T.Y.B.COM Semester VI Question Bank

Subject: Cost Accounting

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Marginal costing	20
Standard costing	20
Contract costing	20
Process costing	20
Cost control and some emerging trends in cost accounting	20
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Topic: Marginal costing

Q1 Margin of safety referred to as ______

A Excess of sales over break even sales
B Excess of sales over variable cost
C Excess of sales over budgeted sales
D Excess of sales over fixed cost
Answer Excess of sales over break even sales

Q2 If sales are Rs 500,000 , variable cost are Rs. 200,000 and fixed cost are Rs. 240,000 the p/v ratio will be

A 60%
B 40%
C 20%
D 45%
Answer 60%

Q 3 Contribution is equal to ______

A Fixed cost + variable cost
B Sales – fixed cost

C	Sales – variable cost
D	Fixed cost – profit
**Answer	Sales – variable cost**

Q4 Sales are 1000 units @Rs. 100 p.u. variable cost Rs. 60,000 fixed cost Rs. 28,000. The break- even point in units will be _______
A	500 units
B	700 units
C	1000 units
D	1200 units
**Answer	700 units**

Q5 Fixed cost are Rs. 21000, variable cost Rs. 2p.u. selling price Rs. 5 p.u. profit Rs. 30,000 then margin of safety will be __________
A	Rs. 60,000
B	Rs. 50,000
C	Rs. 30,000
D	Rs. 45,000
**Answer	Rs. 50,000**

Q6 Break even sales 30% of actual sales, Actual sales is Rs. 20,000 margin of safety. ____
A	Rs. 10,000
B	Rs. 14,000
C	Rs. 9,000
D	Rs. 4,500
**Answer	Rs 14,000**

Q 7 If selling price is Rs 10 per unit, Variable cost Rs. 5 per unit and fixed cost is Rs 25000 then what will be the break even point
A	Rs 50,000
B	Rs 100,000
C	Rs 25,000
D	Rs 30,000
**Answer	Rs 50,000**

Q8 Fixed cost per unit decreases when __________

A Production volume increases

B Production volume decreases

C Variable cost per unit decreases

D Prime cost per unit decreases

Answer Production volume increases

Q9 Break even analysis may be described as

A Comparison between sales and cost

B Comparison between production and sales

C Comparison between fixed cost and variable cost

D Comparison to make out capacity utilization

Answer Comparison between sales and cost

Q10 p/v ratio is ______

A Profit / volume

B Contribution /sales

C Profit / contribution

D Profit / sales

Answer Contribution/ sales

Q11 To obtain break -even point in Rupees, total fixed cost is divided by ___

A Variable cost p.u.

B Fixed cost p.u.

C Contribution p.u.

D p/v ratio

Answer p/v ratio

Q12 A decrease of sale price ___________

A Does not affect the break-even point

B Lowers the net profit

C Increases the break-even point

D Lowers the break- even point

Answer Increases the break-even point

Q 13 Fixed cost Rs. 4,000 BEP Rs. 10,000 p/v ratio is _________

A 30%

B 45%

C 40%

D 25%

Answer 25%

Q14 Under marginal costing , marginal cost is equal to

A Fixed cost + Variable cost

B Prime cost + variable cost

C Direct material + Direct labour + direct expenses

D Total cost

Answer Direct material + Direct labour + direct expenses

Q1 5 If selling price is Rs. 25 and variable cost is Rs 20, then what will be the p/v ratio?

A 20%

B 25%

C 30%

D 50%

Answer 20%

Q 16 When sales increases then break-even point

A Increases

B Decreases

C Remain constant

D Increases rapidly

Answer Remain constant

Q17 Fixed cost per unit decreases when __________

A Production volume increases

B Production volume decreases

C Variable cost per unit decreases
D Prime cost per unit decreases
Answer Production volume increases

Q 18 If selling price is Rs. 50 and variable cost is Rs 20, then what will be the p/v ratio?
A 60%
B 25%
C 30%
D 50%
Answer 60%

