



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

## COST ACCOUNTING (PAPER - 8)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
1	Prime Cost is:	All costs incurred in manufacturing a product	the total of direct costs	the material cost of a product	the cost of operating a department
2	A company employs three drivers to deliver goods to its customers. The salaries paid to these drivers are:	a part of prime cost	a direct production expense	a production overhead	a selling & distribution overhead
3	A company has to pay a Rs. 1 per unit royalty to the designer of a product which it manufactures and sells. The royalty charge would be classified in the company's accounts as a _____	Direct expense	Production overhead	Administrative overhead	Selling overhead
4	_____ is a method of dealing with overheads which involves spreading common costs over cost centers on the basis of benefit received.	overhead absorption	overhead apportionment	overhead allocation	overhead analysis
5	Which of the following classification is meant for distinction between direct cost and indirect cost?	Function	Element	Variability	Controllability
6	Which of the following is applicable for Cost Control?	It is related with the future	It is a corrective function	It ends when the targets are achieved	It challenges the standards set
7	_____ is anything for which a separate measurement of cost is required	Cost driver	Cost centre	Cost unit	Cost object
8	Ticket counter in a Metro Station is an example of _____	Profit centre	Investment centre	Cost centre	Revenue centre
9	Absorption costing is also referred as _____	Historical costing	Traditional costing	Full costing	All of the above terms
10	the main purpose of cost accounting is _____	to maintain profit	to help in inventory valuation	to enter into price War with competitive firms	to provide information to management for decision-making
11	_____ is anything for which a separate measurement is required	cost unit	cost object	cost driver	cost centre
12	Which of the following is true about Cost Control	It is a corrective function	It challenges the set standards	It ends when targets achieved	It is concerned with future
13	Cost Units used in Power Sector is :	Kilo-meter (K.M.)	Kilo - Watt-Hour (kWh)	Number of Electric Points	Machine Hours
14	Process Costing method is suitable for :	Transport Sector	Chemical Industries	Dam Construction	Furniture- making
15	distinction between Direct Cost and Indirect Cost is an example of _____ classification.	By element	By Function	By controllability	By Variability
16	The advantage of using IT in Cost Accounting does not include _____	Single point data entry	stock needs to be reconciled with goods received note	reduction in multiplicity of documents	integration of various functions
17	A taxi provider charges minimum Rs.80 thereafter Rs. 12 per kilometer of distance travelled ,the behaviour of conveyance Cost is _____	fixed cost	semi-variable	variable	administrative cost



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18	A Ltd. Has three Production Departments, and each department has machines , which of the following cannot be treated as Cost Centre for cost allocation:	Machines under the production Production Department	Pruction Departments	Both Production Department and Machines	A Ltd.
19	Which of the following is an example of functional classification of cost?	Semi -variable costs	Fixed Cost	Administrative overhead	indirect Overheads
20	Cost which are ascertained after they have been incurred are known as	sunk costs	Imputed Costs	Historical Costs	Oppurtunity Costs
21	Generally , for the purpose of Cost sheet preparation , costs are classified on the basis of -	Functions	variability	relevance	nature
22	What is prime cost	Total direct cost only	Total Indirect Costs only	Total Non-Production Costs	Total Production Costs
23	Which of the following does not form part of prime cost	Cost of Packing	cost of transportation paid to bring materials to factory	GST paid on Raw materials (where input credit cannot be claimed)	overtime premium paid to workers
24	Which of these is not an objective of Cost Accounting?	Ascertainment of Cost	Determination of Selling Price	Cost Control and Cost reduction	Assisting Shareholders in decision making
25	Which of the following are direct expenses ? (1) Cost of Special Designs ,drawings or layout, (2) Hire of Tools or Equipment for a particular job , (3) Salesman's wages , (4) Rent , rates and Insurance of a factory ,	(1) and (2)	(1) and (3)	(2) and (3)	(3) and (4)
26	Salary paid to plant Supervisor is a part of	Direct expenses	Factory Overheads	Quality Control Cost	administrative cost
27	Depreciation of Director's Laptop is treated as a part of :	Administration Overheads	Factory Overheads	IT infrastructure Cost	Research & Development Cost
28	A manufacturing Company has set-up a lab for testing of products for compliance with standards. Salary of this Lab Staff are part of :	Works Overheads	Quality Control Cost	Direct Expenses	Reearch & Development Cost
29	Audit fees paid to external Statutory Auditors is part of	Administration Cost	Production Cost	Selling & distribution Costs	Quality Control Cost
30	Salary paid to factory stores is a part of	Factory Overheads	Production Cost	Direct Employee Cost	Direct Material Cost
31	Canteen Expenses for factory workers are part of -	Factory Overheads	Administration cost	marketing cost	direct expenses
32	A company pays Royalty to State Government on the basis of production , it is treated as:	Direct material cost	Quality Control Cost	Direct Expenses	Administrative Overhead
33	Which of the following is not an element of Works Overhead ?	Store Keeper's Salary	Plant Manager's salary	Sales Manager's Salary	Product Inspector's Salary



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34	A profit centre is a centre	Where the manager has the responsibility of generating and maximising profits	Which is concerned with earning an adequate Return on Investment	Both of the above	Which manages cost
35	Responsibility Centre can be categorised into:	Cost Centres only	Profit Centres only	Investment Centres only	Cost Centres, Profit Centres and Investment Centres
36	Cost Unit is defined as:	Unit of quantity of product, service or time in relation to which costs may be ascertained or expressed	A location, person or an item of equipment or a group of these for which costs are ascertained and used for cost control.	Centres having the responsibility of generating and maximising profits	Centres concerned with earning an adequate return on investment
37	Fixed cost is a cost:	Which changes in total in proportion to changes in output	which is partly fixed and partly variable in relation to output	Which do not change in total during a given period despite changes in output	which remains same for each unit of output
38	Uncontrollable costs are the costs which be influenced by the action of a specified member of an undertaking.	can not	can	may or may not	must
39	Element/s of Cost of a product are:	Material only	Labour only	Expenses only	Material, Labour and expenses
40	Abnormal cost is the cost:	Cost normally incurred at a given level of output	Cost not normally incurred at a given level of output	Cost which is charged to customer	Cost which is included in the cost of the product
41	Conversion cost includes cost of converting.....into.....	Raw material, WIP	Raw material, Finished goods	WIP, Finished goods	Finished goods, Saleable goods
42	Sunk costs are:	relevant for decision making	Not relevant for decision making	cost to be incurred in future	future costs



