam Preparation*

wonderful file  
that is very  
helpful in  
examination.

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May Almighty  
Allah bestow  
him success

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*Remember us in your prayers*

and  
happiness  
always.  
Ameen  
Maryam

Quality of our File:

- All the papers are included in this file.
- 99% file is verified, but you also should read and verify.
- Repetitive MCQs are removed.
- Surely more than 90% MCQs in the exam are from this file. Sometime 99% MCQs.
- Extra lines, like Question #, and other things are also removed. The file is neat and clean. Just Question and their answers are included.
- The numbers of pages are very short.
- Just read this file, you will find very helpful during the exam.

**Differential cost may be:**

**Incremental cost**

Avoidable cost

Sunk cost

Both Incremental cost and Avoidable cost

**Separable cost is also known as:**

Avoidable cost

Sunk cost

Joint cost  
Incremental cost

Short term financing needs of business can be fulfilled by:

**Overdraft**

Issuing debenture  
Issuing term finance certificate  
Doing Investment

Which of the following factor is responsible for a difference between direct materials consumed and direct materials purchased?

Factory overhead  
Direct Labor

**Change in Inventory**

Total production cost

What type of relation exists between period cost and per unit cost?

**There is direct relation (not Sure)**

There is inverse relation  
There is no relation  
Given information is incomplete

If by- products are recycled then it is measured on the basis of:

Opportunity cost  
Replacement cost

**Both Opportunity cost and Replacement cost (not Sure) it is sure**

Sunk cost

Accounting for by - products under cost approach is used where:

By product is sold  
By product is recycled

**By product is manufactured**

Income approach cannot be used for the accounting for by-product

If products/goods are sold at split off point then cost can be allocated on the basis of:

Cost basis

**Hypothetical market value basis (not Sure)**

Selling price ratio  
Income basis

<b>Lost units (Normal loss)</b>	<b>500 units</b>
<b>Units received from preceding department</b>	<b>13,500 units</b>

Units completed in this department
------------------------------------

11,750 units
--------------

**Required: Identify units still in process with the help of above data.**

**1,250 units**

14,000 units

12,250 units

1,750 units

**Which of the following about job cost sheets is NOT true?**

Job cost sheets contain prime costs

Job cost sheets contain actual amounts of factory overhead

Job cost sheets contain actual amounts of factory overhead

**Job cost sheet does not contain conversion cost**

**Budgeted FOH for actual volume = Fixed FOH + (Actual Volume X ?)**

Applied rate

Blanket rate

**Variable rate**

Departmental rate

**Which of the given statement is correct for direct labor cost?**

It is fixed cost

It is variable cost

It is step fixed cost

**It is semi variable cost**

**If product "A" costs Rs. 30 can be replaced with product "B" costs Rs. 25.**

**What will be the avoidable cost in this case?**

**Rs. 5**

Rs. 25

Rs. 55

Cannot be calculated from given information

**Which of the following cost would be increases with an increase in activity level?**

**Incremental cost (Not Sure)**

Avoidable cost

Sunk cost

Opportunity cost

**All of the followings are external factors while preparing the sales budget**

**EXCEPT:**

Legal conditions

Government controls

**Salesmen's estimates**

Political situations

Which of the following cost line does **NOT** start from origin on a break even chart?

**Fixed cost line**

Variable cost line

Revenue line

None of the given options

Budgeted sales and breakeven sales are Rs. 48,000 & Rs. 35,000 respectively and the actual sales amounted to Rs. 43,000 during a particular period. What will be the margin of safety ratio?

46%

27% **this is correct one**

**37% (Dhuko aa)**

60%

reference:

margin of safety ratio = MOS/budgeted sales × 100

MOS = budgeted sales - break even sales

48000 - 35000

13000

MOS = 13000/48000 × 100

0.270833 × 100

27% answer Maryam Khokhar BS-BA HR horns (completed)

A company has budgeted sales of Rs. 8,000 and breakeven sales of Rs. 5,000 during a particular period. What will be the margin of safety?

Rs. 5,000

**Rs. 3,000 (Not Sure)**

Rs. 13,000

Rs. 6,500

it is sure and correct

reference

mos = budgeted sales - break even sale:

8000 - 5000

3000 answer

Maryam Khokhar BS-BA horns HR

(completed)

Which of the following is a decision making approach for costing?

Marginal costing approach

Direct costing approach

Contribution approach

**All of the given options**

In short term decision making which of the following is not concerned?

Cash flows

Time value of money

Pay back period

**Capital investments**

All of the following are balance sheet budgets EXCEPT:

**Selling and administrative expenses budget**

Cash budget

Accounts receivable budget

Liabilities budget

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

Production budget

**Cash budget (Not Sure)**

Sales budget  
Budgeted balance sheet

**While constructing production budget, numbers of units manufactured are calculated by which of the following formula?**

**Number of units to be sold + closing units – opening units**

Number of units to be sold - closing units + opening units  
Number of units to be sold - closing units – opening units  
Number of units to be sold + closing units + opening units

**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

**Which of the following is a mechanical device to record the exact time of the workers?**

**Clock Card**

Bin Card  
Token System  
Attendance Register

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

**Personal betterment of worker**

Dissatisfaction with job  
Bad working conditions  
Long and odd working hours

**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

**The distinction between joint product and by product largely depends upon which of the following factor?**

**The split off point of each product (Not Sure)**

The market value of each product  
The differential cost of each product  
Management discretions

Which of the following will be included in calculation of per unit cost under variable costing?

Direct materials, direct labor, fixed overhead

Direct materials, direct labor and variable overhead

**Direct materials, direct labor, variable overhead, fixed overhead** (Note

**Sure) it is sure**

Only direct materials and direct labor

**Unit sold** **700 pieces**

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

**Greenwood petroleum has the data for the year was as follow:**

Opening WIP	26,000 barrels.
Introduced during the year	67,000 barrels
Closing WIP	15,000 barrels.

How many barrels were completed and transferred out of work-in-process this period?

- ▶ 67,000 barrels
- ▶ **78,000 barrels**
- ▶ 82,000 barrels
- ▶ 93,000 barrels

During the year 50,000 units put in to process.30, 000 units were completed. Closing WIP were 20,000 units, 70% completed. How much the equivalent units of output would be produced?

- ▶ 20,000 units
- ▶ 30,000 units
- ▶ 36,000 units
- ▶ **44,000 units**

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

- ▶ Decreased
- ▶ Increased
- ▶ **No effect**
- ▶ Increase to the %age of loss

**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

**If management predicts total direct labor costs of Rs. 100,000 and total overhead costs of Rs. 200,000, what is its predetermined overhead rate based on direct labor costs?**

- ▶ 50%
- ▶ 100%
- ▶ **200%**
- ▶ Cannot be determined

**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

**Raymond Corporation estimates factory overhead of Rs. 345,000 for next fiscal year. It is estimated that 60,000 units will be produced at a material cost of Rs. 575,000. Conversion will require 34,500 direct labor hours at a cost of Rs. 10 per hour, with 25,875 machine hours.**

**FOH rate on the bases of Prime cost would be?**

- ▶ **Rs. 37.5 per unit (not Sure)**
- ▶ **Rs. 56.6 per unit**
- ▶ Rs. 60 per unit
- ▶ Rs.1 per unit

**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

**A Blanket Rate is:**

- ▶ **A single rates 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

**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

**FOH absorption rate is calculated by the way of:**

- ▶ Estimated FOH Cost/Direct labor hours
- ▶ Estimated FOH Cost/Direct labor cost
- ▶ Estimated FOH Cost/Machine hours
- ▶ **All of the given options**

**Which of the following is / are time based incentive wage plan?**

- ▶ Hasley Premium Plan
- ▶ Hasley Weir Premium Plan
- ▶ Rowan Premium Plan
- ▶ **All of the given options**

**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**

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

- ▶ Material requisition
- ▶ Store requisition
- ▶ Purchase order
- ▶ **Purchase invoice**

**Which of the following is NOT an assumption of the basic economic-order quantity model?**

- ▶ Annual demand is known
- ▶ Ordering cost is known
- ▶ Carrying cost is known
- ▶ **Quantity discounts are available**



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 (Not Sure)**

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

- ▶ Selling expenses
- ▶ **Advertising expenses (Not Sure)**
- ▶ Administrative expenses
- ▶ Financial expenses

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

Which of the following is a period cost?

- ▶ Direct materials
- ▶ Indirect materials
- ▶ Factory utilities
- ▶ **Administrative expenses**

The salary of factory clerk is treated as:

- ▶ Direct labor cost
- ▶ **Indirect labor cost**
- ▶ Conversion cost
- ▶ Prime cost

The components of the conversion cost are:

- ▶ Direct Material + Direct Labor + Other Direct Cost
- ▶ **Direct Labor + FOH**
- ▶ Prime Cost + FOH+ Other Direct Cost
- ▶ Prime Cost + FOH

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

- ▶ Fixed cost
- ▶ Variable cost

- ▶ Step cost
- ▶ **Semi variable cost**

**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**

**Cost accounting concepts include all of the following EXCEPT:**

- ▶ Planning
- ▶ Controlling
- ▶ **Sharing**
- ▶ Costing

**If a predetermined FOH rate is not applied and the volume of production is reduced from the planned capacity level, the cost per unit expected to:**

- ▶ Remain unchanged for fixed cost and increased for variable cost
- ▶ **Increase for fixed cost and remain unchanged for variable cost** **Not Sure**
- ▶ Increase for fixed cost and decreased for variable cost
- ▶ Decrease for both fixed and variable costs

**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**

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

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

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

- ▶ Only wages for the actual hours taken
- ▶ **Wages for the actual hours taken plus bonus equal to one half of the wage of the time saved**
- ▶ Wages for the actual hours taken plus bonus equal to one third of the wage of the

time saved

- ▶ Only the bonus equal to one half of the time saved

**Which of the following is NOT a reason for carrying inventory?**

- ▶ To maintain independence of operations
- ▶ To take advantage of economic purchase-order size
- ▶ **To make the system less productive** **Not Sure**
- ▶ To meet variation in product demand

**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**
- ▶ Production In charge
- ▶ Sales supervisor

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

**The net sales of the business totals Rs. 200,000 and the Cost of Goods Sold for the same period totals Rs.146,000. What is the gross margin ratio?**

- ▶ 0.22
- ▶ 0.25
- ▶ **0.27**
- ▶ 0.33

**If, Gross profit = Rs. 40,000**

**GP Margin = 25% of sales**

**What will be the value of cost of goods sold?**

- ▶ Rs. 160,000
- ▶ **Rs. 120,000**
- ▶ Rs. 40,000
- ▶ Can not be determined

**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**

**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

Opportunity cost is the best example of:

- ▶ **Relevant Cost**
- ▶ Irrelevant Cost
- ▶ Standard Cost
- ▶ Sunk Cost

\_\_\_\_\_ is the cost that is incurred at the time of making transaction.

- ▶ Product Cost
- ▶ Period Cost
- ▶ Sunk Cost
- ▶ **Historical 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**

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.

Period costs are:

- ▶ Expensed when the product is sold
- ▶ Included in the cost of goods sold
- ▶ **Related to specific period**
- ▶ Not expensed

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

- ▶ Relevant costs
- ▶ **Differential costs** Not Sure **it is sure**
- ▶ Target costs
- ▶ Sunk costs

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

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

- ▶ FIFO
- ▶ **LIFO** **Not Sure**
- ▶ Weighted Average
- ▶ Cannot be determined

it is correct and sure LIFO is used when pricing are rising over time

Counting items to ensure an order is correct, is an activity relates to:

- ▶ **Ordering cost**
- ▶ Carrying cost
- ▶ Stock out cost
- ▶ Holding cost

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

I think this is correct

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

- ▶ **(Time saved/time allowed) x 100**
- ▶ (Time allowed/time saved) x 100
- ▶ (Actual time taken/time allowed) x 100
- ▶ (Time allowed/actual time taken) x 100

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**

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

▶ **Number of units produced**

- ▶ Labor hours
- ▶ Prime cost
- ▶ Machine hours

The term cost allocation is described as:

▶ **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

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

Capacity Variance / Volume Variance arises due to

▶ **Difference between Absorbed factory overhead and budgeted factory for capacity attained (Not sure)**

- ▶ 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

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**

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

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

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 is NOT an element of factory overhead?

- ▶ Depreciation of the maintenance on equipment
- ▶ Salary of the plant supervisor
- ▶ Property taxes on the plant buildings
- ▶ **Salary of a marketing manager**

**Question**

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 was the Value of closing work in process?**

- ▶ Rs.16,875
- ▶ **Rs.14,437.50 (Doubted)**
- ▶ Rs.14,437
- ▶ Rs.33,750

Raymond Corporation estimates factory overhead of Rs. 345,000 for next fiscal year. It is estimated that 60,000 units will be produced at a material cost of Rs. 575,000. Conversion will require 34,500 direct labor hours at a cost of Rs. 10 per hour, with 25,875 machine hours.

FOH rate on the bases on Budgeted Production would be?