Q 19 Fixed cost Rs. 40,000 BEP Rs. 160,000 p/v ratio is _________
A 30%
B 45%
C 40%
D 25%
Answer 25%

Q 20 If Actual sales is Rs 250,000 and break even sales is Rs 100,000 then margin of safety is _________
A Rs 150,000
B Rs 140,000
C Rs 160,000
D Rs 350,000
Answer Rs 150,000

Topic : Standard costing

Q1 Ideal time variances is always
A Favourable
B Unfavourable

C Controllable
D avoidable
Answer Unfavourable

Q2 Standard cost is decided
A Scientifically
B Unscientifically
C Accurately
D Flexibility
Answer Scientifically

Q 3 Material cost variance is equal to
A MPV + MUV
B MUV + MYV
C MYV +MPV
D MPV+ MUV+MYV
Answer MPV +MUV

Q4 Standard Hours 40 @ Rs. 3 per hour, Actual hours 50 @ Rs. 4 per hour then what will be the labour cost
A 80[A]
B 80[F]
C 180[F]
D 180[A]
Answer 80[A]

Q 5 Standard cost Material 5000 Kg@ Rs 40 per kg
Actual material 4900 kgs @Rs. 42 per kg
What will be the material price variances
A 9800[A]
B 9000 [A]
C 9800[F]
D 10000 [A]
Answer 9800[A]

Q 6 Standard cost Material 5000 Kg@ Rs 40 per kg

Actual material 4900 kgs @Rs. 42 per kg
What will be the material Usage variances

A 4000 [F]
B 4000 [A]
C 4200[F]
D 4200 [A]
Answer 4000 [F]

Q7 Labour cost variances is a difference between

A Std. labour cost and actual labour cost
B Std. labour rate- actual labour rate
C Std. labour hrs- actual labour hrs.
D Std. labour cost- budgeted labour cost
Answer Std. labour cost and actual labour cost

Q8 Difference between standard cost and actual cost is called as

A Variances
B Profit
C Loss
D Wastage
Answer Variances

Q 9 Material cost variance is non controllable when it arises due to

A Change in quantity
B Change in wastage
C Change in tax rate
D None of the above
Answer Change in tax rate

Q10 Standard per 10 units
material 60 kgs @ Rs. 4 per kg
Actual production for the month 12500 units
Actual material used 78000 kgs @ Rs. 4.50 per kg

What will be the material cost variance

A 51000[A]

B 51000[F]

C 52000 [A]

D 54000 [F]

Answer 51000[A]

Q11 Standard Hours 40 @ Rs. 3 per hour, Actual hours 50 @ Rs. 4 per hour then what will be the labour cost

A 80[A]

B 80[F]

C 180[F]

D 180[A]

Answer 80[A]

Q12 Which of the following is the purpose of standard costing?

A To determine the profit at different level

B To determine break even production level

C To control cost

D To allocate cost with more accurate

Answer To control cost

Q 13 The cost of product as determined under standard cost system is

A Fixed cost

B Direct cost

C Historical cost

D Predetermined cost

Answer Predetermined cost

Q14 Which of the following is the purpose of standard costing?

A To determine the profit at different level

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Answer To control cost

Q 15 Which of the following is not the cause of labour rate variance?

A Change in basic wage rate

B Payment of day rates although the standards specify piece rate

C Labour operations are more or less efficient that standard performance

D Payment of guaranteed day rates to workers who are unable to earn their normal wages

Answer Labour operations are more or less efficient that standard performance

Q 16 The standard material cost for 100 kgs of Chemical 'D' is made of Material30 kgs @ Rs. 4 per kg.

In a batch 500kg of Chemical 'D' were produced with

Material 140kg at a cost of Rs 588.

Then find out material cost variance.

A 2.40[F]

B 25 [F]

C 3.90 [F]

D 2.40[A]

Answer 2.40[F]

Q17 Standard Hours 80 @ Rs. 3 per hour, Actual hours 100 @ Rs. 4 per hour then what will be the labour rate variance?