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43	Calculate the prime cost from the following information: Direct material purchased: Rs. 1,00,000 Direct material consumed: Rs. 90,000  Direct labour: Rs. 60,000  Direct expenses: Rs. 20,000  Manufacturing overheads: Rs. 30,000	Rs. 1,80,000	Rs. 2,00,000	Rs. 1,70,000	Rs. 2,10,000
44	Total cost of a product: Rs. 10,000 Profit: 25% on Selling Price Profit is:	Rs. 2,500	Rs. 3,000	Rs. 3,333	Rs. 2,000
45	Calculate cost of sales from the following:  Net Works cost: Rs. 2,00,000  Office & Administration Overheads: Rs. 1,00,000 Opening stock of WIP: Rs. 10,000  Closing Stock of WIP: Rs. 20,000 Closing stock of finished goods: Rs. 30,000  There was no opening stock of finished goods. Selling overheads: Rs. 10,000	Rs. 2,70,000	Rs. 2,80,000	Rs. 3,00,000	Rs. 3,20,000
46	Which of the following is considered as normal loss of material?	Pilferage	Loss due to accident	Loss due to careless handling of material	None of these
47	The most important element of cost is-	Material	Labour	Overheads	All of these
48	Direct material is a –	Administration Cost	Selling and Distribution cost	All of these	None of these
49	Which of the following is considered as accounting record?	Bin Card	Bill of material	Store Ledger	None of these
50	Direct material can be classified as :	Fixed cost	Semi-Variable cost	Variable Cost	Prime cost
51	In which of the following methods of pricing, costs lag behind the current economic values?	Replacement price method	Last in first out price method	First in first out price method	Weighted average price method
52	In which of the following methods, issues of materials are priced at pre-determined rate?	Replacement price method	Inflated price method	Specific price method	Standard price method



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53	Which of the following methods smoothes out the effect of fluctuations when material prices fluctuate widely?	FIFO	Simple Average	LIFO	Weighted average
54	In which of the following incentive plan of payment, wages on time basis are not Guaranteed?	Halsey plan	Rowan plan	Taylor's differential piece rate system	Gantt's task and bonus system
55	Cost of idle time arising due to non-availability of raw material is :	Charged to costing profit and loss A/c	Charged to factory overheads	Recovered by inflating the wage rate	Ignored
56	When overtime is required for meeting urgent orders, overtime premium should be	Charged to costing profit and loss A/c	Charged to overhead costs	Charged to respective jobs	Ignored
57	Labour turnover is measured by	Number of workers replaced average number of workers	Number of workers left / number in the beginning plus number at the end	Number of workers joining / number in the beginning of the period	All of these
58	Idle time is	Time spent by workers in factory	Time spent by workers in office	Time spent by workers off their work	Time spent by workers on their job
59	Over time is :	Actual hours being more than normal time	Actual hours being more than standard time	Standard hours being more than actual hours	Actual hours being less than standard time
60	Labour productivity is measured by comparing	Total output with total man-hours	Added value for the product with total wage cost	Actual time and standard time	All of the above
61	If the time saved is less than 50% of the standard time, then the wages under Rowan and Halsey premium plan on comparison gives:	Equal wages under two plans	More wages to workers under Halsey Plan than Rowan Plan	More wages to workers under Rowan Plan than Halsey Plan	None of the above
62	Under Taylor's differential piece rate scheme, if a worker fails to complete the task within the standard time, then he is paid	83% of the piece work rate	175% of the piece work rate	67% of the piece work rate	125% of the piece work rate
63	Direct Expenses _____ includes imputed cost.	Shall	Shall not	Shall be	None of these
64	Direct Expenses that does not meet the test of materiality can be _____ part of overhead.	Treated	Not treated	All of the these	None of these
65	Example of Direct Expenses.	Rent	Royalty charged on production	Bonus to employee	None of these
66	The allotment of whole items of cost centres or cost unit is called :	Cost allocation	Cost apportionment	Overhead absorption	None of the above
67	Directors remuneration and expenses form a part of:	Production overhead	Administration overhead	Selling overhead	Distribution overhead
68	Charging to a cost center those overheads that result solely for the existence of that cost Center is known as	Allocation	Apportionment	Absorption	Allotment
69	Absorption means:	Charging of overheads to cost centres	Charging of overhead to cost units	Charging of overheads to cost centres or cost units	None of the above



