

## MCQ SAMPLE QUESTIONS (2019-2020)

### Cost Accounting (SEM VI)

- 1) Materials Requisition Note
  - a) authorises and records the issue of materials for use
  - b) records the return of unused materials
  - c) records the transfer of materials from one store to another
  - d) a classified record of materials, issues, returns and transfers
- 2) A document which is a classified record of material issues, returns and transfers
  - a) Materials Requisition Note
  - b) Materials Return Note
  - c) Materials Transfer Note
  - d) Materials Issue Analysis Sheet
- 3) This is debited with all purchases or materials for ne stores and credited with all issues of materials
  - a) General Ledger Adjustment Account
  - b) Stores Ledger Control Account
  - c) Work-in-Progress Ledger
  - d) Finished Goods Control Account
- 4) T Company completed two jobs whose costs total to RS 1,20,000. Which one of the following is one effect of this transaction?
  - a) Manufacturing Overhead increases by RS 1,20,000
  - b) Cost of Goods Sold increases by RS 1,20,000
  - c) Work in Process decreases by RS 1,20,000
  - d) Finished Goods decreaseS by RS 1,20,000
- 5) N Corporation incurred 8,000 indirect labour and 42,000 direct labour . Which one of the following is one effect to recording this transaction?
  - a) Indirect labour increases by RS 8,000
  - b) Work in process increases by RS 50,000
  - c) Manufacturing costs increase by RS 42,000
  - d) Manufacturing overhead increases by RS 8,000
- 6) In May, material requisitions were? 44,000 (Rs 39,000 of these were direct materials), and raw material purchases were R 57,700. The end of month balance in raw materials inventory a/c was Rs 24,300. What was the beginning raw materials inventory ac balance?
  - a) Rs 10,600
  - b) Rs 43,000
  - c) Rs 72,400
  - d) Rs 25,300
- 7) Under which of the following situations is raw materials inventory credited and work in process inventory debited?
  - a) We ship goods to the customer
  - b) Material is transferred to the factory

- c) We transfer goods to the storeroom      d) we purchase goods on account
- 8) The cost of indirect labour used in the factory is recorded as a
- a) Credit to work in process                      **b) debit to manufacturing overhead**
- c) Credit to wages payable                      d) debit to wages expense
- 9) The journal entry to issue Rs 600 of direct materials and 40 of indirect materials involves a debit to
- a) manufacturing overhead for Rs640
- b) work in process for Rs 640
- c) work in process for Rs 600 and a credit to manufacturing overhead for Rs 40
- d) work in process for Rs600 and a debit to manufacturing overhead for Rs 40**
- 10) The journal entry to record Rs300 of depreciation expense on factory equipment involves a
- a) debit to accumulated depreciation for Rs300
- b) debit to manufacturing overhead for Rs300**
- c) debit to depreciation expense for Rs300
- d) credit to manufacturing overhead for Rs300
- 11) Contract costing is a variant of \_\_\_\_\_ Costing.
- a) Job**              b) Process
- c) Unit              d) Batch
- 12) Contract costing usually applicable in
- a) Constructional Works**      b) Textile Mills
- c) Cement Industries              d) Chemical Industries
- 13) Cost of material lost or destroyed
- a) is credited to the Contract Account**
- b) is debited to the Contract Account
- c) is debited to the Costing Profit and Loss Account
- d) is credited to the Costing Profit and Loss Account
- 14) Value of Work Certified Less Profit =
- a) Work-in-progress                      **b) Cost of Work Certified**
- c) Retention Money                      d) Cost of uncertified work
- 15) 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 profits                      **d) Entire profit**
- 16) Value of work certified- 5,00,000  
 Cost of work to date - R 4,00,000  
 Cost of work not yet certified -R 1,00,000  
 Notional Profit is
- a) Rs 1,00,000                      b) Nil
- c) Loss Rs 1,00,000                      d) Rs 2,00,000
- 17) The total profit on a contract for Rs 3,00,000 is Rs 60,000 and the contract is 60% complete and has been certified accordingly. The retention money is 20% of the certified value, then the amount of profit that can be prudently credited to Profit and Loss Account