- ▶ **Rs. 5.75 per unit (doubted)**
- ▶ Rs. 6.65 per unit
- ▶ Rs. 6.0 per unit
- ▶ Rs.1 per unit

**The components of total factory cost are:**

- ▶ Direct Material + Direct Labor
- ▶ Direct Labor + FOH
- ▶ Prime Cost only
- ▶ **Prime Cost + FOH**

**If sales is greater than cost, it means:**

- ▶ **Profit**
- ▶ Loss
- ▶ Neither profit nor Loss
- ▶ Can not be determined

**Reduction of labor turnover, accidents, spoilage, waste and absenteeism are the results of which of the following wage plan?**

- ▶ Piece rate plan
- ▶ Time rate plan
- ▶ Differential plan
- ▶ **Group bonus system**

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

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

**Cost apportionment is:**

- ▶ The charging of discrete identifiable items of cost to cost centers or cost unit
- ▶ The collection of costs attributable to cost center and cost unit using the costing method, principles and techniques prescribed for a particular business entity
- ▶ The process of establishing the costs of cost centers or cost units
- ▶ **The division of costs among two or more cost centers in proportion to the estimated benefit received.**

**Selected information for a company for the year 2005 follows:**



Particulars	Rs.
Cost of goods sold	30,000
Inventory, January 1	9,000
Inventory, December 31	7,800

What was the inventory turnover ratio?

- ▶ 3.57 times
- ▶ 3.67 times
- ▶ 3.85 times
- ▶ 5.36 times

The chief financial officer is also known as the:

- ▶ Controller
- ▶ Staff accountant
- ▶ Auditor
- ▶ Finance director (doubted)

A typical factory overhead cost is:

- ▶ Distribution
- ▶ Internal audit
- ▶ Compensation of plant manager
- ▶ Design

Given data that:

for more contents visit

<http://groups.google.com/group/vuZs>

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

Weighted average rate per unit is calculated by which of the following formula?

- ▶ Cost of goods issued/number of units issued
- ▶ Total cost/total units
- ▶ Cost of goods manufactured/closing units
- ▶ Cost of goods sold/total units

**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

**Direct Labor is an element of:**

- ▶ Prime cost
- ▶ Conversion cost
- ▶ Total production cost
- ▶ **All of the given options**

**Payslip contains all EXCEPT:**

- ▶ Gross pay
- ▶ Statutory & non- statutory deductions
- ▶ Net pay
- ▶ **Tax rebates**

**All of the following are terms used to denote Factory Overheads EXCEPT:**

- ▶ Factory burden
- ▶ Factory expenses
- ▶ Supplementary costs
- ▶ **Conversion costs**

**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

**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 options

**Nelson Company has following FOH detail.**

	<u>Budgeted (Rs.)</u>	<u>Actual (Rs.)</u>
<b>Production Fixed overheads</b>	<b>36,000</b>	<b>39,000</b>
<b>Production Variable overheads</b>	<b>9,000</b>	<b>12,000</b>
<b>Direct labor hours</b>	<b>18,000</b>	<b>20,000</b>

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

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 amount of under/over applied FOH

- ▶ Under applied by Rs.1,000
- ▶ Over applied by Rs.1,000
- ▶ **Under applied by Rs.11,000 (doubted)**
- ▶ Over applied by Rs.38,000

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 (doubted) it is correct without any doubt**

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

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

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

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

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 (Not Sure)

Information concerning the materials used in the Mixing department in June follows:

Detail	Units
WIP June 01	12000
Units put in process	54000
Units completed	58000

Material is charged to production at 0.53 per unit. What are the materials cost of the work in process at June 30?

- ▶ Rs. 4,000
- ▶ Rs. 4,240
- ▶ Rs. 5,333
- ▶ Rs. 34,980

EOQ is the order quantity that \_\_\_\_\_ over our planning horizon.

- ▶ Minimizes total ordering costs
- ▶ Minimizes total carrying costs
- ▶ Minimizes total inventory costs
- ▶ Minimize the required safety stock

If the cost of an item of overhead expenditure is shared amongst many departments this would be an example of:

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

A company has calculated that volume variance for a given month was favourable. This could have been caused by which of the following factors?

- ▶ The number of rejects were lower than normal
- ▶ Machine breakdowns were lower than normal
- ▶ No delays were experienced in the issuing of material to production

- ▶ All of the given options (Not Sure)

Which of the following statement measures the financial position of the entity on particular time?

- ▶ Income Statement
- ▶ **Balance Sheet**
- ▶ Cash Flow Statement
- ▶ Statement of Retained Earning

Net sales = Sales less:

- ▶ Sales returns
- ▶ Sales discounts
- ▶ Sales returns & allowances
- ▶ **Sales returns & allowances and sales discounts**

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**

If a predetermined FOH rate is not applied and the volume of production is reduced from the planned capacity level, the cost per unit expected to:

- ▶ Remain unchanged for fixed cost and increased for variable cost
- ▶ **Increase for fixed cost and remain unchanged for variable cost**
- ▶ Increase for fixed cost and decreased for variable cost
- ▶ Decrease for both fixed and variable costs

not sure

An average cost is also known as:

- ▶ Variable cost
- ▶ **Unit cost**
- ▶ Total cost
- ▶ Fixed cost

total cost for all units bought (or produced) divided by the number of units

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: 10 ( Marks: 1 ) - Please choose one

If, Sales = Rs. 1200,000

Markup = 20% of cost

What would be the value of Gross profit?

- ▶ **Rs. 200,000 (Doubted)**
- ▶ Rs. 100,000
- ▶ Rs. 580,000
- ▶ Rs. 740,000

$$\begin{aligned} \text{Req. info} &= (\text{Given info} / \text{given \%age}) * \% \text{ of req Info} \\ &= 200,000 \end{aligned} \qquad = \qquad (12000,000/120) \qquad * \qquad 20$$

Which of the following cost is used in the calculation of cost per unit?

- ▶ Total production cost
- ▶ Cost of goods available for sales
- ▶ **Cost of goods manufactured**
- ▶ Cost of goods Sold

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

Which of the following method of inventory valuation is not recommended under IAS 02?

- ▶ LIFO
- ▶ **FIFO (Not sure)**
- ▶ Weighted Average
- ▶ Both LIFO & FIFO

The LIFO method was an allowed alternative method of costing inventories under IAS 2

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

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

Deduction of Income Tax from gross pay of an employee is an example of:

- ▶ **Statutory deductions**
- ▶ Non statutory deductions
- ▶ Employer contribution towards provident fund
- ▶ Employee contribution towards provident fund

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:

- ▶ **18 x 0.50 = Rs. 9**
- ▶  $18 \times 7 = \text{Rs. } 126$
- ▶  $7 \times 0.5 = \text{Rs. } 3.5$
- ▶  $18 \times 7 \times 0.50 = \text{Rs. } 63$

Under Piece Rate System wages are paid to employees on the basis of:

- ▶ **Units produced**
- ▶ Time saved
- ▶ Over time
- ▶ Competencies

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

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

In a repeated distribution method:

- ▶ Each service department in turn and allocates its costs to all departments
- ▶ Only one service department in turn and re-allocates its costs to all departments
- ▶ Each service department in turn and not re-allocates its costs to all departments
- ▶ **Each service department in turn and re-allocates its costs to all departments**

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.

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

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

**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

.A departmental absorption rate is a rate of absorption based upon the particular department's

overhead cost and activity level This method allows the activity of each department to be measured using a basis which is appropriate. It also ensures that the cost attributed to the cost unit reflects the cost of the departmental resources used in its cost units.

**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 (Note Sure)

▶ Rs. 1.50 per unit

▶ Rs. 2.50 per unit

▶ Rs. 0.50 per unit

**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

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

- ▶ **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 units is 30% completed

not sure.

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

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

Under perpetual inventory system the inventory is treated as:

- ▶ **Assets**
- ▶ Liability
- ▶ Income
- ▶ Expense

In cost Accounting, abnormal loss is charged to:

- ▶ Factory overhead control account
- ▶ **Work in process account**
- ▶ Income Statement
- ▶ Entire production

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

Material Input = 5000 kg  
 Material lost = 10% of 5000 kg = 500 kg  
 Material out put = 4200 kg  
 Abnormal Loss = 5000-500-4200 = 300kg

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

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

Which of the following is NOT an element of factory overhead?

- ▶ Depreciation of the maintenance on equipment
- ▶ Salary of the plant supervisor
- ▶ **Property taxes on the plant buildings**
- ▶ Salary of a marketing manager

Which of the following is NOT reason of abnormal loss?

- ▶ Defective material used
- ▶ Machine breakdown
- ▶ Poor workmanships
- ▶ **Natural disaster**

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 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 (Not Sure)**
- ▶ Difference caused by production volume variations

**Which of the following is NOT included under the head of FOH cost?**

- ▶ Indirect Material
- ▶ Indirect Labor
- ▶ Indirect Expense
- ▶ **Direct labor**

**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 TRUE for Merrick Differential System?**

- ▶ Merrick Differential system is a slight modification of the Taylor's system **this is correct**
- ▶ **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

**Merrick Differential uses three rates of wage answer by Maryam Khokhar**

**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**

**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:**

- ▶ 10
- ▶ 12
- ▶ 25
- ▶ **30 (not Sure)**

**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**

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

- ▶ Lead time
- ▶ Re-order level
- ▶ Maximum consumption
- ▶ **Danger level**

**The components of the conversion cost are:**

- ▶ Direct Material + Direct Labor + Other Direct Cost
- ▶ **Direct Labor + FOH**
- ▶ Prime Cost + FOH+ Other Direct Cost
- ▶ Prime Cost + FOH

**Which of the following is indirect cost?**

- ▶ The overtime premium incurred at the specific request of a customer
- ▶ The hire of tools for a specific job
- ▶ The repair of machinery
- ▶ **All of the given options**

**Which of the following are basic inventories for a manufacturing concern?**

- ▶ Indirect materials, goods in process, and raw materials
- ▶ Finished goods, raw materials, and direct materials
- ▶ **Raw materials, goods in process, and finished goods**
- ▶ Raw materials, factory overhead, and direct labor

**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)

**Cost accounting concepts include all of the following EXCEPT:**

- ▶ Planning
- ▶ Controlling
- ▶ **Sharing**
- ▶ Costing

**Which of the following is NOT a reason for carrying inventory?**

- ▶ To maintain independence of operations
- ▶ To take advantage of economic purchase-order size
- ▶ To make the system less productive
- ▶ **To meet variation in product demand (Not Sure)**

**“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

**Which of the following formula is used to calculate the Number of units manufactured?**

- ▶ Sold units - Units of closing finished goods inventory + Units of opening finished goods inventory
- ▶ Sold units + Average units of finished goods inventory
- ▶ Sold units - Average units of finished goods inventory
- ▶ **Sold units + Units of closing finished goods inventory - Units of opening finished goods inventory**

**Under perpetual Inventory system at the end of the year:**

- ▶ No closin entry passed
- ▶ **Closin entry passed (Not Sure)**
- ▶ Closin value find throuh closin entry only
- ▶ None of the above.

**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

**Which of the following would be considered as factory overhead using a job order cost system?**

- ▶ Direct materials
- ▶ Direct labor
- ▶ **Depreciation on factory buildins**
- ▶ Salesperson's salary

**In which of the following center FOH cost incurred.**

- ▶ Production Center
- ▶ Service Center
- ▶ General Cost Center
- ▶ **All of the given options**

**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
- ▶ Hiher output is a result of efficient maneaement

**A store sells five cases of soda each day. Orderin costs are Rs. 8 per order, and soda costs Rs. 3 per case. Orders arrive four days from the time they are placed. Daily holdin 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

**Which of the following manufacturers is most likely to use a job order cost accounting system?**

- ▶ A soft drink producer
- ▶ A flour mill
- ▶ Tobacco manufacturing concern
- ▶ **A builder of offshore oil rigs**

**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**

**Financial statements are prepared:**

- ▶ Only for publicly owned business organizations
- ▶ For corporations, but not for sole proprietorships or partnerships
- ▶ Primarily for the benefit of persons outside of the business organization
- ▶ **Depending upon only the need of the decision maker**

**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**

**FIFO is the abbreviation of:**

- Final Interest-Free Option
- **First in First out Method**
- None of the given options
- Fixed income Financial Operations

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

- ▶ Fixed cost
- ▶ Step cost
- ▶ **Explicit cost**
- ▶ Imputed cost

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

Sunk costs are those costs which are incurred in the past. They are called sunk because a past cost cannot be changed and decisions involve only the present and the future

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

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**

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

Over which of the following is the manager of the Profit center likely to have control?

- I. Selling process
- II. Controllable costs
- III. Apportioned head office costs
- IV. Capital investment in the center
- ▶ I, II and III
- ▶ I, II and IV
- ▶ I and II (Not Sure)
- ▶ I, II, III and IV

While deducting Income Tax from the gross pay of the employee, the employer acts as a (an) \_\_\_\_\_ for Income Tax Department.

- ▶ Agent of his own company
- ▶ Paid tax collection agent
- ▶ Unpaid tax collection agent
- ▶ None of the given options

Basic pay + bonus pay + overtime payment is called:

- ▶ Net pay
- ▶ Gross pay
- ▶ Take home pay
- ▶ All of the given options

In a job-order cost system, indirect labor costs would be recorded as a debit to:

- ▶ Finished Goods
- ▶ Manufacturing Overhead Not sure
- ▶ Raw Materials
- ▶ Work in Process

A direct cost is identified by which of the following feature?

- ▶ Its behavior
- ▶ Its traceability
- ▶ Its controllability
- ▶ Its relevance not sure

The following information is available for ABC Co.

Marketing expenses	Rs. 300,000
Ending inventory of finished goods	Rs. 90,000
The cost of goods sold	500 % of Marketing expense
The cost of goods available for sale	?