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70	When the amount of under or over absorption is significant, it should be disposed of by:	Transferring to costing profit and loss account	The use of supplementary rates	Carrying over as a deferred charge to the next accounting year	None of the above
71	Selling and distribution overheads are absorbed on the basis of:	rate per unit.	percentage on works cost.	percentage on selling price of each unit.	Any of the above
72	Primary packing cost is a part of:	Direct material cost	Distribution overhead	Selling overhead	Production cost
73	Normal capacity of a plant refers to the difference between:	Maximum capacity and practical capacity	Maximum capacity and actual capacity	Practical capacity and estimated idle capacity as revealed by long term sales trend	Practical capacity and normal capacity
74	When the amount of overhead absorbed is less than the amount of overhead incurred, it is called:	Under absorption of overhead	Over absorption of overhead	Proper absorption of overhead	None of the above
75	_____ is a scientific and accurate method of factory overhead absorption.	Percentage of prime cost method	Machine hour rate method	Percentage of direct material cost method	Percentage of direct labour cost method
76	Which of these is not a Material control technique:	ABC Analysis	Fixation of raw material levels	Maintaining stores ledger	Control over slow moving and non moving items
77	Out of the following, what is not the work of purchase department:	Receiving purchase requisition	Exploring the sources of material supply	Preparation and execution of purchase orders	Accounting for material received
78	Bin Card is a:	Quantitative as well as value wise records of material received, issued and balance;	Quantitative record of material received, issued and balance	Value wise records of material received, issued and balance	a record of labour attendance
79	Stores Ledger is a:	Quantitative as well as value wise records of material received, issued and balance;	Quantitative record of material received, issued and balance	Value wise records of material received, issued and balance	a record of labour attendance
80	Re-order level is calculated as:	Maximum consumption x Maximum re-order period	Minimum consumption x Minimum re-order period	1/2 of (Minimum + Maximum consumption)	Maximum level - Minimum level
81	Economic order quantity is that quantity at which cost of holding and carrying inventory is	Maximum and equal	Minimum and equal	It can be maximum or minimum depending upon case to case.	Minimum and unequal



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82	ABC analysis is an inventory control technique in which:	Inventory levels are maintained	Inventory is classified into A, B and C category with A being the highest quantity, lowest value.	Inventory is classified into A, B and C Category with A being the lowest quantity, highest value	Either b or c.
83	Which one out of the following is not an inventory valuation method?	FIFO	LIFO	Weighted Average	EOQ
84	In case of rising prices (inflation), FIFO method will:	provide lowest value of closing stock and profit	provide highest value of closing stock and profit	provide highest value of closing stock but lowest value of profit	provide highest value of profit but lowest value of closing stock
85	In case of rising prices (inflation), LIFO will:	provide lowest value of closing stock and profit	provide highest value of closing stock and profit	provide highest value of closing stock but lowest value of profit	provide highest value of profit but lowest value of closing stock
86	Calculate Re-order level from the following: Consumption per week: 100-200 units Delivery period: 14-28 days	5600 units	800 units	1400 units	200 units
87	Calculate EOQ (approx.) from the following details: Annual Consumption: 24000 units Ordering cost: Rs. 10 per order Purchase price: Rs. 100 per unit Carrying cost: 5%	310	400	290	300



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88	<p>Calculate the value of closing stock from the following according to FIFO method:</p> <p>1st January, 2024: Opening balance: 50 units @ Rs. 4</p> <p>Receipts:</p> <p>5th January, 2024: 100 units @ Rs. 5 12th January, 2024: 200 units @ Rs. 4.50</p> <p>Issues:</p> <p>2nd January, 2024: 30 units</p> <p>18th January, 2024: 150 units</p>	Rs. 765	Rs. 805	Rs. 786	Rs. 700
89	<p>Calculate the value of closing stock from the following according to LIFO method:</p> <p>1st January, 2024: Opening balance: 50 units @ Rs. 4</p> <p>Receipts:</p> <p>5th January, 2024: 100 units @ Rs. 5 12th January, 2024: 200 units @ Rs. 4.50</p> <p>Issues:</p> <p>2nd January, 2024: 30 units</p> <p>18th January, 2024: 150 units</p>	Rs. 765	Rs. 805	Rs. 786	Rs. 700



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90	Calculate the value of closing stock from the following according to Weighted Average method:  1st January, 2024: Opening balance: 50 units @ Rs. 4  Receipts: 5th January, 2024: 100 units @ Rs. 5  12th January, 2024: 200 units @ Rs. 4.50 Issues:  2nd January, 2024: 30 units  18th January, 2024: 150 units	Rs. 765	Rs. 805	Rs. 786	Rs. 700
91	Cost of abnormal wastage is:	Charged to the product cost	Charged to the profit & loss account	charged partly to the product and partly profit & loss account	not charged at all.
92	Calculate re-order level from the following: Safety stock: 1000 units Consumption per week: 500 units It takes 12 weeks to reach material from the date of ordering.	1000 units	6000 units	3000 units	7000 units
93	From the following information, calculate the extra cost of material by following EOQ: Annual consumption: = 45000 units Ordering cost per order: = Rs. 10  Carrying cost per unit per annum: = Rs. 10 Purchase price per unit = Rs. 50  Re-order quantity at present = 45000 units There is discount of 10% per unit in case of purchase of 45000 units in bulk.	No saving	Rs. 2,00,000	Rs. 2,22,010	Rs. 2,990
94	Which of the following is an abnormal cause of Idle time:	Time taken by workers to travel the distance between the main gate of factory and place of their work	Time lost between the finish of one job and starting of next job	Time spent to meet their personal needs like taking lunch, tea etc	Machine break downs
95	If overtime is resorted to at the desire of the customer, then the overtime premium:	should be charged to costing profit and loss account;	should not be charged at all	should be charged to the job directly	should be charged to the highest profit making department



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96	Labour turnover means:	Turnover generated by labour	Rate of change in composition of labour force during a specified period	Either of the above	Both of the above
97	Which of the following is not an avoidable cause of labour turnover:	Dissatisfaction with Job	Lack of training facilities	Low wages and allowances	Disability, making a worker unfit for work
98	Costs associated with the labour turnover can be categorised into:	Preventive Costs only	Replacement costs only	Both of the above	Machine costs
99	Calculate workers left and discharged from the following:  Labour turnover rates are 20%, 10% and 6% respectively under Flux method, Replacement method and Separation method. No. of workers replaced during the quarter is 80.	112	80	48	64
100	Calculate workers recruited and joined from the following:  Labour turnover rates are 20%, 10% and 6% respectively under Flux method, Replacement method and Separation method. No. of workers replaced during the quarter is 80.	112	80	48	64
101	Calculate the labour turnover rate according to replacement method from the following: No. of workers on the payroll: - At the beginning of the month: 500 - At the end of the month: 600  During the month, 5 workers left, 20 workers were discharged and 75 workers were recruited. Of these, 10 workers were recruited in the vacancies of those leaving and while the rest were engaged for an expansion scheme.	4.55%	1.82%	6%	3%