A 100[A]

B 100[F]

C 1600[A]

D 1600 [F]

Answer 100 [A]

Q 18 Material usage standard is decided by

A	Production department
B	Purchase department
C	Sales department
D	Costing department
Answer	**Production department**

Q19 Material price standard is set by

A	Production department
B	Purchase department
C	Sales department
D	Costing department
Answer	**Purchase department**

Q20 Labour rate standard is decided by

A	HR department
B	Sales department
C	Purchase department
D	Production department
Answer	**HR department**

Topic : Contract costing

1) Contract price is Rs. 6,00,000. Work certified is 80% of contract price. Cash received is 75% of work certified. If Notional profit is Rs. 90,000, profit to be credited to Profit and Loss Account will be------ a) 45,000
   b) 35,000
   c) 50,000
   d) 40,000

   (Answer 45,000)

2) Value of work certified Rs. 2,50,000 cost of work certified is Rs. 1,00,000, Notional Profit is Rs. -----
   a)1,00,000
   b) 75,000
   c) 1,50,000
   d) 1,75,000

(Answer 1,50,000)

3) Work done but not certified is called -----------

a) Contract price

b) work uncertified

c) work certified

d) Retention money

(Answer work uncertified)

4) Work certified is valued in terms of -------------

a) Contract price

b) cash received

c) Retention money

d) degree

(Answer Contract price)

5) In contract costing payment of cash to the contractor is made on the basis of -----------

a) Work uncertified

b) Work certified

c) Work in progress

d) Retention money

(Answer Work certified)

6) Which one of the following is not a Contract Cost ----------

a) Direct wages

b)Depreciation on plant

c) Sub contractor's fees

d)Architect's certificates

(Answer Architect's certificates)

7) -------- is the person from whom the contract job is undertaken.

a)Contractor

b) Contractee
c)Subcontractor
d)Job worker
(**AnswerContractee**)

8) The entire contract is complete. The transfer to P & L A/c will be -----------
a) 1/3 rd of Notional profits
b) NIL
c) 2/3 rd of Notional profit
d) Entire profit
(Answer Entire profit)

9) Retention Money is equal to ----------
a) Work certified Less Work uncertified
a) Contract price less work certified
c) Work certified less payment received by contractor
d) cash received
(Answer: Work certified less payment received by contractor)

10) Cost of rectification of defective work is -----------------
a) Debited to Profit and Loss Account
b) Ignored from Contract Account
c) Credited to Contract Account
d) Debited to Contract Account
(Answer : Debited to Contract Account)

11) In Contract Costing ,loss of material by fire is debited to -------------
a) Costing P&L Account
b) Financial P&L Account
c) Contract account
d) Contractee's Account
(Answer : Costing P&L Account)

12) When a contract work is completed to the extent of 20%of the contract price,

Profit to be credited to Profit and Loss Account is ------------------

a) Nil
b) Full Amount
c) 1/3 rd profit
d) 2/3 rd profit

(Answer : Nil)

13) Work done but uncertified is to be valued at --------------

a) Contract price
b) Market price
c) Material price
d) Cost price

(Answer : Cost price)

14) Notional profit is ----------------

a) Difference between value of work certified and cost of work certified
b) Profit of contract
c) Difference between cash received and work certified
d) Difference between retention money and cash received

(Answer : Difference between value of work certified and cost of work certified)

15) Amount transferred to Profit and Loss Account out of Notional Profit when contract is 50% to 90% complete -------

a) 2/3 x Notional Profit x Cash Received/Work Certified
b) 2/3 x Notional Profit x Work Certified / Cash certified
c) 2/3 x Notional Profit x cash received /Retention money
d) 2/3 x Notional Profit x Work certified / Retention money

(Answer : 2/3 x Notional Profit x Cash Received/Work Certified)

16) Contract costing is a variant of ---------------- costing.

a) Job
b) Process

c) Unit
d) Batch

(Answer : Job)

17) -------------- is the person who undertakes the contract

a) Contractor
b) Contractee
c) Sub contractor
d) Job worker

(Answer : Contractor)

18) Contract costing is a ------------ of costing to find out the cost of each contract.

a) Technique
b) Method
c) Unit
d) Batch

(Answer : Method)

19) Contract price is Rs. 10,00,000. Work certified is 75% of contract price. Cash received is 80% of work certified. If Notional profit is Rs. 1,20,000 profit to be credited to Profit and Loss Account will be Rs.------

a) 56,000
b) 80,000
c) 64,000
d) 32,000

(Answer 64,000)

20) Cash received is Rs. 4,80,000 being 80% of work certified. Work certified is 60% of contract price.

