

**SENGAMALA THAYAAR EDUCATIONAL TRUST WOMEN'S COLLEGE-
MANNARGUDI**

PG AND RESEARCH DEPARTMENT OF COMMERCE



MULTIPLE CHOICE QUESTIONS

SUBJECT : COST ACCOUNTING SUBJECT CODE: 16CCCCM7

CLASS: II-B.COM

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1. Cost estimation include(s) the following expenditure(s)

- (A) Pattern making
- (B) Tool making
- (C) Selling expenses
- (D) all of the above

ANS: D

2. To calculate the probable cost of the product, knowledge of following factors involves

- (A) Production time required
- (B) Use of previous estimates of comparable parts
- (C) Effect of change in facilities on costing rates
- (D) All of the above

ANS: D

3-Cost accounting is a specialized branch of accounting which deals with

- (A) Classification, recording, allocation and control of costs
- (B) Classification, processing, allocation and directing
- (C) Classification, recording, planning and control of costs
- (D) Classification, recording, allocation and directing

ANS: A

4-Expenditure incurred on material, labour, machinery, production and inspection are summed up to find the

- (A) Total cost of product
- (B) Selling price of product
- (C) Factory cost of product

(D) None of the above

ANS: C

5-Which of the following calculate the actual cost of product

(A) Cost estimation

(B) Costing

(C) Both (A) and (B)

(D) None of the above

ANS: B

6-The cost data provide invaluable information for taking the following managerial decision(s)

(A) To make or buy

(B) To own or hire fixed asset

(C) Determining the expansion or contraction policy

(D) All of the above

ANS: D

7. The method of unit costing is adopted by

(A) Transport services

(B) Steel industry

(C) Mines

(D) Bicycle industry

ANS: C

8. ____ costing is a type of job costing.

(A) Multiple

(B) Operating

(C) Unit

(D) Batch

ANS: D

9. The following is cost of direct materials

(A) Freight charges

(B) Grease

(C) Coolant

(D) Cotton waste

ANS: A

10. The following is cost of indirect materials

(A) Lubricating oil

(B) Octopi

(C) Import duties

(D) Insurance

ANS: A

11. The payment made to the following is cost of direct labour.

- (A) Machinist
- B) Supervisor
- (C) Inspector
- (D) Sweeper

ANS: A

12. Cost of preparing drawings for the manufacture of a particular product is

- (A) Cost of direct labour
- (B) Cost of indirect labour
- (C) Direct expenses
- (D) Indirect expenses

ANS: D

13. The following is also known as overhead costs or on costs.

- (A) Cost of direct labour
- (B) Cost of indirect labour
- (C) Direct expenses
- (D) Indirect expenses

ANS: D

14. To control costs it is essential to keep control on

- (A) Prime cost
- (B) Overheads
- (C) Indirect materials and tools cost
- (D) All of the above

ANS: D

Answers:

15. Which of the following is not an inventory?

- (A) Machines
- (B) Raw material
- (C) Finished products
- (D) Consumable tools

ANS: A

16. The following classes of costs are usually involved in inventory decisions except

- (A) Cost of ordering
- (B) Carrying cost
- (C) Cost of shortages
- (D) Machining cost

ANS: D

17. The cost of insurance and taxes are included in

- (A) Cost of ordering
- (B) Set up cost

- (C) Inventory carrying cost
- (D) Cost of shortages

ANS: C

18. Buffer stock' is the level of stock

- (A) Half of the actual stock
- (B) At which the ordering process should start
- (C) Minimum stock level below which actual stock should not fall
- (D) Maximum stock in inventory

ANS: C

19. The minimum stock level is calculated as

- (A) Reorder level – (Normal consumption x Normal delivery time)
- (B) Reorder level + (Normal consumption x Normal delivery time)
- (C) Reorder level + Normal consumption) x Normal delivery time
- (D) Reorder level + Normal consumption) / Normal delivery time

ANS: A

20. Which of the following is true for Inventory control?

- (A) Economic order quantity has minimum total cost per order
- (B) Inventory carrying costs increases with quantity per order
- (C) Ordering cost decreases with lot size
- (D) All of the above