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102	Calculate the labour turnover rate according to Separation method from the following: No. of workers on the payroll: - At the beginning of the month: 500  - At the end of the month: 600  During the month, 5 workers left, 20 workers were discharged and 75 workers were recruited. Of these, 10 workers were recruited in the vacancies of those leaving and while the rest were engaged for an expansion scheme.	4.55%	1.82%	6%	3%
103	A worker is allowed 60 hours to complete the job on a guaranteed wage of Rs. 10 per hour. Under the Rowan Plan, he gets an hourly wage of Rs. 12 per hour. For the same saving in time, how much he will get under the Halsey Plan?	Rs.720	Rs.540	Rs.600	Rs.900
104	Overhead refers to:	Direct or Prime Cost	All Indirect costs	only Factory indirect costs	Only indirect expenses
105	Allotment of whole item of cost to a cost centre or cost unit is known as:	Cost Apportionment	Cost Allocation	Cost Absorption	Machine hour rate
106	Which of the following is not a method of cost absorption?	Percentage of direct material cost	Machine hour rate	Labour hour rate	Repeated distribution method
107	Service departments costs should be allocated to:	Only Service departments	Only Production departments	Both Production and service departments	None of the production and service departments
108	Most suitable basis for apportioning insurance of machine would be:	Floor Area	Value of Machines	No. of Workers	No. of Machines
109	Blanket overhead rate is:	One single overhead absorption rate for the whole factory	Rate which is blank or nil rate	rate in which multiple overhead rates are calculated for each production department, service department etc	Always a machine hour rate



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110	AT Co makes a single product and is preparing its material usage budget for next year. Each unit of product requires 2kg of material, and 5,000 units of product are to be produced next year.  Opening inventory of material is budgeted to be 800 kg and AT co budgets to increase material inventory at the end of next year by 20%  The material usage budget for next year is:	8,000 Kg	9,840 kg	10,000 Kg	10,160 Kg
111	During a period 17, 500 labour hours were worked at a standard cost of Rs. 6.50 per hour. The labour efficiency variance was Rs. 7,800 favourable. How many standard hours were produced?	1200	16300	17500	18700
112	In most of the manufacturing industries ,the most important element of cost is	material	Labour	overheads	None of the above
113	Which of the following is NOT considered to be Normal loss of Materials ?	Loss due to accidents	Pilferage	Loss due to breaking the bulk	Loss due to transferring of liquid materials from container to another
114	Which of following is NOT considered as Normal loss of material?	Loss due to evaporation due to prevalent weather conditions	Loss due to pilferage	Loss due to breaking the bulk	Loss due to transferring of liquid materials from container to another
115	At the economic ordering quantity level , the following is true on an annual basis:	Ordering Cost is minimum	Carrying Cost is minimum	Ordering Cost is equal to the Carrying Cost	Purchase Price is minimum
116	Continuous Stock Taking is a part of:	Annual Stock Taking	Perpetual Inventory	ABC Analysis	Bin Cards
117	In which of the following methods, issues of materials are priced at pre-determined rate?	Inflated Price Method	Standard price method	Replacement Price Method	Market Price Method
118	When Material prices Fluctuate widely, the method of pricing that gives absurd results is -	Simple Average Price	Weighted Average price	Moving Average Price	Inflated Price
119	When prices fluctuate widely , the method that will smooth out the effect of fluctuations is	Simple Average Price	Weighted Average price	FIFO	LIFO
120	Under the FSN system of Inventory Control ,Inventory is Classified on the basis of :	Volumne of materail consumption	Frequently of usage of items of inventory	Criticality of the item of inventory of production	Value of Items of Inventory



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121	Form used for making a formal request to the Purchasing Department to purchase materials is a-	material transfer note	Purchase Requisition Note	Bill of materials	Material requisition note
122	Classification of Materials on the basis of their Importance in Value is called:	EOQ Analysis	Stock level analysis	ABC Analysis	Value analysis
123	For Return of Excess Materials from Production Department to stores , the document used is:	Material return note	Stores debit note	Shop Credit Note	All the above (same)
124	Which of the following is NOT related to a standard list of materials and components?	Consumption Statement	bill of materials	Material specification list	Material list
125	Which of the following is NOT recorded on a Bin card?	material received from supplier	material issued to production depts	Inter department transfers	Loss of materials
126	What is the formula for Re-order level?	Minimum Usage x minimum lead time	Minimum Usage x maximum lead time	Maximum Usage x minimum lead time	Maximum Usage x maximum lead time
127	(ROL+ROQ (-) minimum usage x minimum lead time ) is the computation formula for....	Maximum level	Minimum level	Average level	danger level
128	Inventory turnover ratio is expressed in	Rupees	Percentage	times	Any of the above
129	Generally , a _____ T/o and _____ days Average Inventory held is preferable	High , less	Low , high	Low ,low	high, high
130	Pricing of Materials in the order in which they are purchased is called _____ method	Specific Identification	FIFO	LIFO	Orderly
131	Landed cost of materials does not include.....	Cost of Containers	Carriage Inwards	Stock Insurance	Unloading Charges
132	Cost of abnormal loss of materials is	Debited to costing P & L	Credited to Costing P&L	InCluded In Landed Cost	Included in OH
133	Idle time is the time under which	Full wages are paid to workers	No output is produced by the workers	Both (a) and (b)	None of the above
134	When a direct Worker is paid on a monthly fixed salary basis , the following is true :	There is no idle time lost	There is no idle time cost	Idle time cost is separated and treated as overhead	salari is fully treated as factory overhead cost
135	Time and Motion study is conducted by	Time Keeping Department	Personnel Department	Payroll Department	Engineering Department
136	Wages sheet is generally prepared by-	Time Keeping Department	Personnel Department	Payroll Department	Engineering Department
137	For reducing the labour cost per unit ,which of the following factors is most important?	Low wage rate	Longer hours of work	Higher Productivity or Efficiency	Strict control and supervision
138	Time Booking refers to a method wherein _____ of an employees is recorded	Attendance	book keeping details	Health Status	Time spent on a particulars job
139	Employee Cost includes	wages and salaries	Allowances and incentives	Payment for Overtime	All of the above
140	Standard Time of a job is 60 hours and guaranteed time rate is rs 90 per hour. What is the amount of wages under Rowan plan if job is completed in 48 hours?	rs 1620	rs 1728	rs 1800	rs 1440