- ▶ Rs. 300,000
- ▶ Rs. 1,590,000



- ▶ Rs. 90,000
- ▶ Rs. 390,000

The Economic Order Quantity is the amount of inventory to be ordered at one time for purpose to minimize:

- ▶ Conversion cost
- ▶ FOH cost
- ▶ Inventory cost
- ▶ Prime cost

If management decides to buy in large quantities by placing few orders, it means

- ▶ Higher carrying cost and lower ordering cost
- ▶ Lower carrying cost and lower ordering cost **Not sure**
- ▶ Higher carrying cost and higher ordering cost
- ▶ Lower carrying cost and higher ordering cost

Under Financial Accounting, what will be the impact of abnormal loss on the overall per unit cost?

- ▶ Per unit cost remain unchanged
- ▶ Abnormal loss has no relation to unit cost
- ▶ Per unit cost will increase
- ▶ Per unit cost will decrease

Consider the given information.

Estimated FOH	Rs. 100,000
Estimated Direct labour hours	50,000 Hours
Over applied FOH	Rs. 50,000
Under applied FOH	Rs. 15,000
Overhead absorption rate	?

- ▶ Rs. 2.00
- ▶ Rs. 1.00
- ▶ Rs. 0.30
- ▶ Rs. 5.00

Blanket rate is also known as:

- ▶ Plant wide rate
- ▶ Departmental rate
- ▶ Over head absorption rate **Not Sure**
- ▶ Factory overhead rate

Budgeted factory overhead is Rs. 40,000 and budgeted variable factory overhead Rs. 25,000 and variable rate Rs. 2.00 per hour.

Required:

Identify the amount of Budgeted Fixed Factory overhead.

- ▶ Rs. 65,000
- ▶ **Rs. 15,000**                      Not sure
- ▶ Rs. 20,000
- ▶ Rs. 12,500

**Job Code XYZ required total cost direct labour was Rs. 3,500 and direct labour was paid hourly @ Rs. 18. Production overhead was estimated at rate of Rs. 15 per direct labour hour.**

**Required:**

**Identify factory overhead cost with the help of above data.**

- ▶ Rs. 2917 Approximately
- ▶ Rs. 194 Approximately
- ▶ **Rs. 233 Approximately**                      not sure
- ▶ Rs. 270 Approximately

**How costs can be accumulated in process-costing systems?**

- ▶ Costs can be accumulate by product nature
- ▶ Costs can be accumulated by job nature
- ▶ **Costs can be accumulated by department**
- ▶ All of the given options

**Which of the given cost is NOT appeared in Cost of Production Report to calculate total cost?**

- ▶ Material cost
- ▶ Labour cost
- ▶ Factory overhead cost
- ▶ **None of the given options**

**Department I of ABC manufacturing Company transferred 18,000 units to next department and unit cost of material, Labour and FOH is Rs. 2.00, Rs. 5.00 and Rs. 2.50 respectively.**

**Identify the cost transferred to next department with the help of given data.**

- ▶ Rs. 36,000
- ▶ Rs. 45,000
- ▶ Rs. 90,000
- ▶ **Rs. 171,000**

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

- ▶ **Difference of absorbed factory overhead and budgeted factory overhead for capacity attained**
- ▶ 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

**Budget variance is the difference between budgeted factory overhead for capacity attained and sactual factory overhead incurred. It represents either over-spending or under-spending.**

Identify the FOH rate on the basis of machine hour?

Budgeted production overheads	Rs.280,000
actual machine hours	70,000 hours
Actual production overheads	Rs.295,000

- ▶ **Rs. 4.00** Estimated FOH/ Direct Labor hours  $280000/70000=4.00$
- ▶ Rs. 4.08s
- ▶ Rs. 4.210
- ▶ Rs. 4.35

Overhead absorption rate (OAR) can be calculated as:

- ▶ Direct labor cost /Direct Labor hours
- ▶ **Estimated FOH/ Direct Labor hours**
- ▶ Prime cost/ Estimated FOH
- ▶ Prime cost/ Direct labor cost

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

Finished goods inventory costs represent the costs of goods that are:

- ▶ Currently being worked on
- ▶ Waiting to be worked on
- ▶ **Waiting to be sold**
- ▶ Already delivered to customers

According to IASB framework, Financial statements exhibit its users the:

- ▶ Financial position
- ▶ Financial performance
- ▶ Cash inflow and outflow analysis
- ▶ **All of the given options**

If, COGS = Rs. 50,000

GP Margin = 25% of sales

What will be the value of Sales?

- ▶ Rs. 200,000
- ▶ Rs. 66,667
- ▶ **Rs. 62,500**
- ▶ Rs. 400,000

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

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

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**

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**

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 amount of under/over applied FOH

- ▶ **Under applied by Rs.1,000**
- ▶ Over applied by Rs.1,000
- ▶ Under applied by Rs.11,000
- ▶ Over applied by Rs.38,000

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

LG has incurred cost of Rs. 60,000 for material. Further it incurred Rs. 35,000 for labor and Rs. 70,000 for factory overhead. There was no beginning and ending work in process. 7,500 units were completed and transferred out. What would be the unit

cost for material?

- ▶ Rs. 22
- ▶ Rs. 16
- ▶ Rs. 14
- ▶ Rs. 8

A company applied overheads on machine hours which were budgeted at 11,250 with overhead of Rs.258, 750. Actual results were 10,980 hours with overheads of Rs.254, 692. Overhead were?

- ▶ Over applied by Rs.4, 058
- ▶ Under applied by Rs.2, 152
- ▶ Under applied by Rs.4, 058
- ▶ Over applied by Rs.2, 152

if actual factory overhead is less than the budgeted it is favorable budget variance.

Which of the given cost does not become the part of cost unit?

- ▶ Advertising expenses
- ▶ Direct labor cost
- ▶ Factory overhead cost
- ▶ Cost of raw material

Imputed cost is also called

- ▶ Explicit cost
- ▶ Implicit cost
- ▶ Firm cost
- ▶ Period cost

The journal entry of Material purchase on credit under perpetual inventory system is:

- ▶ Inventory account (Dr) Material account (Cr)
- ▶ Account payable (Dr.) Purchases account (Cr)
- ▶ Inventory account (Dr) Account payable account (Cr)
- ▶ Purchases account (Dr) Accounts payable account (Cr)

The annual demand for a stock item is 2,500 units. The cost of placing an order is Rs. 80 and the cost holding an item in stock is for one year is Rs. 15.

Required: What is the EOQ?

- ▶ 163 units sure  $EOQ = \sqrt{2 * 2500 * 80 / 1 * 15} = 163$
- ▶ 1250 units
- ▶ 5,000 units
- ▶ 160 units

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

- ▶ Smart card

- ▶ Time sheet
- ▶ Store card
- ▶ Clock card

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

Gross pay ÷ \_\_\_\_\_ = Effective wage rate

- ▶ Actual hours worked
- ▶ Time allowed
- ▶ Time saved
- ▶ None of the given options

Which of the given statement is CORRECT for factory overhead cost?

- ▶ It is direct production cost.
- ▶ It is prime cost.
- ▶ It is conversion cost.
- ▶ It is an indirect production cost.

*Factory overhead cost includes all production costs except direct material, direct labor and other direct costs, it is completely indirect production cost.*

Depreciation of building expense is an example of factory overhead which is apportioned on the basis of:

- ▶ Capital value
- ▶ Departmental payroll
- ▶ Area in square feet or cubic feet
- ▶ Number of workers

Budgeted fixed factory overhead is Rs. 40,000 and budgeted variable factory overhead Rs. 30,000 and variable rate Rs. 8.00 per hour.

Required:

Identify the amount of Budgeted Factory overhead.

- ▶ Rs. 10,000
- ▶ Rs. 5,000
- ▶ Rs. 70,000 total budgeted FOH including variable and fixed FOH
- ▶ Rs. 3,750

Cost of production report summarizes data of:

- ▶ Quantities produced by producing department only
- ▶ Cost incurred by producing department only
- ▶ Quality of purchased units only

▶ Quantities produced and Cost incurred by producing department

**Production process may result into spoiled or lost units. This lost unit may result into which of the following category/categories?**

- ▶ Normal loss
- ▶ Abnormal loss
- ▶ Unavoidable loss
- ▶ All of the given options

**It is assumed that Rs. 1,000 incurred to produce 100 units but after inspection it came to know that 10 units were lost. Then Rs. 1,000 will be spread over:**

- ▶ 10 units
- ▶ 100 units
- ▶ 90 units
- ▶ 110 units

**Which of the following best describes the manufacturing costs?**

- ▶ Direct materials, direct labor and factory overhead
- ▶ Direct materials and direct labor only
- ▶ Direct materials, direct labor, factory overhead, and administrative overhead
- ▶ Direct labor and factory overhead

**Which of the following loss is expected in manufacturing process and represents a necessary cost of processing the marketable units?**

- ▶ Operating loss
- ▶ Abnormal loss
- ▶ Normal loss
- ▶ Extraordinary loss

From here, MCQs are not verified

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

---

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

- ▶ First to be allocated to the ending inventory
- ▶ Last to be allocated to the cost of goods sold
- ▶ Last to be allocated to the ending inventory
- ▶ First to be allocated to the cost of good sold

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

Which of the following is **NOT** an assumption of the basic economic-order quantity model?

- ▶ Annual demand is known
- ▶ Ordering cost is known
- ▶ Carrying cost is known
- ▶ Quantity discounts are available sure

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

Which of the following is **NOT** reason of abnormal loss?

- ▶ Defective material used
- ▶ Machine breakdown
- ▶ Poor workmanships
- ▶ Natural disaster

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

Complete the following table when activity level increases above the normal level:

	Per unit	Total
Fixed cost	Increase	Constant
Variable cost	?	?
Total cost	Increase	Decrease

- ▶ Decrease, Decrease
- ▶ Increase, Increase
- ▶ Constant, Increase
- ▶ Increase, Decrease

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

You are required to calculate number of units sold of ABC Fans Company for the first quarter of the year with the help of given information.

<b>Inventory opening</b>	
Finished goods (100 fans)	Rs. 43000
Direct material	Rs. 268000
<b>Inventory closing</b>	
Finished goods (200 fans)	Not known
Direct material	Rs. 167000



No of units manufactured	567 units
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- ▶ 300 units
- ▶ 767 units
- ▶ 467 units
- ▶ 667 units

**Question No: 23 ( 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 cost of goods manufactured?

- ▶ Rs. 200,000
- ▶ Rs. 210,000
- ▶ Rs. 220,000
- ▶ Rs. 240,000

**Cost of Goods Manufactured Rupees**

Total factory Cost

Add Opening Work in process inventory

Cost of goods to be manufactured

Less Closing Work in process

Cost of goods manufactured

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

In cost accounting, unavoidable loss is charged to which of the following?

- ▶ Factory over head control account
- ▶ Work in process control accounts
- ▶ Marketing overhead control account
- ▶ Administration overhead control account

**This is normal loss and charged to FOH ACCOUNT**

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

Payroll includes:

- ▶ Salaries & Wages of direct labor
- ▶ Salaries & Wages of Indirect labor
- ▶ Salaries & Wages of Administrative staff

► Salaries & Wages of direct labor, Indirect labor, and Administrative & Selling Staff

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

Which of the given statement is **CORRECT** for Indirect Labor?

- It is charged to factory over head account
- It is charged to work in process
- It is entire production
- It is charged to administrative expenses

*Factory overhead cost includes all production costs except direct material, direct labor and other direct costs, it is completely indirect production cost.*

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

A production worker paid salary of Rs. 700 per month plus an extra Rs. 5 for each unit produced during the month. This labor cost is best described as:

- A fixed cost
- A variable cost
- A semi variable cost
- A step fixed cost

**Semi Variable Cost**

It is also known as mixed cost. It is the cost which is part fixed and part variable. It is in fact the mixture of both behaviors.

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

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

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

Calculate Estimated FOH with the help of given data:

Estimated Direct labour hours	50,000 Hours
Over applied FOH	Rs. 5,000
Under applied FOH	Rs. 15,000
Overhead absorption rate	Rs. 5.00/hour

- Rs. 25,000
- Rs. 50,000
- Rs. 75,000
- Rs. 250,000

**Estimated FOH per point = Total FOH / Total point = Rs. 360,000 / 300,000 point**

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

In which of the situation spending variance will give unfavorable result?

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- ▶ Actual factory overhead is less than absorbed factory overhead
- ▶ Actual factory overhead is greater than absorbed factory overhead
- ▶ Budgeted factory overhead for actual volume is less than actual factory overhead
- ▶ Absorbed factory overhead less than budgeted factory overhead for actual volume

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

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

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

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

In process costing, each producing department is a:

- ▶ Cost unit
- ▶ Cost centre
- ▶ Investment centre
- ▶ Sales centre

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

With reference to cost of production report, cost accounted for as follows is also known as:

- ▶ Cost reconciliation
- ▶ Bank reconciliation
- ▶ Cash reconciliation
- ▶ Capital reconciliation

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

Identify units transferred out with the help of given data:

	Units
Units still in process (100% material, 75% conversion )	4,000
Lost units	2,000

Units started in process	50,000
--------------------------	--------

- ▶ 6,000 units
- ▶ 44,000 units
- ▶ 52,000 units
- ▶ 56,000 units

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

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

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

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

- ▶ 500 units
- ▶ 300 units not sure
- ▶ 200 units
- ▶ 100 units

SHAIKH

1). Fixed cost per unit decreases when:

- a. **Production volume increases.**
- b. Production volume decreases.
- c. Variable cost per unit decreases.
- d. Variable cost per unit increases.

2). Prime cost + Factory overhead cost is:

- a. Conversion cost.
- b. **Production cost.**
- c. Total cost.
- d. None of given option.