ANS: D

21. The time period between placing an order its receipt in stock is known as

- (A) Lead time
- (B) Carrying time
- (C) Shortage time
- (D) Over time

ANS: A

22. Re-ordering level is calculated as

- (A) Maximum consumption rate x Maximum re-order periods
- (B) Minimum consumption rate x Minimum re-order period
- (C) Maximum consumption rate x Minimum re-order period
- (D) Minimum consumption rate x Maximum re-order period

ANS: A

23. Average stock level can be calculated as

- (A) Minimum stock level + $\frac{1}{2}$ of Re-order level
- (B) Maximum stock level + $\frac{1}{2}$ of Re-order level
- (C) Minimum stock level + $\frac{1}{3}$ of Re-order level
- (D) Maximum stock level + $\frac{1}{3}$ of Re-order level

ANS: A

24. The order cost per order of an inventory is Rs. 400 with an annual carrying cost of Rs. 10 per unit. The Economic Order Quantity (EOQ) for an annual demand of 2000 units is

- (A) 400
- (B) 440
- (C) 480
- (D) 500

ANS: A

25. Cost of product failure, error prevention and appraisals are classified as

- (A) Stocking costs
- (B) stock-out costs
- (C) costs of quality
- (D) None of the above

ANS: C

26. _____ is the recording of the attendance of a worker.

- (A) Time Booking
- (B) Time Keeping
- (C) Job Card
- (D) Clock card

ANS: A

27. _____ is the recording particulars of work done or time spent on each job, process or operation.

- (A) Time booking
- (B) Time keeping
- (C) Clock card
- (D) Job Card

ANS: A

28. The most popular and simplest form of time keeping is maintaining a _____ in which the employee signs on his arrival and departure.

- (A) Clock card
- (B) Disc method
- (C) Manual register
- (D) Job Card

ANS: C

29. Efficient time booking helps to minimize _____.

- (A) Idle time
- (B) Profit

(C) Productivity MCQ by Dr.S.R.Pagare, K.J.Somaiya College, Kopergaon

(D)Units produced

ANS: A

30. A sound wage system should ensure _____ guaranteed wages to each worker.

(A)Maximum

(B)Minimum

(C)Poor

(D)Units produced

ANS: B

31. _____ is the price of compensation or consideration paid for labour and services offered by the workers.

(A)Bonus

(B)Remuneration

(C)Fees

(D)Units produced

ANS: B

32. _____ card is meant for a job which involves many operations or stages of completion.

(A)Time and Job card

(B)Job ticket

(C)Labour cost card

(D)Job Card

ANS: C

33. _____ wage rate system is applied where quality of work is more important than the quantity.

(A)Piece rate

(B)Time rate

(C)Halsey premium plan

(D)Job Card

ANS: B

34. Under _____ wage rate system the workers are paid on the basis of unit of output.

(A)Rowan premium plan

(B)Time

(C)Piece MCQ by Dr.S.R.Pagare, K.J.Somaiya College, Kopargaon

(D)Profit

ANS: C

35. Under Taylor's Differential Piece Rate System, the standard time for a job is fixed up by _____ study.

- (A)Time
- (B)Motion
- (C)Tome and Motion
- (D)Profit

ANS: C

36. _____ pays the same amount of bonus to beginners and the efficient workers.

- (A)Taylor's Differential Plan
- (B)Halsey Premium Plan
- (C)Rowan Premium Plan
- (D)Profit

ANS: C

37. Under _____ plan financial security is ensured as less efficient workers are assured of their time wages.

- (A)Rowan Premium Plan
- (B)Taylor's Differential Plan
- (C)Halsey Premium Plan
- (D)Piece MCQ by Dr.S.R.Pagare, K.J.Somaiya College, Kopargaon

ANS: C

38. Piece rate wages are computed by multiplying number of units produced by _____.

- (A)Rate per hour
- (B)Rate per unit
- (C)Rate per day
- (D)Motion

ANS: C

39. Time rate wages are computed by multiplying _____ by rate per hour.

- (A)Units produced
- (B)Standard hours fixed
- (C)Actual hours worked MCQ by Dr.S.R.Pagare, K.J.Somaiya College, Kopargaon
- (D)Motion

ANS: C

40For computing _____ in percentage, the actual production is divided by standard production and multiplied by 100.