- a) Rs 60,000      b) Rs 36,000  
**c) Rs 28,800**      d) Rs 48,000
- 18) Contract cost- Rs 2,80,000  
 Contract value - Rs 5,00,000  
 Cash received- Rs 2,70,0000  
 Uncertified work – Rs 30,000  
 Deduction from bills by way of retention money is 10%.  
 How much profit, if any, you would take to the profit and loss account?  
 a) Rs 50,000      b) Rs 33,333  
**c) Rs 30,000**      d) Nil
- 19) Value of work-in-progress is  
 a) Rs 65,000      **b) Rs 41,000**  
 c) Rs 23,000      d) Rs 14,000
- 20) Reserve for contingencies is  
 a) Rs 60,000      **b) Rs 24,000**  
 c) Rs 36,000      d) Rs 1,000
- 21) Which cost accumulation procedure is most applicable in continuous mass-production manufacturing environments?  
 a) Standard      b) Actual  
**c) Process**      c) Job order
- 22) Process Cost is based on the concept of  
**a) Average Cost**      b) Marginal Cost  
 c) Standard Cost      c) Differential Cost
- 23) Abnormal Loss is equal to  
 a) Input - Actual Output      b) Actual Output - Normal Output  
**c) Normal Output - Actual Output**      d) Actual Output – input
- 24) In process costing, each producing department is a  
 a) Cost Unit      **b) Cost Centre**  
 c) Investment centre      d) Sales centre
- 25) When production is below standard specification or quality and cannot be rectified by incurring additional cost, it is called  
 a) Defective      **b) Spoilage**  
 c) Waste      d) Scrap
- 26) 12,000 Kg of a material were input to a process in a period. The normal loss is 10% of input  
 There is no opening or closing work-in-progress. Output in the period was 10,920 Kg. What was the abnormal gain/loss in the period?  
**a) Abnormal gain of 120 Kg**      b) Abnormal loss of 120 kg  
 c) Abnormal gain of 1,080 Kg      d) abnormal loss of 1,080 kg
- 27) Wastage of a 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







– COST ACCOUNTING – SEM – V  
SAMPLE QUESTION BANK 50 MCQ

**Material Costing MCQ**

Q.1 Which of the following inventory valuation methods shows higher profits during the period of rising prices?

- a. FIFO method.
- b. LIFO method.
- c. Weighted average method.
- d. Simple average method.

Q.2 Which of the following systems of inventory valuation computes cost of goods sold as a residual amount?

- a. Weighted Average.
- b. Last-in-First-out.
- c. Periodic Inventory System.
- d. Specific Identification.

Q.3 Annual requirement is 7800 units; consumption per week is 150 units. Unit price ₹ 5, order cost ₹ 10 per order. Carrying cost ₹ 1 per unit and lead time is 3 week, The Economic order quantity would be.

- a. 395 units
- b. 300 units
- c. 250 units
- d. 150 units

Q.4 The term Maximum level represents:

- a. The maximum stock level indicates the maximum quantity of an item of material which can be held in stock at any time.
- b. The maximum stock level indicates the maximum quantity of an item of material which cannot be held in stock at any time.

c. The average stock level indicates the maximum quantity of an item of material which can be held in stock at any time.

d. The available stock level indicates the maximum quantity of an item of material which can be held in stock at any time.

Q.5 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?

- 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 goods sold

Q.6 Under Periodic Inventory system Purchase of inventory is treated as:

- a. Assets
- b. Expense**
- c. Income
- d. Liability

Q.7 Which of the following is NOT an assumption of the basic economic-order quantity model?

- a. Annual demand is known
- b. Ordering cost is known
- c. Carrying cost is known
- d. Quantity discounts are available**

Q.8 In order to ensure efficient functioning of the stores department and steady flow of materials to the production departments, the restocking of stores is duty of:

- a. Managers
- b. Storekeeper**

- c. Production In charge
- d. Sales supervisor

Q. 9 Annual requirement is 7800 units; consumption per week is 150 units. Unit price ₹ 5, order cost ₹ 10 per order. Carrying cost ₹ 1 per unit and lead time is 3 week, The Economic order quantity would be:

- a. 395 units
- b. 300 units
- c. 250 units
- d. 150 units

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

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

### Cost sheet and cost classification MCQ

11. Cost of production – Administration overhead = \_\_\_\_\_

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

12. Wherever part of the manufacturing operation is subcontracted, the subcontractor charges related to material shall be \_\_\_\_\_.

- a) Ignore
- b) Treated as cost of materials
- c) Treated as works overheads
- d) Treated as direct expenses

13. Prime cost is \_\_\_\_\_.

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

14. Which of the following is not a component of prime cost? \_\_\_\_\_

- a) Direct material
- b) Direct labor
- c) Direct expenses

d) **Overhead**

15. Overheads consist of all the following except\_\_\_\_\_.

- a) Indirect materials
- b) factory utilities
- c) **Direct labor**
- d) Indirect labor

16. Recruitment cost \_\_\_\_\_

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

17. Cost of goods manufactured will include opening and closing stock for \_\_\_\_\_.

- a) **raw material and work in progress only**
- b) Work in progress only
- c) Raw material only
- d) Raw material, work in progress and finished goods

18. In the cost sheet, income from sale of empty containers used for dispatch of the goods produced shall be \_\_\_\_\_.

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

19. In the cost sheet, abnormal costs e.g. due to accident shall be \_\_\_\_\_.

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

20. Direct materials + direct labor + direct expenses = \_\_\_\_\_.

- a) Books cost
- b) Cost of production
- c) Cost of sales
- d) **Prime cost**

### **Reconciliation of cost and financial account**

Q21. Financial profit is Rs. 40000 over absorption of overheads Rs 15000 costing profit is \_\_\_\_\_

- (a) **55000**
- (b) 25000
- (c) 30000

(d) 22000

Q22. If overheads recovered in Costing is less than actually incurred. It's called as \_\_\_\_\_.

- (a) Over absorption of Overheads.
- (b) **Under absorption of overheads.**
- (c) Reconciliation.
- (d) All the above.