The contract price will be --------------

a) 10,00,000
b) 6,00,000
c) 9,00,000
d) 15,00,000

(Answer :10,00,000)

Topic : process costing

1)If the input is 8,400 units normal loss is 15% and output 7,500 units the abnormal gain is ------ units.

a) 700
b) 300
c) 360
d) 400
(Answer :360)

2) Actual output is 25,000 units normal loss is 3000 units, abnormal loss is 2000 units the input is ------

a) 20,000 units
b) 15,000 units
c) 30,000 units
d) 18,000 units
(Answer :30000 units)

3) The product which has a lower sale value than the main product is a -----------

a) Economic product
b) Consumer product
c) By product
d) Join product
(Answer : By product)

4) Abnormal loss units are equal to

a) Output Units
b) Input units – Normal loss units
c) Input units – (Normal loss and output units)
d) Input units
(Answer : Input units – (Normal loss and output units)

5) Abnormal gain arises if

a) Output Quantity is more than input quantity

b) There is reduction in normal loss
c) Abnormal loss is avoided
d) Input quantity is equal to output quantity
(Answer : There is reduction in normal loss)

6) Abnormal gain is equal to ---------
a) Actual output –Normal output
b) Normal output – Actual output
c) Actual output- Input
d) Input-Actual output
(Answer : Actual output –Normal output)

7) Which of the following does not use process costing ?---------
a) Oil refining
b) Sugar industry
c) Chemical industry
d) Air craft manufacturing
(Answer : Air craft manufacturing)

8) Process cost is based on the concept of ----------------
a) Average cost
b) Marginal cost
c) Standard cost
d) Differential cost
(Answer : Average cost)

9) In process costing each producing department is a ----------
a) Cost unit
b) Cost centre
c) Investment centre
d) Sales centre
(Answer: Cost centre)

10) Input in a process is 8,000 units and normal loss is 20 %. The output of the process is 6500 units .there is -------------
a) Abnormal loss of 100 units
b) Abnormal gain of 100 units

c) Neither abnormal loss nor gain
d) Abnormal gain is 50 units
(Answer : Abnormal gain of 100 units)

11) Normal Loss is equal to -------
a) Normal Output –Actual Output
b) Actual Output - Normal Output
c) Input x % of Normal Loss
d) Normal Output x % Normal Loss
(Answer : Input x % of Normal Loss)

12) ---------- has no sale value.
a) Wastage
b) Scrap
c) Material
d) Defective Units
(Answer : Wastage)

13) 12,000 kg of a material were input to a process in a period. The normal loss is 10% of input. Output was 10500 Kg. The abnormal loss /gain was---------------
a)Abnormal Loss 300 units
b) Abnormal gain 300units
c) Neither Abnormal loss nor Abnormal gain
d) Abnormal loss 10800 units
(Answer : Abnormal Loss 300 units)

14) Wastage of raw material during a manufacturing process is 20% of input quantity. What input quantity of raw material is required per Kg of output ?
a) 0.8 kg
b) 1.2 kg
c)1.25 kg
d) 1.33 kg
(Answer : 1.25 kg)

15) Actual output is 45,000 units, Normal loss is 5000 units, Abnormal gain is 3000 units, the input is ---------
a) 42,000 units

b) 47,000 units
c) 40,000 units
d)37,000 units
(Answer : 47,000 units)

16) Realizable value of Normal Loss is credited to ------------
a) Process Account.
b) Costing Profit and Loss Account
c) Sales Account.
d) Abnormal loss Account.
(Answer Process Account)