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141	Standard Time of a job is 60 hours and guaranteed time rate is rs 90 per hour. What is the amount of wages under Halsey plan if job is completed in 48 hours?	rs 1620	rs 1440	rs 180	rs 1728
142	If Overtime is required for meeting urgent orders , the Overtime premium should be charged as -	Respective job	Over head Cost	Costing P& L a/c	None of above
143	Keeping a record of total time spent by the worker inside the factory is called	Time keeping	Time Booking	Time Managing	Time Recording
144	Wages attributable to Normal idle Time is treated as	Direct Wages	Production OH	Either of the above	None of the above
145	In the context of Labour Turnover ,Number of Workers left and discharged is called-	Accession	Replacement	new replacement	Separation
146	(Hours worked X Rate per hour) is the computation of wages under	Incentive System	Piece rate System	Attendance System	Time rate System
147	Under Halsey System ,generally Bonus is computed as _____ x (Time Saved x Rate per hour)	30%	50%	70%	Actual Hrs/Std. Hrs
148	A worker will earn wages under Halsey and Rowan System , if time Saved equals -	50% of Std Time	50% of Actual Time	1/2 of Total Time	1/2 of Lost time
149	Labour Efficiency (based on time) is given by the Formula	Std Time /Actual Time	Actual time /std time	Idle Time/Std time	Idle Time /Actual Time
150	If wages per day of 8 hours is rs 500, std output is 100 units , Actual Output is 120 ,piece rate wages-	rs 500	rs 600	rs 62.5	rs 5
151	If Std Time is 8 hours , Actual time is 6 hours ,rate per hour is Rs. 100 , Rowan Wages =	Rs. 600	Rs. 150	Rs. 750	Rs. 700
152	If Actual Output in 8 hours is 700 units , Standard Output is 90 units per hour , Efficiency Ratio is	97.22%	102.86%	100%	77.78%
153	Fixed over costs are not effected in monetary terms during a five period by a change in Output. But this statement is valid provided	Increase in Output is not Substantial	Increase in Output is substantial	Both (a) and (b)	None of the above
154	_____ Capacity is defined as actually utilised capacity of a plant .	theoretical	Installed	Practical	Idle
155	Maximum Possible Productive Capacity of a plant when no operating time is lost is its :	Normal Capacity	Practical Capacity	Theoretical Capacity	Capacity based on Sales Expectancy
156	Charging of common Overheads cost to various cost centres, using appropriate bases is known as -	Allocation	Apportionment	Absorption	Re- Apportionment
157	Distribution of service Department Overheads Cost to production Departments using different assumptions and methods is known as	Allocation	Apportionment	Absorption	Re- Apportionment
158	packing Cost is part of	Production cost	Selling Cost	Distribution Cost	It may be any of the above



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
159	Which of the following is not treated as a Manufacturing Overhead ?	Lubricants	Cotton Waste	apportioned administration overheads	Night Shift allowance paid to a factory Worker due to general work pressure
160	The difference between Actual Factory Overhead and Absorbed Factory Overhead will be usually at the minimum level , provided pre-determined overhead rate is based on :	Maximum capacity	Direct Labour Hours	Machine Hours	Normal Capacity
161	When Absorbed Overhead is Higher than the amount of Overhead incurred , it is called	Under absorption of overhead	Over absorption of overhead	Proper absorption of overhead	re - absorption of overhead
162	Which of the following overhead cost may not be apportioned on the basis of Direct Wages?	Worker's Holiday pay	Perquisites to workers	ESI Contribution	Managerial Salaries
163	The following is an example of direct expenses as per CAS-10:	Special raw material which is a substantial part of the prime cost	Travelling expenses to site.	Overtime charges paid to direct worker to complete work before time.	Catalogue of prices of finished products.
164	CAS 21 stands for:	Capacity Determination	Joint Cost	Direct Expenses	None of these
165	Standard deals with the cost of service cost center is:	CAS-9	CAS-13	CAS-16	CAS-22
166	Which standards deals with the principles and methods of determining depreciation and amortization cost?	CAS 9	CAS 12	CAS 15	CAS 16
167	Which standards deals with determination of averages/ equalized transportation cost?	CAS 5	CAS 6	CAS 9	CAS 22
168	Which standard deals with the principles and methods of determining the manufacturing Cost of excisable goods?	CAS 2	CAS 12	CAS 15	CAS 22
169	_____ deals with the principles and methods of determining the production or operation overheads.	CAS-3	CAS-5	CAS-9	CAS-16
170	CAS 13 stands for:	Joint Cost	Interest and financing charges	Employee Cost	Cost of Service cost centre
171	Which of the following items is not included in preparation of cost sheet?	Carriage inward	Purchase returns	Sales Commission	Interest paid
172	Which of the following items is not excluded while preparing a cost sheet?	Goodwill written off	Provision for taxation	Property tax on Factory building	Transfer to reserves
173	Which of the following are direct expenses?(1) The cost of special designs, drawings or layouts,(2) The hire of tools or equipment for a particular job,(3) Salesman's wages,(4) Rent, rates and insurance of a factory	(1) and (2)	(1) and (3)	(1) and (4)	(3) and (4)
174	What is prime cost ?	Total direct cost only	Total indirect costs only	Total non-production costs	Total production costs
175	Which of the following is not an element of works overhead?	Sales manager's salary	Plant manager's salary	Factory repairman's wages	Product inspector's salary