3). Find the value of purchases if Raw material consumed Rs. 90,000; Opening and closing stock of raw material is Rs. 50,000 and 30,000 respectively.

- a. Rs. 10,000
- b. Rs. 20,000
- c. **Rs. 70,000**
- d. Rs. 1,60,000

4). If Cost of goods sold = Rs. 40,000  
GP Margin = 20% of sales  
Calculate the Gross profit margin.

- a. Rs. 32,000
- b. Rs. 48,000
- c. Rs. 8,000
- d. **Rs. 10,000**

5). \_\_\_\_\_ method assumes that the goods received most recently in the stores or produced recently are the first ones to be delivered to the requisitioning department.

- a. FIFO
- b. Weighted average method
- c. Most recent price method
- d. **LIFO**

1. Cost of production report is a \_\_\_\_\_.

- a. Financial statement
- b. Production process report**
- c. Order sheet
- d. None of given option.

2. There are \_\_\_\_\_ parts of cost of production report.

- a. 4
- b. 5
- c. 6 (6<sup>th</sup> is concerned with calculation of loss)**
- d. 7

3. Which one of the organization follows the cost of production report \_\_\_\_\_?

- a. Textile unit**
- b. Chartered accountant firm
- c. Poultry forming
- d. None of the given option.

4. \_\_\_\_\_ part of cost of production report explains the cost incurred during the process.

- a. Quantity schedule
- b. Cost accounted for as follow
- c. Cost charge to the department**
- d. None of given option

**Solve the question 5 to 7.** If units put in the process 7,000, units completed and transfer out 5,000. Units still in process (100% Material, 50% Conversion cost). 500 units were lost. Cost incurred during the process Material and Labor Rs. 50,000 and 60,000.



5. Find the number of units that will appear in quantity schedule

- a. 5,750
- b. 7,000**
- c. 5,000
- d. 6,500

6. Find the value of per unit cost of both material and conversion cost

- a. **Material 7.69; Conversion cost 10.43**
- b. Material 7.14; Conversion cost 10.43
- c. Material 7.14; Conversion cost 9.23
- d. None of given option

7. Find the value of cost transferred to next department:

- a. Rs. 57,500
- b. Rs. 50,000
- c. Rs. 70,000
- d. **None of given option.**

8. In case of second department find the increase of per unit cost in case of unit lost. Cost received from previous department is Rs. 1,40,000.

- a. 1.43
- b. (2.13)
- c. **1.54**
- d. 1.67

9. Opening work in process inventory can be calculated under

- a. **FIFO and Average costing**
- b. LIFO and Average costing
- c. FIFO and LIFO costing
- d. None of given option

10. \_\_\_\_\_ needs further processing to improve its marketability.

- a. **By product**
- b. Joint Product
- c. Augmented product
- d. None of the given option

1. Jan 1; finished goods inventory of Manuel Company was \$3, 00,000. During the year Manuel's cost of goods sold was \$19, 00,000, sales were \$2, 000,000 with a 20% gross profit. Calculate cost assigned to the December 31; finished goods inventory.

- a. \$ 4,00,000

- b. \$ 6,00,000
  - c. \$ 16,00,000
  - d. None of given options**
2. 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
3. The combination of direct material and direct labor is
- a. Total production Cost
  - b. Prime Cost**
  - c. Conversion Cost
  - d. Total manufacturing Cost
4. The cost expended in the past that cannot be retrieved on product or service
- a. Relevant Cost
  - b. Sunk Cost**
  - c. Product Cost
  - d. Irrelevant Cost
5. When a manufacturing process requires mostly human labor and there are widely varying wage rates among workers, what is probably the most appropriate basis of applying factory costs to work in process?
- a. Machine hours
  - b. Cost of materials used
  - c. Direct labor hours**
  - d. Direct labor dollars
6. A typical factory overhead cost is:
- a. distribution
  - b. internal audit
  - c. compensation of plant manager**
  - d. design
7. An industry that would most likely use process costing procedures is:



- a. tires
- b. home construction
- c. printing
- d. aircraft
- e.

8. Complete the following table

	Per unit	Total
Fixed cost	Increase	Constant
Variable cost		
Total cost	Increase	Decrease

- a. Constant, Decrease
- b. Decrease, Decrease
- c. Increase, Increase
- d. Increase, Decrease

9. The Kennedy Corporation uses Raw Material Z in a manufacturing process. Information as to balances on hand, purchases and requisitions of Raw Material Z is given below:

Jan.	1	Balance:	200	Ibs.	@	\$1.50
	08			Received	500 lbs.	@ \$1.55
	18				Issued	100 lbs.
	25	Issued		260		Ibs.
	30	Received	150	Ibs.	@	\$1.60

If a perpetual inventory record of Raw Material Z is maintained on a FIFO basis, it will show a month end inventory of:

- a. \$240
- b. \$784
- c. \$759
- d. \$767

10. A disadvantage of an hourly wage plan is that it:

- a. Provides no incentive for employees to achieve and maintain a high level of production.
- b. Is hardly ever used and is difficult to apply.
- c. Establishes a definite rate per hour for each employee.
- d. Encourages employees to sacrifice quality in order to maximize earnings.

Find out correct option from given MCQs & put your answer in above table:

1. A manufacturing company manufactures a product which passes through two departments. 10,000 units were put in process. 9,400 units were completed & transferred to department-II. 400 units (1/2 complete) were in process at the end of month. Remaining 200 units were lost during processing. Costs incurred by the department were as follows:

Particulars Rs.  
Direct Materials 19,400  
Direct Labor 24,250  
Factory overhead 14,550

Apportionment of the Accumulated Cost/Total Cost accounted for, for the month in CPR

---

- a. Rs. 24,250 Approximately
- b. Rs. 56,987 Approximately
- c. Rs. 58,200 Approximately**
- d. None of the given options

MCQ # 2 and 3 are based on the following data:

Allied chemical company reported the following production data for its department:

Particulars Units  
Received in from department -1 55,000  
Transferred out department -3 39,500  
In process (1/3 labor & overhead) 10,500

All materials were put in process in Department No. 1. Costing department collected following figures for department No. 2: Particulars Rs.  
Unit cost received in 1.80, Labor cost in department No.2 27,520.  
Applied overhead in Department No. 2 15,480

2. Equivalent units of labor & FOH are \_\_\_\_\_

- a. 3,500 units
- b. 39,500 units
- c. 43,000 units**
- d. None of the given options

**3. Unit cost of lost unit after adjustment (by using any method) \_\_\_\_\_**

- a. Rs. 0.64
- b. Rs. 0.36
- c. Rs. 0.18**
- d. None of the given options

**MCQ # 4, 5 and 6 are based on the following data:**

In Department No. 315 normal production losses are discovered at the end of process. During January 2007 following costs were charged to Department 315:

Particulars Rs.  
Direct Materials 30,000  
Direct Labor 20,000  
Manufacturing overhead 10,000  
Cost from preceding department 96,000

Data of production quantities is as follows:

Particulars Units  
Received in 12,000  
Transferred out 7,000  
Normal Production Loss 1,000

Partly processed units in Department No. 315 were completed 50%.

**4. Cost of normal loss (where normal loss is discovered at the end of process) \_\_\_\_\_:**

- a. Rs. 14,000**
- b. Rs. 44,000
- c. Rs. 1, 12,000
- d. None of the given options

**5. Equivalent units of material \_\_\_\_\_**

- a. 2,000 units
- b. 7,000 units
- c. 10,000 units**
- d. None of the given options

6. Unit cost of Direct Labor \_\_\_\_\_

- a. Rs. 1
- b. Rs. 2**
- c. Rs. 3
- d. None of the given options

7. During January, Assembling department received 60,000 units from preceding department at a unit cost of Rs. 3.54. Costs added in the assembly department were:

Particulars Rs.  
 Materials 41,650  
 Labor 101,700  
 Factory overheads 56,500

There was no work in process beginning inventory.

Particulars Units  
 Units from preceding department 60,000  
 Units transferred out 50,000  
 Units in process at the end of month  
 (all materials, 2/3 converted)

9,000 Units lost (1/2 completed as to materials & conversion cost ) 1,000

The entire loss is considered abnormal & is to be charged to factory overhead.

Equivalent units of material \_\_\_\_\_

- a. 9,000 units
- b. 56,500 units
- c. 59,500 units**
- d. None of the given options

8. For which one of the following industry would you recommend a Job Order Costing system?

- a. Oil Refining
- b. Grain dealing

- c. Beverage production
- d. Law Cases**

9. For which one of the following industry would you recommend a Process Costing system?

- a. Grain dealer**
- b. Television repair shop
- c. Law office
- d. Auditor

10. The difference between total revenues and total variable costs is known as:

- a. Contribution margin**
- b. Gross margin
- c. Operating income
- d. Fixed costs

11. Percentage of Margin of Safety can be calculated in which one of the following ways?

- a. Based on budgeted Sales
- b. Using budget profit
- c. Using profit & Contribution ratio
- d. All of the given options**

12. Which of the following represents a CVP equation?

- a. Sales = Contribution margin (Rs.) + Fixed expenses + Profits
- b. Sales = Contribution margin ratio + Fixed expenses + Profits
- c. Sales = Variable expenses + Fixed expenses + profits**
- d. Sales = Variable expenses - Fixed expenses + profits

13. If 120 units produced, 100 units were sold @ Rs. 200 per unit. Variable cost related to production & selling is Rs. 150 per unit and fixed cost is Rs. 5,000. If the management wants to decrease sales price by 10%, what will be the effect of decreasing unit sales price on profitability of company? (Cost & volume profit analysis keep in your mind while solving it)

- a. Remains constant
- b. Profits will increased
- c. Company will have to face losses**
- d. None of the given options

14. If 120 units produced, 100 units were sold @ Rs. 200 per unit. Variable cost related to production & selling is Rs. 150 per unit and fixed cost is Rs. 5,000. If the management wants to increase sales price by 10%, what will be increasing sales profit of company by increasing unit sales price. (Cost & volume profit analysis keep in your mind while solving it)

- a. Rs.2,000**
- b. Rs. 5,000
- c. Rs. 7,000
- d. None of the given options

MCQ # 15, 16, 17 and 18 are based on the following data:

The following is the Corporation's Income Statement for last month:

Particulars	Rs.
Sales	4,000,000
Less: variable expenses	2,800,000
Contribution margin	1,200,000
Less: fixed expenses	720,000
Net income	480,000

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

15. What is the company's contribution margin ratio?

- a. 30%**
- b. 70%
- c. 150%
- d. None of given options

16. What is the company's break-even in units?

- a. 48,000 units**
- b. 72,000 units
- c. 80,000 units
- d. None of the given options

17. How many units would the company have to sell to attain target profits of Rs. 600,000?

- a. 88,000 units
- b. 100,000 units
- c. 106,668 units
- d. None of given options

18. What is the company's margin of safety in Rs?

- a. Rs. 480,000
- b. Rs. 1,600,000
- c. Rs. 2,400,000
- d. None of given options

19. Which of the following statement(s) is (are) true?

- a. A manufacturer of ink cartridges would ordinarily use process costing rather than job-order costing
- b. If a company uses a process costing system it accumulates costs by processing department rather than by job
- c. The output of a processing department must be homogeneous in order to use process costing
- d. All of the given options

20. Which of the following statements is (are) true?

- a. Companies that produce many different products or services are more likely to use job-order costing systems than process costing systems
- b. Job-order costing systems are used by manufactures only and process costing systems are used by service firms only
- c. Job-order costing systems are used by service firms and process costing systems are used by manufacturers
- d. All of the given options

21. Product cost is normally:

- a. Higher in Absorption costing than Marginal costing
- b. Higher in Marginal costing than Absorption costing
- c. Equal in both Absorption and Marginal costing
- d. None of the given options

22. Using absorption costing, unit cost of product includes which of the

following combination of costs?

- a. Direct materials, direct labor and fixed overhead
- b. Direct materials, direct labor and variable overhead
- c. Direct materials, direct labor, variable overhead and fixed overhead**
- d. Only direct materials and direct labor

23. Marginal costing is also known as:

- a. Indirect costing
- b. Direct costing
- c. Variable costing
- d. Both (b) and (c)**

MCQ # 24 & 25 are based on the following data:

The following data related to production of ABC Company:

Units produced 1,000 units  
Direct materials Rs.6  
Direct labor Rs.10  
Fixed overhead Rs.6000  
Variable overhead Rs.6  
Fixed selling and administrative Rs.2000  
Variable selling and administrative Rs.2

24. Using the data given above, what will be the unit product cost under absorption costing?

- a. Rs. 22
- b. Rs. 28**
- c. Rs. 30
- d. None of the given options

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

- a. Rs. 22**
- b. Rs. 24
- c. Rs. 28
- d. None of the given options

26. The break-even point is the point where:



- a. Total sales revenue equals total expenses (variable and fixed)
- b. Total contribution margin equals total fixed expenses
- c. Total sales revenue equals to variable expenses only
- d. Both a & b**

27. The break-even point in units is calculated using \_\_\_\_\_

- a. Fixed expenses and the contribution margin ratio
- b. Variable expenses and the contribution margin ratio
- c. Fixed expenses and the unit contribution margin**
- d. Variable expenses and the unit contribution margin

28. The margin of safety can be defined as:

- a. The excess of budgeted or actual sales over budgeted or actual variable expenses
- b. The excess of budgeted or actual sales over budgeted or actual fixed expenses
- c. The excess of budgeted sales over the break-even volume of sales**
- d. The excess of budgeted net income over actual net income

29. The contribution margin ratio is calculated by using which one of the given formula?

- a.  $(\text{Sales} - \text{Fixed Expenses}) / \text{Sales}$
- b.  $(\text{Sales} - \text{Variable Expenses}) / \text{Sales}$**
- c.  $(\text{Sales} - \text{Total Expenses}) / \text{Sales}$
- d. None of the given options

30. Data of a company XYZ is given below

Particulars Rs.