Q23. Over absorption of overheads in Costing will effect on Profit as per \_\_\_\_\_.

- (a) Less profit in Cost Account.
- (b) More Profit in Financial Account.
- (c) **Less profit in Cost A/c and More profit in Financial A/c**
- (d) More profit in Cost Account.

Q24. Interest on overdraft is \_\_\_\_\_

- (a) Add in net profit as per cost account.
- (b) **Less from net profit as per cost account**
- (c) Ignore
- (d) None of above

Q25. Under absorption of Overheads in Costing will \_\_\_\_\_ show.

- (a) More profit in Cost Account.
- (b) Less profit in Cost Account.
- (c) Less profit in financial account.
- (d) **More profit in Cost A/c and Less profit in Financial A/c**

Q26. Preliminary expenses written of in Financial Account.

- (a) Add in net profit in as per cost account.
- (b) **Less from net profit as per cost account.**
- (c) Only a.
- (d) None of the above.

Q27. Bank interest & Transfer fees (Financial Book).

- (a) **Add in net profit in as per cost account.**
- (b) Less from net profit as per cost account.
- (c) Both a & b.
- (d) None of the above.

Q28. Notional Cost decreases \_\_\_\_\_ profit.

- (a) **Costing.**
- (b) Financial
- (c) Both a & b

(d) None of the above

Q29. Under absorption of overheads \_\_\_\_\_ costing profit.

(a) Decreases

(b) Increases

(c) Constant

(d) None of above

Q30. Balancing figure on debit side of Memorandum Reconciliation Account is known as \_\_\_\_\_.

(a) To profit as per financial account.

(b) To profit as per Cost Account.

(c) To Costing P&L.

(d) None of the above.

### Labour costing

31. Under the high wage plan, a worker is paid

(a) At a time rate higher than the usual rate

(b) According to its efficiency

(c) At a double rate for over time

(d) Normal Wages + Bonus

32. Cost of idle time arising due to non-availability of raw material is

(a) Charge to costing profit and loss a/c

(b) Charge to factory overhead

(c) Recovered by inflating the wage rate

(d) Ignore

33. When over time is required for meeting urgent orders, overtime premium should be

(a) Charge to costing profit and loss a/c

(b) Charge to factory overhead

(c) Charge to respective jobs

(d) Ignore

34. Wage sheet is prepared by

(a) Time keeping department

(b) Personnel department

(c) Payroll department

(d) Cost accounting department

35. Time and motion study is conducted by the

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

36. Labour turnover is caused by \_\_\_\_\_

- (a) Low wages
- (b) Good working condition
- (c) High wages
- (d) Huge incentives

37. Labour turnover is

- (a) Turnover of labour
- (b) Turnover of material
- (c) Stock turnover
- (d) Debtors turnover

38. Labour turnover is

- (a) Productivity of labour
- (b) Efficiency of labour
- (c) Change in labour force
- (d) Total cost of the labour

39. Time study is for

- (a) Measurement of work
- (b) Fixation of standard time
- (c) Ascertainment of actual hours
- (d) Ascertainment of labour cost

40. Idle time is

- (a) Time spent by workers in factory
- (b) Time spent by workers in office
- (c) Time spent by workers off their work
- (d) Time spent by workers on their job

## Overheads

- 41 Director's remuneration and expenses form a part of \_\_\_\_\_
- a. Production Overheads
  - b. Administration Overheads

- c. Selling Overheads
  - d. Distribution Overheads
- 42 Bad debt is an example of \_\_\_\_\_
- a. Production Overheads
  - b. Administration Overheads
  - c. **Selling Overheads**
  - d. Distribution Overheads
- 43 Advertisement expenses allocated on the basis of \_\_\_\_\_ ratio.
- a. Purchases
  - b. Cash
  - c. Time
  - d. **Sales**
- 44 Salary of a foreman should be classified as \_\_\_\_\_
- a. Fixed Overheads
  - b. Variable Overheads
  - c. **Semi variable overheads**
  - d. None of the above
- 45 The allotment of whole items of cost to cost centres or cost units is called \_\_\_\_\_
- a. Cost apportionment
  - b. **Cost Allocation**
  - c. Overhead absorption
  - d. None of the above
- 46 When the actual overheads are more than the absorbed overheads. It is called \_\_\_\_\_
- a. Over absorption
  - b. **Under absorption**
  - c. Capacity cost
  - d. None of these
- 47 Warehouse expenses is an example of \_\_\_\_\_
- a. Production Overheads
  - b. Selling Overheads
  - c. **Distribution Overheads**
  - d. None of the above
- 48 Carriage inward is allocated on the basis of \_\_\_\_\_
- a. Sales
  - b. Cash
  - c. Time
  - d. **Purchases**
- 49 If an item of overhead expenditure is charged specifically to a single department this

would be an example of \_\_\_\_\_

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

50 \_\_\_\_\_ is not included in the administrative cost.

- a. Salaries of office staff
- b. Telephone charges
- c. Office expenses
- d. Salaries of foreman