17) --------- is inevitable loss.
a) Abnormal loss
b) Normal Loss
c) Abnormal gain
d) Financial loss
(Answer : Normal Loss)

18) In Process costing ---------- affects the cost per unit of output.
a) Abnormal loss
b) Normal Loss
c) Abnormal gain
d) Sales
(Answer : Normal Loss)

19) Abnormal loss in the process is valued at ----------
a) Scrap value
b) Sale value
c) Cost of each process
d) Realizable value
(Answer : Cost of each process)

20) Process costing is applicable to -----------
a) Repair work
b) Paper industry
c) Transport Company

d) Construction industry
(Answer : Paper industry)

Topic-some emerging trends in cost accounting

Q1 ABC is a _________

A Method of costing
B Techniques of costing
C Method of costing
D features of costing
Answer Method of costing

Q2 The activity which generates the cost is a ________

A Cost driver
B Cost unit
C Cost center
D Cost pool
Answer Cost driver

Q 3 ABC stands for _________

A Activity based costing
B Asset base costing
C Average base costing
D ABC ANALYSIS
Answer Activity based costing

Q4 The transaction which influence the cost are

A Cost driver
B Input
C Output
D Revenue
Answer Cost driver

Q5 Documentation activity has a cost driver

A No. of bookings
B No. of proposals

C No. of spare parts
D No. of loose tools
Answer No. of bookings

Q6 Target costing = selling price -
A Cost
B Revenue
C Profit margin
D Expenses
Answer Profit margin

Q7 Target costing is _________
A Technique of costing
B Method of costing
C System of costing
D Element of costing
Answer Techniques of costing

Q 8 Target costing is originally promoted in _________
A America
B Japan
C India
D Africa
Answer Japan

Q9 The most important element of cost in manufacturing industries is _______
A Material
B Labour
C Direct cost
D Indirect cost
Answer material

Q10 ABC ANALYSIS is used in _________
A CPM
B PERT

C Inventory control

D HR management

Answer Inventory control

Topic: Cost control accounts

Q1 Under non- integrated system

A Cost accounts and financial accounts are maintain separately

B Cost account and financial accounts are maintain together

C Cost account and management accounts are maintain separately

D Cost and management accounts maintain together

Answer Cost accounts and financial accounts are maintain separately

Q2 Cost ledger contains

A All personal accounts

B All impersonal accounts

c All nominal accounts

D All real accounts

Answer All impersonal accounts

Q 3 Wages control A/C is debited by

A Direct wages only

B Indirect wages only

C Salaries only

D Direct &Indirect wages

Answer Direct &Indirect wages

Q4 Factory overhead control A/C does not record

A Debited by indirect material

B Debited by indirect wages

C Debited by indirect expanses

D Direct material

Answer **Direct material**

Q5 Abnormal loss is

A Debited to costing P&L A/C & credited to store ledger control A/C

B Debited to financial P&L A/C only

C Credited to WIP Control A/C only

D credited to financial P&L A/C only

Answer **Debited to costing P&L A/C & credited to store ledger control A/C**

Q6 WIP Ledger balance shows

A Cost of finished works

B Cost of unfinished works

C Cost of material

D Sale price of finished works

Answer **Cost of unfinished works**

Q7 Cost ledger does not contains

A Stores ledger control accounts

B Wages control accounts

C Factory overhead control accounts

D Financial profit and loss accounts

Answer **Financial profit and loss accounts**

Q 8 Issue of material is credited to

A Stores ledger accounts

B Overheads control accounts

C WIP control accounts

D Costing P&L accounts

Answer **Stores ledger accounts**

Q9 The balance of costing P&L A/C is

A Net profit or net loss as per cost accounts

B Net profit as per financial accounts

C Net loss as per financial accounts

D Net profit as per management accounts

Answer Net profit or net loss as per cost accounts

Q10 The balance of finished goods ledger control accounts represents

A Cost of goods remaining unsold

B Cost of goods sold out

C Cost of WIP

D Cost of raw material

Answer Cost of goods remaining unsold