Sales 15,00,000

Variable cost 9,00,000

Fixed Cost 4,00,000

Break Even Sales in Rs. \_\_\_\_\_

- a. Rs. 1, 00,000
- b. Rs. 2, 00,000
- c. Rs. 13, 00,000
- d. None of the given options**

1. Mr. Zahid received Rs. 100,000 at the time of retirement. He has invested in a profitable Avenue. From Company A, he received the dividend of 35% and

from Company B he received the dividend of 25%. He has selected Company A for investment. His opportunity cost will be:

- a) 35,000
  - b) 25,000**
  - c) 10,000
  - d) 55,000
2. In increasing production volume situation, the behavior of Fixed cost & Variable cost will be:
- a) Increases, constant
  - b) Constant, increases**
  - c) Increases, decreases
  - d) Decreases, increases
3. While calculating the finished goods ending inventory, what would be the formula to calculate per unit cost?
- a) Cost of goods sold / number of units sold
  - b) Cost of goods to be manufactured / number of units manufactured
  - c) Cost of goods manufactured / number of units manufactured**
  - d) Total manufacturing cost / number of units manufactured
4. If the direct labor is Rs. 42,000 and FOH is 40% of conversion cost. What will be the amount of FOH?
- a) 63,000
  - b) 30,000
  - c) 28,000**
  - d) 16,800
5. Which one of the following centers is responsible to earns sales revenue?
- a) Cost center
  - b) Investment center
  - c) Revenue center**
  - d) Profit center
6. Which one of the following cost would not be termed as Product Costs?
- a) Indirect Material
  - b) Direct Labor
  - c) Administrative Salaries**

- d) Plant supervisor's Salary
7. Which of the following ratios expressed that how many times the inventory is turning over towards the cost of goods sold?
- Inventory backup ratio
  - Inventory turnover ratio**
  - Inventory holding period
  - Both A & B
8. When opening and closing inventories are compared, if ending inventory is more than opening inventory, it means that:
- Increase in inventory**
  - Decrease in inventory
  - Both a and b
  - None of the given options
9. The total labor cost incurred by a manufacturing entity includes which one of the following elements?
- Direct labor cost
  - Indirect labor cost
  - Abnormal labor cost
  - All of the given options**

10. If,

Opening stock	1,000 units
Material Purchase	7,000 units
Closing Stock	500 units
Material consumed	Rs. 7,500

What will be the inventory turnover ratio?

- 10 Times**
- 12 times
- 14.5 times
- 9.5 times

(Total Marks 1 x 15 = 15)

Find out correct option from given MCQs & put your answer in above table:

1. A manufacturing company manufactures a product which passes through two departments. 10,000 units were put in process. 9,400 units were completed & transferred to department-II. 400 units (1/2 complete) were in process at the end of month. Remaining 200 units were lost during processing. Costs incurred by the department were as follows:

Particulars Rs.  
Direct Materials 19,400  
Direct Labor 24,250  
Factory overhead 14,550

Equivalent units of material, for the month in CPR \_\_\_\_\_

- a. 200 units
- b. 9400 units
- c. 9600 units
- d. None of the given options

MCQ # 2 and 3 are based on the following data:

Allied chemical company reported the following production data for its department:

Particulars Units  
Received in from department -1 55,000  
Transferred out department -3 39,500  
In process (1/3 labor & overhead) 10,500

All materials were put in process in Department No. 1. Costing department collected following figures for department No. 2:

Particulars Rs.  
Unit cost received in 1.80  
Labor cost in department No.2 27,520  
Applied overhead in Department No. 2 15,480

**2. Equivalent units of Material are \_\_\_\_\_**

- a. 3,500 units
  - b. 39,500 units
  - c. 43,000 units**
  - d. None of the given options
- Cost & Management Accounting (mgt402)  
Solution to Quiz 02  
Special Semester 2007

**3. Unit cost used for transferred out \_\_\_\_\_**

- a. Rs. 0.64
- b. Rs. 0.36
- c. Rs. 0.18
- d. None of the given options**

**4. During January, Assembling department received 60,000 units from preceding department at a unit cost of Rs. 3.54. Costs added in the assembly department were:**

Particulars Rs.  
Materials 41,650  
Labor 101,700  
Factory overheads 56,500

There was no work in process beginning inventory.

Particulars Units  
Units from preceding department 60,000  
Units transferred out 50,000  
Units in process at the end of month  
(all materials, 2/3 converted)

9,000  
Units lost (1/2 completed as to materials & conversion cost ) 1,000

The entire loss is considered abnormal & is to be charged to factory overhead.  
Cost transferred to next department \_\_\_\_\_

- a. Rs. 55,703.3 App.

- b. Rs. 356,546.6 App.
- c. Rs. 412,249.9 App.
- d. None of the given options

MCQ # 5, 6, 7 and 8 are based on the following data:

The following is the Corporation's Income Statement for last month:

Particulars	Rs.
Sales	4,000,000
Less: variable expenses	1,800,000
Contribution margin	2,200,000
Less: fixed expenses	720,000
Net income	1,480,000

Cost & Management Accounting (mgt402)  
Solution to Quiz 02  
Special Semester 2007

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

5. What is the company's contribution margin ratio?
- a. 30%
  - b. 50%
  - c. 150%
  - d. None of given options
6. What is the company's break-even in units?
- a. 48,000 units
  - b. 72,000 units
  - c. 80,000 units
  - d. None of the given options
7. How many units would the company have to sell to attain target profits of Rs.600,000?
- a. 48,000 units
  - b. 88,000 units
  - c. 106,668 units
  - d. None of given options

8. What is the company's margin of safety in Rs?

- a. Rs. 1,600,000
- b. Rs. 2,400,000
- c. Rs. 25,60,000**
- d. None of given options

MCQ # 9 & 10 are based on the following data:

The following data related to production of ABC Company:

Units produced 2,000 units

Direct materials Rs.6

Direct labor Rs.10

Fixed overhead Rs.20,000

Variable overhead Rs.6 Cost & Management Accounting (mgt402)

Solution to Quiz 02

Special Semester 2007

Fixed selling and administrative Rs.2000

Variable selling and administrative Rs.2

9. Using the data given above, what will be the unit product cost under absorption costing?

- a. Rs. 32**
- b. Rs. 30
- c. Rs. 25
- d. None of the given options

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

- a. Rs. 22**
- b. Rs. 24
- c. Rs. 28
- d. None of the given options

11. Mr. Zahid received Rs. 100,000 at the time of retirement. He has invested in a profitable Avenue. From Company A, he received the dividend of 35% and from Company B he received the dividend of 25%. He has selected Company A for investment. His opportunity cost will be:
- a) 35,000
  - b) 25,000**
  - c) 10,000
  - d) 55,000
12. In increasing production volume situation, the behavior of Fixed cost & Variable cost will be:
- e) Increases, constant
  - f) Constant, increases**
  - g) Increases, decreases
  - h) Decreases, increases
13. While calculating the finished goods ending inventory, what would be the formula to calculate per unit cost?
- e) Cost of goods sold / number of units sold
  - f) Cost of goods to be manufactured / number of units manufactured
  - g) Cost of goods manufactured / number of units manufactured**
  - h) Total manufacturing cost / number of units manufactured
14. If the direct labor is Rs. 42,000 and FOH is 40% of conversion cost. What will be the amount of FOH?
- e) 63,000
  - f) 30,000
  - g) 28,000**
  - h) 16,800
15. Which one of the following centers is responsible to earns sales revenue?
- e) Cost center
  - f) Investment center
  - g) Revenue center**
  - h) Profit center
16. While preparing the Cost of Goods Sold and Income Statement, the over applied FOH is;
- e) Add back, subtracted
  - f) Subtracted, add back**
  - g) Add back, add back
  - h) Subtracted, subtracted
17. Which of the following ratios expressed that how many times the inventory is turning over towards the cost of goods sold?



- e) Net profit ratio
- f) Gross profit ratio
- g) Inventory turnover ratio**
- h) Inventory holding period

18. When opening and closing inventories are compared, if ending inventory is more than opening inventory, it means that:

- e) Increase in inventory**
- f) Decrease in inventory
- g) Both a and b
- h) None of the given options

19. The total labor cost incurred by a manufacturing entity includes which one of the following elements:

- e) Direct labor cost
- f) Indirect labor cost
- g) Abnormal labor cost
- h) All of the given options**

20. If,

Opening stock	1,000 units
Material Purchase	7,000 units
Closing Stock	500 units
Material consumed	Rs. 7,500

What will be the inventory turnover ratio?

- e) 10 Times**
- f) 12 times
- g) 14.5 times
- h) 9.5 times

1. If Units sold = 10,000

Closing finished goods = 2,000

Opening finished goods = 1,500

What will be the value of units manufactured?

- a. 9,500
- b. 10,500**
- c. 13,500
- d. 6,500

2. Calculate the amount of direct labor if:

Direct material = 15,000

Direct labor = 70% of prime cost

- a. 6,429
- b. 30,000
- c. 10,500
- d. 35,000**

3. Material cost = 4.00 per unit  
 Labor cost = 0.60 per unit  
 Factory overhead cost = 1.00 per unit  
 Administrative cost = 1.20 per unit  
 Selling cost = 15% of sales  
 Profit = 1.02 per unit  
 What will be the sales price per unit?

- a. 6.0
- b. 9.2**
- c. 7.0
- d. None of the given option

4. ABC & Company has maintained the following data of inventory control Under the periodic inventory system:

Date	Units	Total
Jan 01	100 @ 10	1000
Jan 05	100 @ 11	1100
Jan 10	150 @ 12	1600

During the period 300 units were sold. Calculate the cost of ending inventory under FIFO method.

- a. 600**
- b. 500
- c. 400
- d. 300

5. National chains of tyre fitters stock a popular tyre for which the following information is available:

Average usage = 140 tyres per day  
 Minimum usage = 90 tyres per day  
 Maximum usage = 175 tyres per day  
 Lead time = 10 to 16 days

Re-order quantity = 3000 tyres

Based on the above data calculate the maximum level of stock possible:

- a. 2800
- b. 3000
- c. 4900
- d. 5800

**Fill in the blanks:**

1. **Irrelevant costs** are those costs that would not affect the current management decision.
  2. Increase in inventory means closing inventory is **greater** than the opening inventory.
  3. Weighted average cost is used to determine the value of cost of consumption and **ending inventory**.
  4. The total amount earned in a week or month by an employee is called **gross pay**.
  5. The method of remuneration in which a worker is paid on the basis of production and not time taken by him to perform the work is called **piece rate wage**.
1. A cost that remains unchanged across the relevant range of units produced is what kind of cost?
- a) **Fixed cost**
  - b) Product cost
  - c) Mixed cost
  - d) Period cost

2. A company has the following cost data for the month:

Conversion cost: Rs. 78,900

Prime Cost: Rs. 115,700

Beginning Work in Process Inventory: Rs. 4,700

Ending Work in Process Inventory: Rs. 2,800

Beginning Finished Goods Inventory: Rs. 27,600

Ending Finished Goods Inventory: Rs. 29,200

Manufacturing Overhead Costs: Rs. 14,500

What is the Cost of Goods Sold for the month?

- a) Rs. 132,100
- b) Rs. 116,000
- c) Rs. 130,200
- d) **Rs. 130,500**

3. \_\_\_\_\_ is a part of cost of production report that explains the cost incurred during the process.

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

4. Under Absorption Costing, Fixed Manufacturing Overheads are:

- a) Absorbed into Cost units
- b) Charged to the Profit and Loss account
- c) Treated as period cost
- d) **All of the given options**

5. A company makes one product, which has variable manufacturing costs of Rs.3.25 per unit and variable selling and administrative costs of Rs. 1.17 per unit. Fixed manufacturing costs are Rs. 42,300 per month and fixed selling and administrative costs are Rs. 29,900 per month. The company wants to earn an average monthly profit of Rs. 15,000 and they expect to produce and sell an average of 40,000 units of the product per month. What is the minimum selling price management can be expected to set to meet their profitability goals?

- a) Rs. 4.69
- b) Rs. 4.42
- c) **Rs. 6.60**
- d) Rs. 6.23

Question 6 to 8 will be based on the data given below:

Units put in the process 7,000

Units completed and transferred out 5,000

Units still in process (100% Material, 50% Conversion cost)

500 units were lost during process

Cost incurred during the process Material and Labor Rs. 50,000 and Rs. 60,000.

6. By using the above information, find out the number of units that will appear in quantity schedule.

- a) 5,750
- b) 7,000**
- c) 5,000
- d) 6,500

7. Find out the value of per unit cost of both material and conversion cost.

- a) Material 7.69; Conversion cost 10.43**
- b) Material 7.14; Conversion cost 10.43
- c) Material 7.14; Conversion cost 9.23
- d) None of the given options

8. Find the value of cost transferred to next department:

- a) Rs. 5750
- b) Rs. 5000
- c) Rs. 7000
- d) Rs. 6500 or None of the given options**

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

- a) FIFO and Average costing**
- b) LIFO and Average costing
- c) FIFO and LIFO costing
- d) None of given options

10. \_\_\_\_\_ needs further processing to improve its marketability.