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
176	For the purpose of Cost Sheet preparation , costs are classified based on:	Functions	Relevance	Variability	Nature
177	Salary paid to an office supervisor is a part of:	Direct expenses	Administration cost	Quality control cost	Factory overheads
178	Audit fees paid to cost auditors is part of	Selling and distribution cost	Production cost	Administration cost	Not recorded in the cost sheet
179	A company has set up a laboratory for testing of products for compliance with standards. Salary of this laboratory staffs are part of:	Direct expenses	Quality control cost	Works overheads	Research and development cost
180	Canteen expenses for factory workers are part of:	Administration cost	Factory overhead	Marketing cost	None of the above
181	Which of the following does not form part of prime cost?	GST paid on raw materials (input credit can be claimed)	Cost of transportation paid to bring materials to factory	Cost of packing	Overtime premium paid to workers
182	A company pays royalty to State Government on the basis of production, it is treated as:	Direct expenses	Factory overheads	Direct Material Cost	Administration Cost
183	In Reconciliation Statements, expenses shown only in financial accounts are:	Added to financial profit	Deducted from financial profit	Ignored	Added to costing profit
184	In Reconciliation Statement, expenses shown only in cost accounts are:	Added to financial profit	Deducted from financial profit	Ignored	Deducted from costing profit
185	In Reconciliation Statement, transfers to reserves are:	Added to financial profit	Deducted from financial profit	Ignored	Added to costing profit
186	In Reconciliation Statement, incomes shown only in financial accounts are:	Added to financial profit	Deducted from financial profit	Ignored	Deducted from costing profit
187	In Reconciliation Statement, Closing Stock undervalued in Financial Accounts is	Added to financial profit	Deducted from financial profit	Ignored	Added to costing profit
188	Under non-integrated accounting system:	Separate ledgers are maintained for cost and financial accounts	Same ledger is maintained for cost and financial accounts by accountants	(A) and (B) both	None of the above
189	Under non-integrated system of accounting, purchase of raw material is debited to:	Purchase account	Material control account / stores ledger control account	General ledger adjustment account	None of the above
190	When costing loss is Rs. 5,600, administrative overhead under-absorbed being Rs. 600, the loss as per financial accounts should be _____ .	Rs.5000	Rs.5600	Rs.6200	None of the above
191	Which of the following items should be added to costing profit to arrive at financial profit?	Income tax paid	Over absorption of works overhead	Interest paid on debentures	All of the above
192	Integral accounts eliminate the necessity of operating	Cost Ledger control account	Store Ledger control account	Overhead adjustment account	None of the above



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
193	Under Non- integrated accounting system, the amount made to complete double entry is :	Finished goods control account	Work in progress control account	stores ledger control accounts	General ledger adjustment account
194	Under the Non- Integrated Accounting System -	Same ledger is maintained for Cost and financial Accounts by Accountants	Separate ledgers are maintained for Cost and Financial Accounts	All transactions relating to incomes , Expenditures , Assets and Liabilities are completely recorderd	Product-wise or department wise information is not maintained
195	Notional Costs -	May be included in Integrated Accounts	may be Included in Non - Integrated accounts	Cannot Be included in Non-intergrated Accounts	are not accounted at all in Ingrated or Non- integrated Accounts
196	Which account is to be debited if materials worth rs 500 are returned to vendor under Non -Ingrated Accounts	Cost Ledger control account	finished goods control Account	WIP Control Account	General ledger adjustment account
197	What is the journal Entry under Integrated System for recording Sales made?	No entry	Dr sales , Cr General Ledger Adjustment	Dr. cash or bank Cr. Sales	Dr. General Ledger Adjsutment , Cr .sales
198	Which of the following items is most likely to be included in Cost Accounts ?	Notional Rent	Donations	© Transfer to General Reserve	Rent Receivable
199	Job costing is used in:	Furniture making	Repair shops	Printing press	All of the above
200	In a job cost system, costs are accumulated _____.	On a monthly basis	By specific job	By department or process	By kind of material used
201	The most suitable cost system where the products differ in type of material and work performed is:	Operating Costing	Job costing	Process costing	All of these.
202	Cost Price is not fixed in case of:	Cost plus contracts	Escalation clause	De escalation clause	All of the above
203	Most of the expenses are direct in:	Job costing	Batch costing	Contact costing	None of the above
204	Cost plus contract is usually entered into those cases where _____.	Cost can be easily estimated	Cost of certified and uncertified work	Cost of certified work, cost of uncertified work and amount of profit transferred to Profit and Loss Account	Determination of contract cost with reasonable accuracy is not possible
205	In order to determine cost of the products or services, different business firms follow:	Different techniques of costing	Uniform costing	Different methods of costing	None of the above
206	In case product produced or jobs undertaken are of diverse system, the system of costing to be used should be:	Operating Costing	Process Costing	Job Costing	None of the above
207	Job Costing is:	Suitable where similar products are produced on mass scale	Methods of costing used for non-standard and non-repetitive products	Technique of costing	Applicable to all industries regardless of the products or services provided