- (A)Inefficiency
- (B)Efficiency
- (C)Idle time

(D) Motion

ANS: B

41. Which of the following cost is also known as overhead cost or on cost?

- (A) cost Of Direct Labour
- (B) Cost Of Indirect Labour
- (C) Direct Expenses
- (D) Indirect Expenses

ANS: D

42. Which of the following calculate the actual cost of product?

- (A) Cost Estimation
- (B) Costing
- (C) Both A and B
- (D) None of These

ANS: B

43. Costing is specialized branch of accounting which deals with:

- (A) Classification, Recording, Allocation, and Control Of Asset
- (B) Classification, Processing, Allocation and Directing
- (C) Classification, Recording, Planning and Control Of Asset
- (D) Classification, Recording, Allocation and Directing

ANS: A

44. In cinema halls, composite cost unit is _____:

- (A) A Seat per Show
- (B) Cost of Screening
- (C) Salary of Staff
- (D) Rent of Cinema Hall

ANS: A

45. The stage of production at which separate products are identified is known as _____:

- (A) Process Costing
- (B) Reverse Cost Method
- (C) Subsequent Cost
- (D) Equivalent Production

ANS: C

46. _____ in contracts entitles a contractor to suitably enhance the contract price if the cost rises beyond a given percentage:

- (A) Notional Price
- (B) Indirect Cost
- (C) Estimate
- (D) Escalation Claus

ANS: D

47. Which factor that cause change in cost of activity?

- (A) Activity Cost
- (B) Driver Rates
- (C) Cost Pool
- (D) Cost Drivers

ANS: D

48. Over-absorption of factory overheads, due to inefficiency of management, should be disposed of by:

- (A) Carry Forward To Next Year
- (B) Supplementary Rate
- (C) Transfer to Costing P&L A/C
- (D) Any of These

ANS: C

49. When absorbed overheads are rs.23, 540 and actual overheads are rs.22,400, there is:

- (A) Under Absorption of Rs.1, 140
- (B) Under Absorption of Rs.45, 940
- (C) Over Absorption of Rs.1, 140
- (D) Over Absorption of Rs.45940

ANS: B

50. Danger level= Normal consumption X _____

- (A) Reorder Period
- (B) Maximum Reorder Period
- (C) Maximum Reorder Period in Emergency
- (D) Minimum Reorder Period

ANS: C

51. The following is(are) the overhead cost(s)

- (A) Factory expenses
- (B) Selling expenses
- (C) Distribution expenses
- (D) All of the above

ANS: D

52. All such expenses which are incurred for creating and enhancing the demands for the products are

- (A) Selling expenses
- (B) Administrative expenses
- (C) Distribution expenses
- (D) All of the above

ANS: A

53. Prime cost=

- (A) Cost of direct labour + cost of direct material + direct expenses
- (B) Cost of indirect labour + cost of indirect material + direct expenses
- (C) Cost of direct labour + cost of direct material + indirect expenses
- (D) Cost of indirect labour + cost of direct material + indirect expenses

ANS:A

54. Factory Cost =

- (A) Prime cost + factory expenses
- (B) Prime cost + administrative expenses
- (C) Prime cost + selling expenses
- (D) Prime cost + distribution expenses

ANS: A

55. Manufacturing cost=

- (A) Factory cost + selling cost
- (B) Factory cost + distribution cost
- (C) Factory cost + administrative expenses
- (D) None of the above

ANS: C

56The following is (are) the method(s) to increase profit

- (A) Increase the sales price
- (B) Increase the market
- (C) Reduce total cost
- (D) All of the above