- a) By product**
- b) Joint Product
- c) Augmented product
- d) None of the given options

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

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

2) The main difference between the incremental and marginal cost is that:

- a) **The marginal cost changes for every next unit of production**
- b) Incremental cost does not show any change for any level of activity
- c) The marginal cost changes for a certain level of activity
- d) There is no difference between marginal cost and incremental cost

3) **An example of an inventoriable cost would be:**

- a) Shipping fees
- b) Advertising flyers
- c) Sales commissions
- d) **Direct materials**

4) **Service entities provide services of \_\_\_\_\_ to their customers.**

- a) **Tangible products**
- b) **Intangible products**
- c) Both tangible and intangible products
- d) Services can not be intangible

5) **T Corp. had net income before taxes of Rs. 200,000 and sales of Rs. 2,000,000. If it is in the 50% tax bracket, its profit margin would be:**

- a) **5%**
- b) 12%
- c) 20%
- d) 25%

6) **Direct materials cost is Rs. 80,000. Direct labor cost is Rs. 60,000. Factory overhead is Rs. 90,000. Beginning goods in process were Rs. 15,000. The cost of goods manufactured is Rs. 245,000. What is the cost assigned to the ending goods in process?**

- a) Rs. 45,000
- b) Rs. 15,000
- c) Rs. 30,000
- d) **There will be no ending Inventory**

7) **A firm had Rs. 200,000 in sales, Rs. 120,000 of goods available for sale, an ending finished goods inventory of Rs. 20,000. Selling and Administrative expenses are Rs. 55,000. Which of the following is true?**

- a) Net income was 22.5% of sales

- b) The cost of goods sold was Rs. 100,000
- c) The gross profit was Rs. 100,000
- d) All of the given options**

**8) A complete set of Financial Statements for Hanery Company, at December 31, 1999, would include each of the following, EXCEPT:**

- a) Balance sheet as of December 31, 1999
- b) Income statement for the year ended December 31, 1999
- c) Statement of projected cash flows for 2000**
- d) Notes containing additional information that is useful in interpreting the Financial Statements

**9) 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**

**10) Heavenly Interiors had beginning merchandise inventory of Rs. 75,000. It made purchases of Rs. 160,000 and recorded sales of Rs. 220,000 during November. Its estimated gross profit on sales was 30%. On November 30, the store was destroyed by fire. What was the value of the merchandise inventory loss?**

- a) Rs. 154,000
- b) Rs. 160,000
- c) Rs. 235,000
- d) Rs. 81,000**

**11) Inventory control aims at:**

- a) Achieving optimization
- b) Ensuring against market fluctuations
- c) Acceptable customer service at low capital investment**
- d) Discounts allowed in bulk purchase

**12) 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

13) 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

14) 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?

- a) 5.0
- b) 5.3
- c) 6.0**
- d) 6.4

15) While deducting Income Tax from the gross pay of the employee, the employer acts as a (an) \_\_\_\_\_ for Income Tax Department.

- a) Agent of his own Company
- b) Paid tax collection agent
- c) Unpaid tax collection agent**
- d) None of the given options

16) A standard rate is paid to the employee when he completed his job:

- a) In time less than the standard
- b) In standard time
- c) In time more than standard
- d) Both In standard time or more than the standard time**

17) Reduction of labor turnover, accidents, spoilage, waste and absenteeism are the results of which of the following wage plan?

- a) Piece rate plan
- b) Time rate plan
- c) Differential plan



**d) Group bonus system**

18) 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

19) When loss of time due to unavoidable interruptions is deducted from theoretical capacity the remainder is:

- a) Normal capacity
- b) **Practical capacity**
- c) Expected capacity
- d) All of the given options

20) 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

1) 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

2) Which of the following is the best definition of a by-product?

- a) A by-product is a product arising from a process where the wastage rate is higher than a defined level
- b) 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**
- c) A by-product is a product arising from a process where the wastage rate is unpredictable
- d) 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

3) 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:

- a) Potential marketability for each product
- b) Amount of work expended in the production of each product
- c) Relative total sales value of each product**
- d) Management policy

4) 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 a unit. What sales level in units will provide a profit of Rs. 10,000?

- a) 350 units
- b) 667 units
- c) 1,000 units**
- d) 1,350 units

5) 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 costs:  
Manufacturing  
Distribution  
Fixed  
Rs. 5  
Rs. 4

Variable  
Rs. 7  
Rs. 3

The unit cost of sprockets for direct cost inventory purposes is:

- a. Rs. 44
- b. Rs. 37
- c. Rs. 32**
- d. Rs. 35

6) Janet sells a product for Rs.6.25. The variable costs are Rs.3.75. Janet's break-even units are 35,000. What is the amount of fixed costs?

- a) Rs. 87,500**
- b) Rs. 35,000
- c) Rs.131,250
- d) Rs. 104,750

7) A firm, which makes yachts, has fixed costs of Rs. 260,000 per month. The product sells for Rs. 35,000 per boat, and the variable costs of production are Rs. 15,000 per boat. The boatyard can manufacture 20 boats each month. What is the firms' margin of safety at the moment?

- a) 20%
- b) 35%**
- c) 54%
- d) 57%

8) Which of the following is not one of the requirements of the general principles of budgeting?

- a. Responsibility for forecasting costs must be clearly defined
- b. Changes are not to be made just because more favorable results are foreseeable**
- c. Accountability for actual results must be enforced
- d. Goals must be realistic and possible to attain

9) 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:

- a) 360 hours
- b) Rs. 1,440
- c) Rs. 4,320**

d) Rs. 5,346

**10) Which of the following is not an explanation for rising profit levels at the same time as a cash shortage?**

- a) Rapid expansion sales and output
- b) Repayment of loan
- c) Purchase of new premises
- d) Disposal of fixed assets for profit**

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

- ▶ Product cost**
- ▶ Period cost
- ▶ Both product and period cost
- ▶ Historical cost

**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

**A chemical process has normal wastage of 10% of input. In a period, 2,500 Kg of material were input and there was abnormal loss of 75 Kg. What quantity of good production was achieved?**

- ▶ 2,175 kg**
- ▶ 2,250 kg
- ▶ 2,425 kg
- ▶ 2,500 kg

**Which of the given cost becomes the part of cost unit?**

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

**The main difference between the profit center and investment center is:**

- ▶ Decision making
- ▶ Revenue generation
- ▶ Cost incurrence

► **Investment**

**TO whom purchase order form is issued to place an order?**

- Work station incharge
- Store incharge
- **Supplier**
- Manager

**What type of information CANNOT get from bin card?**

- It provides the information for Reorder level
- It provides the information for Economic order quantity
- It provides the information for Maximum daily consumption
- **It provides the information for Cost of material consumed**

**Which of the following groups of workers would be classified as indirect labor?**

- Machinists in an organization manufacturing clothes
- Bricklayers in a house building company
- **Maintenance workers in a shoe factory**
- None of the given options

**Taylor's Differential Piece Rate Plan based on \_\_\_\_\_ piece rates is fixed.**

- **Two**
- Three
- Four
- Five

**Meerick Differential Piece Rate Plan based on \_\_\_\_\_ piece rates is fixed.**

- Two
- **Three**
- Four
- Five

**Calculate predetermined factory overhead absorption rates with the help of given data.**

Items	Budgeted figure	Actual Figures
Factory overhead (Rs)	1,200,000	----
Machine hours	200,000	28,000

- Rs. 43.00
- Rs. 0.20
- **Rs. 6.00**
- Rs. 14

**In which of the situation spending variance will give favorable result?**

- ▶ Actual factory overhead is less than absorbed factory overhead
- ▶ Actual factory overhead is greater than absorbed factory overhead
- ▶ Budgeted factory overhead for actual volume is greater than actual factory overhead

▶ Absorbed factory overhead less than budgeted factory overhead for actual volume

**If absorbed factory overhead is Rs.155,000 and Budgeted factory overhead for actual volume is Rs. 110,000 then difference of both will be:**

- ▶ Unfavorable Spending variance of Rs. 45,000
- ▶ Favorable Spending variance of Rs. 45,000
- ▶ Favorable Volume variance of Rs. 45,000
- ▶ Favorable Budget variance of Rs. 45,000

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

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

Greenwood petroleum has the data for the year was as follow:

Lost units (Normal Loss)	200
Introduced units during the year	67,00
Units in process	15,00

Identify how many units were completed and transferred out during this period?

- ▶ 1,700 units
- ▶ 5,000 units
- ▶ 1,500 units
- ▶ 6,900 units

Which of the given payroll incentive does not relate to production?

- ▶ Commission
- ▶ Shift allowance
- ▶ Over time payment
- ▶ Bonus

**When cost of production report is prepared?**

- ▶ It is prepared at the end of each costing period
- ▶ It is prepared during each costing period
- ▶ It is prepared at the start of each costing period
- ▶ It can be prepared at any time

If, Sales = Rs. 800,000

Markup rate = 25% of cost

What would be the value of Gross profit?

- ▶ Rs. 200,000
- ▶ Rs. 160,000
- ▶ Rs. 480,000
- ▶ Rs. 640,000

Reference:

$$800000 * 25 / 125 = 160000$$

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

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

Variable costing is also known as:

- ▶ Direct Costing
- ▶ Marginal Costing
- ▶ Both Direct Costing & Marginal Costing page 164
- ▶ Indirect Costing

ABC Company reported sales of Rs. 150,000 (20,000 units). Fixed costs amounted to Rs. 20,000 and income for the period was Rs. 90,000. Determine the per-unit variable cost.

- ▶ Rs.1.00
- ▶ Rs.2.00
- ▶ Rs.4.50
- ▶ Rs.5.50

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

Reference:

$$15 - 9 = 6$$

$$15000/6 = 2500 \text{ units}$$

### 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

Reference:

[http://wps.prenhall.com/ema\\_uk\\_he\\_upchurch\\_costacct\\_1/3/871/223193.cw/index.html](http://wps.prenhall.com/ema_uk_he_upchurch_costacct_1/3/871/223193.cw/index.html)

Question#2

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 JP2.

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

Reference:

$$J1 = 4000 \times 11 = 44000/10000 \times 52000 = 22880$$

$$J2 = 3000 \times 10 = 30000/10000 \times 52000 = 15600$$

$$J3 = 1000 \times 26 = 26000/10000 \times 52000 = 13520$$

All of the following compose cost of goods sold EXCEPT:

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



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

A measure of activity – such as direct labor hour or dollars.

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

Reference:

$$0.25 * 19 * 5000 = 23750$$

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

Reference:

$$2 * 12 * 27000 = 648000$$

The payments that a firm collects from its customers are called:

- ▶ Cash disbursements
- ▶ Cash outflows
- ▶ Cash receipts
- ▶ Capital expenditures

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 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

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

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: 26 ( 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: 27 ( Marks: 1 ) - Please choose one

Which of the following product always possess a lower selling price then the main product?

- ▶ By-product
- ▶ Joint product
- ▶ Both By-product and Joint product
- ▶ None of the given options

The proceeds from the sale, less any handling and selling expenses, may be applied in reducing the cost of the main products.

**Question No: 28 ( 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: 29 ( 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

Reference:

Page 193

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

If revenue is taken at vertical axis on a break even chart then which of the following will be taken at horizontal level?

- ▶ Cost
- ▶ Production
- ▶ Net income
- ▶ sales

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

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

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

Reference:

Page 202

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

Which of the following is NOT a requirement of the general principles of budgeting?

- ▶ Responsibility for forecasting costs must be clearly defined
- ▶ Changes are not made just because of more favorable results are expected
- ▶ Accountability for actual results must be enforced
- ▶ Goals must be realistic and possible to attain

**Question No: 33 ( 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: 34 ( Marks: 1 ) - Please choose one**

The gross profit for the company amounts to Rs. 85,000. The selling and administration expenses are Rs. 35,000 and Rs. 20,000 respectively. The financial charges are Rs. 9,500. What would be the Profit before tax of a company?

- ▶ Rs. 35,000
- ▶ Rs. 30,000
- ▶ Rs. 20,500
- ▶ Rs. 50,000

Reference:

$$85000 - 35000 - 20000 - 9500 = 20500$$

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

Which of the following would **NOT** lead to an increase in net cash flow?

- ▶ Larger sales volume
- ▶ Higher selling price
- ▶ Reduced material cost
- ▶ Charging of lower depreciation

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

Which of the following is used in decision making?

- ▶ Contribution margin approach
- ▶ Differential cost approach
- ▶ Fixed cost approach
- ▶ Both Contribution margin and Differential cost approach

**Question No: 37 ( 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: 39 ( Marks: 1 ) - Please choose one**

Inventory ordering cost is also known as:

- ▶ Procurement cost

- ▶ Inventory carrying cost
- ▶ Prime cost
- ▶ Conversion cost

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

Factory overheads can be absorbed by which of the following methods?

- i. Direct labours hours
  - ii. Machine hours
  - iii. As a percentage of prime cost
  - iv. Rs. \* Per unit
- ▶ i,ii iii and iv
  - ▶ i and ii only
  - ▶ iii and iv only
  - ▶ i and iv only

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

By products can be sold in which of the following condition(s).

- ▶ At split off point
- ▶ After further processing
- ▶ Both at split off point and after further processing
- ▶ None of the given options

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

Which of the given is (are) part of budgeted balance sheet?