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
208	Batch costing is a type of:	Direct Costing	Process Costing	job Costing	Differential Costing
209	Batch costing is similar to that under job costing except with the difference that:	Process becomes a cost unit	Job becomes a cost unit	Batch become the cost unit instead of a job	None of the above
210	Economic batch quantity is that size of the batch of production where:	Carrying cost is minimum	Set-up cost of machine is minimum	Average cost is minimum	Both A. and B
211	Which of the following documents are used in job costing to record the issue of direct materials to a job?	Purchase order	Purchase requisition	Goods received note	Material requisition
212	Which of the following statements is true?	Batch costing is a variant of jobs costing	Job cost sheet may be used for estimating profit of jobs	Job costing cannot be used in conjunction with marginal costing	In cost plus contracts, the contractor runs a risk of incurring a loss
213	Which of the statement is true?	Job costing can be suitably used for concerns producing any specific product uniformly	Job costing cannot be used in companies applying standard costing	Job cost sheet may be prepared to facilitate routing and scheduling of the job	Neither A, nor B, nor C
214	The type of process loss that should not be allowed to affect the cost of good units is called:	Standard Loss	Normal Loss	Abnormal Loss	Seasonal Loss
215	Spoilage that occurs under inefficient operating conditions and is generally controllable is called _____.	Normal defectives	Abnormal spoilage	Normal spoilage	None of the above
216	In which of the following situations an abnormal gain in a process occurs:	When normal loss is equal to actual loss	When the actual output is greater than the planned output	When actual loss is more than the expected	When actual loss is less than the expected loss
217	The value of abnormal loss is equal to :	Total cost of materials	Total process cost less cost of scrap	Total process cost less realisable value of normal loss less value of transferred out goods	Total process cost less realisable value of normal loss
218	A process account is debited by abnormal gain, the value is determined as:	Equal to the value of good units less closing stock	Equal to the value of normal loss	Cost of good units less realisable value of normal loss	Cost of good unit less realisable value of actual loss
219	In sugar manufacturing industry molasses is also produced along with sugar. Molasses may be of small value as compared with the value of sugar and is known as:	Joint product	Common product	By-product	None of them
220	Method of apportioning joint costs on the basis of output of each joint product at the point of split-offs is known as:	Physical unit method	Sales value method	Average cost method	Marginal cost and contribution method



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
221	The main purposes of accounting of joint products and by-products is to:	Determine the replacement cost	Determine the opportunity cost	Determine profit or loss on each product line	None of the above
222	Under net realisable value method of apportioning joint costs to joint products, the selling & distribution cost is:	Ignored	Deducted from sales value	Deducted from further processing cost	Added to joint cost
223	Which of the following is an example of by-product:	Mustard seeds and mustard oil	Diesel and Petrol in an oil refinery	Edible oils and oil cakes	Curd and butter in a diary
224	Which of following methods can be used when the joint products are of unequal quantity and used for captive consumption:	Physical units method	Net realisable value method	Technical estimates, using market value of similar goods	Market value at spit-off method
225	Cost of a particular service under operating costing is ascertained by preparing:	Cost sheet	Process account	Job cost sheet	Production account
226	Operating costing is applicable to:	Hospitals	Cinemas	Transport undertaking	All of the above
227	Composite cost unit for a hospital is:	Per day	Per bed	Per patient day	Per patient
228	Cost units used in power sector is called:	Number of hours	Number of electric points	Kilowatt-hour (KWH)	Kilo meter (K.M.)
229	Absolute Tonne-Km is an example of:	Composite unit for bus operation	Composite unit of transport sector	Composite unit for oil and natural gas	Composite unit in power sector
230	In process costing, a joint product is	a product which is later divided into 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
231	Process B had no opening inventory. 13,500 units of raw material were transferred in at Rs. 4.50 per unit. Additional material at Rs.1.25per unit was added in process. Labour and overheads were Rs. 6.25 per completed unit and Rs. 2.50 per unit incomplete. If 11,750 completed units were transferred out, what was the closing inventory in Process B?	Rs. 6562.50	Rs. 12,250.00	Rs. 14,437.50	Rs. 25,375.00
232	A process costing system for J Co used an input of 3,500Kg of materials at Rs.20 per Kg and labour hours of 2,750 at Rs.25 per hour. Normal loss is 20% and losses can be sold at a scrap value of Rs.5per Kg. Output was 2,950 Kg. What is the value of the output?	Rs. 142,485	Rs. 146,183	Rs. 149,746	Rs. 152,986



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
233	In process costing, if an abnormal loss arises, the process account is generally	Debited with the scrap value of the abnormal loss units	Debited with the full production cost of the abnormal loss units	Credited with the scrap value of the abnormal loss units	Credited with the full production cost of the abnormal loss units
234	Which of the following statements is/are correct? 1. A materials requisition note is used to record the issue of direct material to a specific job. 2. A typical job cost will contain actual costs for material, labour and production overheads, and non –production overheads are often added as a percentage of total production cost 3. The job costing method can be applied in costing batches	(1) only	(1) and (2) only	(1) and (3) only	(2) and (3) only
235	A job is budgeted to require 3,300 productive hours after incurring 25% idle time. If the total labour cost budgeted for the job is Rs.36,300. What is the labour cost per hour( to the nearest cent)?	Rs. 8.25	Rs. 8.80	Rs. 11.00	Rs. 14.67
236	A company calculates the prices of jobs by adding overheads to the prime cost and adding 30% to total costs as a profit margin. Job number Y256 was sold for Rs.1690 and incurred overheads of Rs. 694. What was the prime cost of the job?	Rs. 489	Rs. 606	Rs. 996	Rs. 1300
237	State which of the following are the characteristics of service costing? 1. High levels of indirect costs as a proportion of total costs 2. Use of composite cost units 3. Use of equivalent units	(1) only	(1) and (2) only	(2) only	(2) and (3) only
238	Which of the following organisations should not be advised to use service costing?	Distribution service	Hospital	Maintenance division of a manufacturing company	A light engineering company
239	In case of joint products, the main objective of accounting of the cost is to apportion the joint costs incurred up to the split off point. For cost apportionment one company has chosen Physical Quantity Method. Three joint products 'A', 'B' and 'C' are produced in the same process. Up to the point of split off the total production of A, B and C is 60,000 kg, out of which 'A' produces 30,000 kg and joint costs are Rs. 3,60,000. Joint costs allocated to product A is:	Rs. 1,20,000	Rs. 60,000	Rs. 1,80,000	None of the these