ANS: D

57. Which of the following is variable cost?

- (A) Salaries of higher officers
- (B) Prime cost
- (C) Insurance cost
- (D) Repair cost

ANS: B

58. Which of the following is not a method of calculating (allocating) overhead cost?

- (A) Percentage on prime cost
- (B) Percentage on direct labour cost
- (C) Percentage on indirect labour cost
- (D) Percentage on direct material cost

ANS: C

59. The following method is an improvement over the percentage on direct labour cost method.

- (A) Machine hour rate

- (B) Percentage on prime cost
- (C) Percentage on direct material cost
- (D) Man hour rate

ANS: D

60. The overhead cost for a particular job =

- (A) Man hour rate x man hours spent on that job
- (B) Man hour rate / man hours spent on that job
- (C) Man hour rate + man hours spent on that job
- (D) Man hour rate – man hours spent on that job

ANS: A

61. Labour cost per product is Rs. 2/hr and time taken by each product is 2 hr. The factory overhead is 20% of the labour costs. The factory cost for 100 products if material cost per product is Rs. 3, is.

- (A) Rs. 700
- (B) Rs. 740
- (C) Rs. 780
- (D) Rs. 820

ANS: C

62. The following is (are) true for variable costs

- (A) Variable costs are the functions of output
- (B) Variable costs vary directly with the quantity produced
- (C) These become zero when the production is suspended
- (D) All of the above

ANS: D

63. The following cost helps in taking ‘make or buy’ decision.

- (A) Standard cost
- (B) Marginal cost
- (C) Differential cost
- (D) Sunk cost

ANS: C

64. To control costs it is essential to keep control on

- (A) Prime cost
- (B) Overheads
- (C) Indirect materials and tools cost
- (D) All of the above

ANS: D

65. All of the following would most likely use a job order costing system except:

- (A) A Dental Practice.
- (B) An Auto Repair Shop.

(C)A Small Appliance Maker.

(D)An Architectural Firm

ANS: C

66.Which of the following costs is not charged to Work in Process in a normal cost system?

(A)Actual Overhead

(B)Actual Direct Materials

(C)Actual Direct Labor

(D)Estimated Indirect Labor

ANS: A

67. Which of the following product costs would be Charged to Work in Process assuming a standard Costing system?

(A)Actual Direct Material Costs

(B)Actual Overhead Costs

(C)Actual Direct Labor Costs

(D)Applied Overhead Costs

ANS: D

68. Which of the following serves at a subsidiary Ledger for the Work in Process account?

(A)Standard Cost Card

(B)Material Requisition Form

(C)Job Requisition Form

(D)Job Order Cost Sheet

ANS:D

69.Which of the following is not a source document used in job order costing systems?

(A)Cost of Production Report

(B)Employee Time Sheet

(C)Job Cost Sheet

(D)Material Requisition Form

ANS: A

70. Which of the following costing systems does not involve computing cost variances?

(A)Actual Costing System

(B)Normal Costing System

(C)Standard Costing System

(D)All Of The Above Systems Involve Computing Cost Variances

ANS: A

71. Actual costs are:

- (A)The Costs Incurred
- (B)Budgeted Costs
- (C)Estimated Costs
- (D)Forecasted Cost

ANS: A

72. Budgeted costs are:

- (A) The Costs Incurred This Year
- (B)The Costs Incurred Last Year
- (C) Lanned or Forecasted Costs
- (D) Competitor's Costs

ANS: C

73. All of the following are true EXCEPT that indirect Costs:

- (A)May Be Included In Prime Costs
- (B)Are Not Easily Traced To Products or Services
- (C) Vary With the Selection of the Cost Object
- (D) May Be Included In Manufacturing Overhead

ANS: A

74. The general term used to identify both the tracing And the allocation of accumulated costs to a cost Object is:

- (A) Cost accumulation
- (B) Cost assignment
- (C) Cost tracing
- (D) Conversion costing

ANS: B

75. The collection of accounting data in some Organized way is:

- (A) Cost accumulation
- (B) Cost assignment
- (C) Cost tracing
- (D) Conversion costing

ANS: A