- ▶ Assets
- ▶ Liabilities
- ▶ Owner's equity
- ▶ All of the given options

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

If you are currently employed as a cost & management accountant in manufacturing company and you are also thinking over to start your own business. In considering whether or not to start your own business, your current salary level would be:

- ▶ A sunk cost
- ▶ An incremental cost
- ▶ An irrelevant cost
- ▶ An opportunity cost

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

Flexible budget at actual capacity Rs. 73,400 and Actual cost incurred at actual

capacity Rs. 76,500. Identify the Expenditure Variance with the help of given data.

- ▶ Rs. 3,100 Favorable balance
- ▶ **Rs. 3,100 Unfavorable balance**
- ▶ Rs. 149,900 Favorable balance
- ▶ Rs. 149,900 Unfavorable balance

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

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

- ▶ Product cost
- ▶ Period cost
- ▶ **Both product and period cost**
- ▶ Historical cost

**Question No: 2 ( 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: 3 ( Marks: 1 ) - Please choose one**

If, Sales = Rs. 800,000

Markup rate = 25% of cost

What would be the value of Gross profit?

- ▶ Rs. 200,000
- ▶ **Rs. 160,000**
- ▶ Rs. 480,000
- ▶ Rs. 640,000

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

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

▶ Under this method of remuneration a worker is paid on the basis of time taken by him to perform the work

▶ **Under this method of remuneration a worker is paid on the basis of production**

▶ The rate is expressed in terms of certain sum of money for total production

▶ The rate is not expressed in terms of certain sum of money for total production

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

All of the following are terms used to denote Factory Overheads **EXCEPT**:

- ▶ Factory burden
- ▶ Factory expenses
- ▶ Supplementary costs
- ▶ **Conversion costs**

**Question No: 7 ( 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: 8 ( 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: 9 ( 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

**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

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

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

A typical factory overhead cost is:

- ▶ Distribution
- ▶ Internal audit
- ▶ **Compensation of plant manager**
- ▶ Design

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

An average cost is also known as: <http://vustudents.ning.com>

- ▶ Variable cost
- ▶ **Unit cost**
- ▶ Total cost
- ▶ Fixed cost

Question No: 5 ( 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: 6 ( Marks: 1 ) - Please choose one

While calculating the EOQ, number of orders is calculated by:

- ▶ Dividing required unit by ordered quantity
- ▶ Multiplying the required units with ordered quantity
- ▶ Multiplying the ordered quantity with cost per order
- ▶ Multiplying the required units with cost per order

Question No: 7 ( 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: 8 ( Marks: 1 ) - Please choose one

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**

<http://vustudents.ning.com>

Question No: 9 ( 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: 10 ( 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: 11 ( 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: 12 ( Marks: 1 ) - Please choose one

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

<http://vustudents.ning.com>

▶ **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: 13 ( 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**

Question No: 14 ( 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.

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 JP1.

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

Question No: 15 ( 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? <http://vustudents.ning.com>

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

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

All of the following compose cost of goods sold EXCEPT:

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

Question No: 17 ( 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? <http://vustudents.ning.com>

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

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: 20 ( 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: 21 ( Marks: 1 ) - Please choose one

Which of the following is NOT a relevant cost to decision making?

<http://vustudents.ning.com>

- ▶ Opportunity costs
- ▶ Relevant benefits
- ▶ Avoidable costs
- ▶ **Sunk costs**

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

Which of the following statement is NOT true about overhead applied rates?

- ▶ 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

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

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Equivalent units of production:

- ▶ Is a measure of productive activity.
- ▶ Represent work done on units still in process as well as units completed during the period
- ▶ Are used as basis for computing per unit cost in most process cost accounting systems
- ▶ **All of the given options**

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

---

If, Total fixed cost Rs. 2,000, Variable manufacturing cost Rs. 4,000, Variable selling cost Rs. 3,000 and Sales Rs. 10,000 then what is the amount of margin available to recover fixed cost?

- ▶ Rs.6,000
- ▶ Rs.3,000
- ▶ Rs.7,000
- ▶ Rs.8,000

Question No: 25 ( 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: 26 ( Marks: 1 ) <http://vustudents.ning.com> - 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: 27 ( Marks: 1 ) - Please choose one

---

Which of the following is TRUE in case of positive contribution margin?

- ▶ **Profit will occur**
- ▶ Both profit and loss are possible

- ▶ Profit will occur if the fixed expenses are greater than the contribution margin
- ▶ A loss will occur if the contribution margin are greater than the fixed expenses

Question No: 28 ( 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: 29 ( Marks: 1 ) - Please choose one

What would be the attitude of the management in treating Sunk costs in decision making?

- ▶ A periodic investment of cash resources that has been made and should be relevant for decision making
- ▶ **It is a past cost which is not directly relevant in decision making**
- ▶ Management will treat it as variable cost each time in decision making
- ▶ None of the given options <http://vustudents.ning.com>

Question No: 30 ( 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: 31 ( Marks: 1 ) - Please choose one

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

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

Question No: 32 ( 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: 33 ( Marks: 1 ) - Please choose one

Mr. Aslam is running his own personal Financial services business. He has been offered a job for a salary of Rs. 45,000 per month which he does not availed. Rs. 45,000 will be considered as:

- ▶ Sunk Cost
- ▶ **Opportunity cost**
- ▶ Avoidable cost
- ▶ Historical cost

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

After the development of master budget, which of the following ratio ('s) can be used to compare actual performance with budgeted performance?

- ▶ Activity ratio
- ▶ **Capacity ratio**
- ▶ Efficiency ratio
- ▶ All of the given options

Question No: 35 ( 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

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

Which of the given cost does not become the part of cost unit?

- ▶ **Advertising expenses**
- ▶ Direct labor cost
- ▶ Factory overhead cost
- ▶ Cost of raw material

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

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

	Activity level	Budgeted factory overhead
Low	10,000 Hours	Rs. 40,000
High	50,000 Hours	Rs. 80,000

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

- ▶ Rs. 4.00 per hour
- ▶ Rs. 1.60 per hour

- ▶ **Rs. 1.00 per hour**
- ▶ Rs. 2.00 per hour

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

Which of the given cost is NOT required to prepare Cost of Production Report?

- ▶ **Period cost**
- ▶ Material cost
- ▶ Labour cost
- ▶ Factory overhead cost

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

Identify the FOH rate on the basis of machine hour?

Budgeted production overheads	Rs.280,000
actual machine hours	70,000 hours
Actual production overheads	Rs.295,000

- ▶ **Rs. 4.00**
- ▶ Rs. 4.08
- ▶ Rs. 4.210
- ▶ Rs. 4.35

$70000/280000=4$   
<http://vustudents.ning.com>

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

Which of the given will NOT be included for the calculation of equivalent units of material under weighted average costing method?

- ▶ **Opening work in process units**
- ▶ Closing work in process units
- ▶ Unit completed and transferred out
- ▶ None of the given options



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

The basic assumption made in direct costing with respect to fixed costs is that:

- ▶ Fixed cost is a controllable cost
- ▶ Fixed cost is a product cost
- ▶ Fixed cost is an irrelevant cost
- ▶ **Fixed cost is a period cost**

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

ABC Company makes a single product which it sells for Rs. 20 per unit. Fixed costs are Rs. 75,000 per month and product has a profit/volume ratio of 40%. In that period actual sales were Rs. 225,000.

Required: Calculate ABC Company Break Even point in Rs.

- ▶ Rs.187, 500
- ▶ Rs.562, 500
- ▶ Rs. 1,500,000
- ▶ None of the given options

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

The little Rock Company shows Break even sales is Rs. 40, 500 and Budgeted Sales is Rs. 50,000. Identify the Margin of safety ratio?

- ▶ 19%
- ▶ 81%
- ▶ 1.81%
- ▶ Required more data to calculate

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

Income Statement Budget include(s) all of the following EXCEPT:

- ▶ Selling & distribution expenses budget
- ▶ General & administrative expenses budget
- ▶ Financial charges budget
- ▶ **Cash budget**

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

Deficit budget can be compensated through:

- ▶ **Expenses**
- ▶ Borrowings
- ▶ Revenues
- ▶ Investments

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

ABC Company is preparing Cash Budget for its refuse disposal department. Which of the following would NOT included in Cash Budget?

- ▶ Capital cost of a new collection vehicle
- ▶ **Depreciation of the incinerator**
- ▶ Sales salaries paid
- ▶ Material purchased

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

A machine cost Rs. 60,000 five years ago. It is expected that the machine will generate future revenue of 40,000. Alternatively, the machine could be scrapped for Rs. 35,000. An equivalent machine in the same condition cost 38,000 to buy now.

Required: Identify the realizable value with the help of given data.

- ▶ Rs. 60,000
- ▶ Rs. 40,000
- ▶ Rs. 35,000
- ▶ Rs. 38,000

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

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

- ▶ **Product cost**
- ▶ Period cost
- ▶ Both product and period cost
- ▶ Historical cost

Question No: 2 ( 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: 3 ( Marks: 1 ) - Please choose one

If, Sales = Rs. 800,000

Markup rate = 25% of cost

What would be the value of Gross profit?

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- ▶ **Rs. 160,000**
- ▶ Rs. 480,000

- ▶ Rs. 640,000

Reference:

$$800000 * 25 / 125 = 160000$$

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

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

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

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

All of the following are terms used to denote Factory Overheads **EXCEPT**:

- ▶ Factory burden
- ▶ Factory expenses
- ▶ Supplementary costs
- ▶ Conversion costs

**Question No: 7 ( 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: 8 ( 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: 9 ( 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

Reference:

$$3500 * 15/100 = 525$$

$$3500 - 525 = 2975$$

**Question No: 10 ( 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 scrapped
- ▶ 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: 11 ( 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: 12 ( Marks: 1 ) - Please choose one**

Variable costing is also known as:

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

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

ABC Company reported sales of Rs. 150,000 (20,000 units). Fixed costs amounted to Rs. 20,000 and income for the period was Rs. 90,000. Determine the per-unit variable cost.

- ▶ Rs.1.00
- ▶ Rs.2.00
- ▶ Rs.4.50
- ▶ Rs.5.50

Reference:

$$90000 + 20000 = 110000$$

$$150000 - 110000$$

$$40000$$

$$40000 / 20000$$

$$2$$

**Question No: 14 ( 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

Reference:

$$15 - 9 = 6$$

$$15000/6 = 2500 \text{ units}$$

**Question No: 15 ( 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

Reference:

[http://wps.prenhall.com/ema\\_uk\\_he\\_upchurch\\_costacct\\_1/3/871/223193.cw/index.html](http://wps.prenhall.com/ema_uk_he_upchurch_costacct_1/3/871/223193.cw/index.html)

Question#2

**Question No: 16 ( 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 JP2.

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

Reference:

$$J1 = 4000 \times 11 = 44000/10000 \times 52000 = 22880$$

$$J2 = 3000 \times 10 = 30000/10000 \times 52000 = 15600$$

$$J3 = 1000 \times 26 = 26000/10000 \times 52000 = 13520$$

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

All of the following compose cost of goods sold EXCEPT:

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

**Question No: 18 ( 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: 19 ( 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**

Reference:

$$0.25 * 19 * 5000 = 23750$$

**Question No: 20 ( 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**

Reference:

$$2 \times 12 \times 27000 = 648000$$

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

The payments that a firm collects from its customers are called:

- ▶ Cash disbursements
- ▶ Cash outflows
- ▶ **Cash receipts**
- ▶ Capital expenditures

**Question No: 22 ( 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: 23 ( 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: 24 ( 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**

**Question No: 25 ( 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**

Which of the following product always possess a lower selling price then the main product?

- ▶ By-product
- ▶ Joint product
- ▶ Both By-product and Joint product
- ▶ None of the given options

**Question No: 28 ( 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: 29 ( 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

Reference:

Page 193

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

If revenue is taken at vertical axis on a break even chart then which of the following will be taken at horizontal level?

- ▶ Cost
- ▶ Production
- ▶ Net income
- ▶ sales

**Question No: 31 ( 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

Reference:

Page 202

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



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Which of the following is NOT a requirement of the general principles of budgeting?

- ▶ Responsibility for forecasting costs must be clearly defined
- ▶ Changes are not made just because of more favorable results are expected
- ▶ Accountability for actual results must be enforced
- ▶ Goals must be realistic and possible to attain

Maryam

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**Question No: 33 ( 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

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

The gross profit for the company amounts to Rs. 85,000. The selling and administration expenses are Rs. 35,000 and Rs. 20,000 respectively. The financial charges are Rs. 9,500. What would be the Profit before tax of a company?

- ▶ Rs. 35,000
- ▶ Rs. 30,000
- ▶ Rs. 20,500
- ▶ Rs. 50,000

Reference:

$$85000 - 35000 - 20000 - 9500 = 20500$$

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

Which of the following would **NOT** lead to an increase in net cash flow?

- ▶ Larger sales volume
- ▶ Higher selling price
- ▶ Reduced material cost
- ▶ Charging of lower depreciation

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

Which of the following is used in decision making?

- ▶ Contribution margin approach
- ▶ Differential cost approach
- ▶ Fixed cost approach
- ▶ Both Contribution margin and Differential cost approach

Maryam

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**Question No: 37 ( 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

I am Maryam :-)

Inventory ordering cost is also known as:

- ▶ Procurement cost
- ▶ Inventory carrying cost
- ▶ Prime cost
- ▶ Conversion cost

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

In which of the situation spending variance will give unfavorable result?

- ▶ Actual factory overhead is less than absorbed factory overhead
- ▶ Actual factory overhead is greater than absorbed factory overhead
- ▶ Budgeted factory overhead for actual volume is less than actual factory overhead
- ▶ Absorbed factory overhead less than budgeted factory overhead for actual volume

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

The net profit or net loss for a particular time period is calculated in which of the given statement?

- ▶ Cost of goods manufactured statement
- ▶ Bank reconciliation statement
- ▶ Income statement
- ▶ Bank statement

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

Factory overheads can be absorbed by which of the following methods?

- i. Direct labours hours
  - ii. Machine hours
  - iii. As a percentage of prime cost
  - iv. Rs. \* Per unit
- ▶ i,ii iii and iv
  - ▶ i and ii only
  - ▶ iii and iv only
  - ▶ i and iv only

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

By products can be sold in which of the following condition(s).

- ▶ At split off point
- ▶ After further processing
- ▶ Both at split off point and after further processing

- ▶ None of the given options

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

Which of the given is (are) part of budgeted balance sheet?

- ▶ Assets
- ▶ Liabilities
- ▶ Owner's equity
- ▶ All of the given options

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

If you are currently employed as a cost & management accountant in manufacturing company and you are also thinking over to start your own business. In considering whether or not to start your own business, your current salary level would be:

- ▶ A sunk cost
- ▶ An incremental cost
- ▶ An irrelevant cost
- ▶ An opportunity cost

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

Flexible budget at actual capacity Rs. 73,400 and Actual cost incurred at actual capacity Rs. 76,500. Identify the Expenditure Variance with the help of given data.

- ▶ Rs. 3,100 Favorable balance
- ▶ Rs. 3,100 Unfavorable balance
- ▶ Rs. 149,900 Favorable balance
- ▶ Rs. 149,900 Unfavorable balance

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

The following monthly data are available for the XYZ, Inc. Unit sales price Rs. 36 Unit variable expenses Rs. 28 Total fixed expenses Rs. 50,000 Actual sales for the month of May Rs. 262,000 and break even sales Rs. 225,000.

**Required:** Identify the margin of safety.

- ▶ Rs. 37,000
- ▶ Rs. 27,000
- ▶ Rs. 25,000
- ▶ Rs. 62,000

Reference:

MOS = Budgeted or Actual sales – Break even sales

MOS = 262000 – 225000

MOS = 37000

**Question No: 48 ( 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 (30% complete as to conversion) in beginning inventory and 26,000 gallons (20% complete as to conversion) in ending inventory.

**Required:** How many gallons were completed in this period?

- ▶ 54,000 units
- ▶ 66,000 units
- ▶ 42,000 units
- ▶ 48,000 units

Reference:

Started and completed units = transfer - work in process opening

Started and completed units = 92000 - 38000

Started and completed units = 54000

**Question No: 1 ( 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

Reference:

$30500 \times 2 = 61000 + 6000 - 4000 = 63000 \times 12 = 756000$

**Question No: 2 ( 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: 3 ( 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

**Question No: 4 ( 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: 5 ( 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: 6 ( Marks: 1 ) - Please choose one**

Which of the following constitutes the basis on which joint costs are more frequently allocated?

- ▶ Physical volume of output
- ▶ Conversion costs
- ▶ Prime costs
- ▶ Market value

**Question No: 7 ( 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: 8 ( Marks: 1 ) - Please choose one**

When production is less than sales, which of the following is **TRUE**?

- ▶ No change occurs to inventories for either 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
- ▶ None of the given options

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

Company A's fixed costs were Rs. 42,000, its variable costs were Rs. 24,000 and its sales were Rs. 80,000 (8,000 units). What is the company's break-even point in units?

- ▶ 1,400 units
- ▶ 5,000 units
- ▶ 6,000 units

- ▶ 7,000 units

Reference:

$$80000 - 24000 = 56000$$

$$56000 / 8000 = 7$$

Break even sales = FM / CM per Unit

$$\text{Break even sales} = 42000 / 7$$

Break Even sales = 6000 units

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

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?

- ▶ Rs. 1,000,000
- ▶ Rs. 2,000,000
- ▶ Rs. 2,500,000
- ▶ Rs. 5,000,000

Reference:

$$\text{CM in ratio} = \text{CM} / \text{Sales}$$

$$\text{CM} = 2500 - 1500$$

$$\text{CM} = 1000$$

$$\text{CM in ratio} = 1000 / 2500$$

$$\text{CM in ratio} = 0.4$$

$$\text{Break even in sales} = \text{Fixed} / \text{CM in ratio}$$

$$1000000 / 0.4$$

$$2500000$$

**Question No: 11 ( 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: 12 ( Marks: 1 ) - Please choose one**

A plan expressed in financial terms may be known as a:

- ▶ Budget
- ▶ Final account
- ▶ Forecast
- ▶ Balanced scorecard

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

Which of the following is true for the direct labor cost budget?

- ▶ It is prepared from the sales budget
- ▶ It is prepared from the production 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

**Question No: 14 ( 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: 15 ( 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: 16 ( 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: 17 ( 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

Reference:

[http://highered.mcgraw-hill.com/sites/0073526703/student\\_view0/chapter13/multiple\\_choice\\_quiz.html](http://highered.mcgraw-hill.com/sites/0073526703/student_view0/chapter13/multiple_choice_quiz.html)

Question#4

**Question No: 18 ( 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: 19 ( Marks: 1 ) - Please choose one**

Which of the following costs are always relevant in decision-making

- ▶ Avoidable costs
- ▶ Fixed costs
- ▶ Sunk costs
- ▶ None of the given options

Reference:

[http://highereducation.mcgraw-hill.com/sites/0073526703/student\\_view0/chapter13/multiple\\_choice\\_quiz.html](http://highereducation.mcgraw-hill.com/sites/0073526703/student_view0/chapter13/multiple_choice_quiz.html)  
Question#3

**Question No: 20 ( 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: 21 ( 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: 22 ( Marks: 1 ) - Please choose one**

If units started in process are 25,000, units still in process are 5,000 and degree of completion is 100% materials & 40% conversion cost. Which of the following is Equivalent Production quantity of material?

- ▶ 30,000 units
- ▶ 25,000 units
- ▶ 22,000 units
- ▶ 15,000 units

Reference:

$5000 \times 40 / 100 = 2000$   
 $20000 + 2000 = 22000$

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

Which of the following method is most commonly used for dealing with beginning work in process inventory units while preparing the Cost of Production Report?

- ▶ FIFO Method (Not sure)
- ▶ Cash Accounting Method
- ▶ Accrual Accounting Method



- ▶ LIFO Method

**Question No: 24 ( 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

Reference:

Profit to sales ration / contribution to sales ratio \* 100

$17/35 * 100$

$0.4857 * 100$

48.57

**Question No: 25 ( 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: 26 ( Marks: 1 ) - Please choose one**

What kind of decision is made by management when there will be surplus cash in hand for a certain period?

- ▶ Investment decision
- ▶ Financing decision
- ▶ Operational decision
- ▶ Funding decision

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

Mr. Aslam is running his own personal Financial services business. He has been offered a job for a salary of Rs. 45,000 per month which he does not availed. Rs. 45,000 will be considered as:

- ▶ Sunk Cost
- ▶ Opportunity cost
- ▶ Avoidable cost
- ▶ Historical cost

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

Which of the following ratio is obtained by dividing Flexible budget at actual capacity to Original budget at normal capacity?

- ▶ Activity ratio
- ▶ Capacity ratio

- ▶ Profitability ratio
- ▶ Efficiency ratio

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

Which of the following is used in decision making?

- ▶ Contribution margin approach
- ▶ Differential cost approach
- ▶ Fixed cost approach
- ▶ Both Contribution margin and Differential cost approach

**Question No: 30 ( 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 cost of goods manufactured?

- ▶ Rs. 200,000
- ▶ Rs. 210,000
- ▶ Rs. 220,000
- ▶ Rs. 240,000

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

Periodic inventory system is also known as:

- ▶ Physical system
- ▶ Perpetual inventory system
- ▶ Continuous inventory system
- ▶ None of the given options

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

Cost of material consumed under FIFO costing method is Rs. 5,000. Direct labor cost was Rs. 3,000 and Factory overhead was 150% of direct labor. 800 units sold @ Rs. 30 and per unit cost was @ Rs25.

**Required:** Calculate Profit with the help of given information.

- ▶ Rs. 4,000
- ▶ Rs. 3,000
- ▶ Rs. 5,000
- ▶ Rs 4,500

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

The annual demand for a stock item is 2,500 units. The cost of placing an order is Rs. 80 and the cost holding an item in stock is for one year is Rs. 15.

**Required:** What is the EOQ?

- ▶ 163 units
- ▶ 1250 units
- ▶ 5,000 units
- ▶ 160 units

Reference:

$$2 \times 2500 \times 80 = 400000$$

$$400000 / 15 = 26666$$

$$\text{Take under root of } 26666 = 163$$

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

In cost accounting, Avoidable loss is charged to which of the following?

- ▶ Factory over head control account
- ▶ Work in process control account
- ▶ Marketing overhead control account
- ▶ Administration overhead control account

**Question No: 35 ( 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

Reference:

$$90000 = x + 96000 - 180000$$

$$90000 = x + 78000$$

$$x = 90000 - 78000$$

$$x = 12000$$

now,

$$= 12000 + 18000 / 2 = 15000$$

$$\text{Inventory turnover ratio} = 90000 / 15000 = 6$$

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

Consider the following data:

Normal wages	Rs.600
--------------	--------

Overtime Payment	Rs.11,00
Total shift allowance	Rs. 100
Over time premium	?

- ▶ Rs. 500
- ▶ Rs. 600
- ▶ Rs. 700
- ▶ Rs. 1200

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

Calculate predetermined factory overhead absorption rates with the help of given data.

Items	Budgeted figure	Actual Figures
Factory overhead (Rs)	1,200,000	----
Machine hours	200,000	28,000

- ▶ Rs. 43.00
- ▶ Rs. 0.20
- ▶ Rs. 6.00
- ▶ Rs. 14

Reference:

$$1200000/20000 = 6$$

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

In which of the situation spending variance will give favorable result?

- ▶ Actual factory overhead is less than absorbed factory overhead
- ▶ Actual factory overhead is greater than absorbed factory overhead
- ▶ Budgeted factory overhead for actual volume is greater than actual factory overhead
- ▶ Absorbed factory overhead less than budgeted factory overhead for actual volume

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

If Budgeted FOH for actual volume is 740,000 and Actual factory overhead is Rs. 710,000 then difference of both will be:

- ▶ Volume variance of Rs. 30,000
- ▶ Spending variance of Rs. 30,000
- ▶ Overhead variance of Rs. 30,000
- ▶ Idle capacity variance of Rs. 30,000

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

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

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

- ▶ 3,300 units
- ▶ 4,000 units
- ▶ 4,200 units
- ▶ 4,500 units

Reference:

$$4000 - 500 - 200 = 3300$$

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

Revenue from sales of the by-products can be listed on income statement as:

- ▶ A deduction from the cost of goods of the main product
- ▶ All of the given options
- ▶ Other income
- ▶ Additional sales revenue

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

Which of the given is (are) product costing approaches/techniques?

- ▶ Marginal costing
- ▶ Marginal and absorption costing
- ▶ Job order costing
- ▶ Process costing

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

Income Statement Budget include(s) all of the following EXCEPT:

- ▶ Selling & distribution expenses budget
- ▶ General & administrative expenses budget
- ▶ Financial charges budget
- ▶ Cash budget

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

---

Which of the given rate is used in production cost budget?

- ▶ Predetermined rate
- ▶ Variable rate
- ▶ Fixed overhead rate
- ▶ Blanket rate

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

Which of the given functional budget is **NOT** required to calculate budgeted income statement?

- ▶ Cash budget
- ▶ Cost of goods sold budget
- ▶ Sales budget
- ▶ Selling & administrative expense budget

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

A cost that will not be incurred if an activity is suspended is called as:

- ▶ Avoidable cost
- ▶ Sunk cost
- ▶ Historical cost
- ▶ Opportunity cost

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

With reference to decision making, a business which has entered a binding contract to spend money in future, this incurred cost will be considered as which of the following?

- ▶ Historic cost
- ▶ Committed cost
- ▶ Binding cost
- ▶ Sunk cost

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

Flexible budget at actual capacity Rs. 73,400 and Actual cost incurred at actual capacity Rs. 76,500. Identify the Expenditure Variance with the help of given data.

- ▶ Rs. 3,100 Favorable balance
- ▶ Rs. 3,100 Unfavorable balance
- ▶ Rs. 149,900 Favorable balance
- ▶ Rs. 149,900 Unfavorable balance

**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

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**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

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**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

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**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?

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- ▶ **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?

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▶ **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

Maryam :-)

**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

Syed Arslan Hussain Shah

**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**

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:

- ▶ **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**

(Rs.)	Materials Costs (Rs.)	Conversion Costs
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 correct
- ▶ 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: 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**

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

**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: 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: 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 becomes 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?

1. Sales price = Rs. 100 per unit
  2. Variable cost = Rs. 25 per unit
  3. Fixed cost = Rs. 50 per unit
- ▶ 25%



▶ **33.333%**

▶ 66.666%

▶ 75%

**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

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



**: 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 <sup>st</sup> 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

Maryam

**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:

- ▶ **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\*4=200000**

**=50000\*7.4=370000**

**370000+200000=570000**

or **50k units \* (4 material cost + 7.40 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

$\text{sales-cogs} = \text{gross profit}$

**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 ( UNIT COST \* CARRYING COST %)**
- ▶ %age of ordering cost
- ▶ %age of annual required units
- ▶ Total unit cost

**EOQ : WHEN CARRYING 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