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
240	A transport company is running five buses between two towns, which are 50 kms apart. Seating capacity of each bus is 50 passengers. Actually passengers carried by each bus were 75% of seating capacity. All buses ran on all days of the month. Each bus made one round trip per day. Passenger kms are:	2,81,250	1,87,500	5,62,500	None of the above
241	The cost of a product under marginal costing system includes:	Prime cost plus variable overhead	Prime cost plus fixed overhead	Prime cost plus factory overhead	Only prime cost
242	The difference between absorption costing and marginal costing is in regard to the treatment of:	Direct materials	Fixed overhead	Prime cost	Variable overhead
243	Fixed costs are treated as :	Overhead costs	Prime costs	Period costs	Conversion costs
244	When sales and production (in units) are same then profits under :	Marginal costing is lower than that of absorption costing	Marginal costing is higher than that of absorption costing	Marginal costing is equal to that of absorption costing	None of the above
245	When sales exceeds production (in units) then profit under:	Marginal costing is higher than that of absorption costing	Marginal costing is equal to that of absorption costing	Marginal costing is lower than that of absorption costing	None of the above
246	which of the following factors responsible for change in the break even point?	change in selling price	change in variable cost	change in fixed cost	all of the above
247	Variable cost -	Remains fixed in total	Remains fixed per unit	Varies per unit	Nor increase or decrease
248	Marginal Costing technique follows the following basic of classification:	Element wise	Function Wise	Behaviour wise	Identifiability wise
249	P/V ratio will increase if the:	There is a decrease in fixed cost	There is an increase in fixed cost	There is a decrease in selling price per unit.	There is a decrease in variable cost per unit.
250	The technique of differential cost is adopted when:	To ascertain P/V ratio	To ascertain marginal cost	To ascertain cost per unit	To make choice between two or more alternative courses of action
251	Which of the following would not be used to estimate standard direct material prices?	The availability of bulk purchase discounts	Purchase contracts already agreed	The forecast movement of prices in the market	Performance standards in operation



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
252	What is an attainable standard?	A standard which includes no allowance for losses, waste and inefficiencies. It represents the level of performance which is attainable under perfect operating conditions	A standard which includes some allowance for losses, waste and inefficiencies. It represents the level of performance which is attainable under efficient operating conditions	A standard which is based on currently attainable operating conditions	A standard which is kept unchanged, to show the trend in costs
253	Budgets are shown in-Terms:	Qualitative	Quantitative	Materialistic	both (b) and (c)
254	Which of the following is not an element of master budget?	Capital Expenditure Budget	Production Schedule	Operating Expenses Budget	All above the above
255	Which of the following is not a potential benefit of using a budget?	Enhanced coordination of firm activities	More motivated managers	Improved inter-departmental communication	More accurate external financial statements
256	Which of the following is a long-term budget?	Master Budget	Flexible Budget	Cash Budget	Capital Budget
257	Materials become key factor, if	quota restrictions exist	insufficient advertisement prevails	there is low demand	there is no problem with supplies of materials
258	The difference between fixed cost and variable cost assumes significance in the preparation of the following budget:	Master Budget	Flexible Budget	Cash Budget	Capital Budget
259	The budget that is prepared first of all is _____.	Master budget	Sales budget assuming that it is the key factor	Cash Budget	Capital expenditure budget
260	Sales budget is a _____.	expenditure budget	functional budget	master budget	None of these
261	When a company wants to prepare a factory overhead budget in which the estimated costs are directly derived from the estimates of activity levels, which of the following budget should be prepared by the company?	Flexible budget	Fixed budget	Master budget	R & D budget
262	Which of the following budgets facilitates classification of fixed and variable costs:	Capital expenditure budget	Flexible budget	Cash budget	Raw materials budget
263	The entire budget organisation is controlled and headed by a senior executive known as:	General Manager	Accountant	Budget Controller	None of the above
264	A flexible budget requires a careful study of	Fixed, semi-fixed and variable expenses	Past and current expenses	Overheads, selling and administrative expenses	None of these.



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
265	The basic difference between a fixed budget and flexible budget is that a fixed budget _____.	is concerned with a single level of activity, while flexible budget is prepared for different levels of activity	Is concerned with fixed costs, while flexible budget is concerned with variable costs	is fixed while flexible budget changes	None of these
266	Which of the following is not a reason for an idle time variance?	Wage rate increase	Machine breakdown	Illness or injury to worker	Non- availability of material
267	During September, 300 labour hours were worked for a total cost of Rs. 4800. The variable overhead expenditure variance was Rs. 600 (A). Overheads are assumed to be related to direct labour hours of active working.  What was the standard cost per labour hour?	Rs. 14	Rs. 16.50	Rs. 17.50	Rs. 18
268	Which of the following would explain an adverse variable production overhead efficiency variance?  1. Employees were of a lower skill level than specified in the standard  2. Unexpected idle time resulted from a series of machine breakdown  3. Poor Quality material was difficult to process	(1), (2) and (3)	(1) and (2)	(2) and (3)	(1) and (3)
269	Budgeted sales of X for March are 18000 units. At the end of the production process for X, 10% of production units are scrapped as defective. Opening inventories of X for March are budgeted to be 15000 units and closing inventories will be 11,400 units. All inventories of finished goods must have successfully passed the quality control check. The production budget for X for March, in units is:	12960	14400	15840	16000
270	CG Co manufactures a single product T. Budgeted production output of product T during June is 200 units. Each unit of product T requires 6 labour hours for completion and CG Co anticipates 20 per cent idle time. Labour is paid at a rate of Rs.7 per hour. The direct labour cost budget for March is	Rs. 6,720	Rs. 8,400	Rs. 10,080	Rs. 10,500



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
271	A Local Authority is preparing cash Budget for its refuse disposal department. Which of the following items would not be included in the cash budget?	Capital cost of a new collection vehicle	Depreciation of the machinery	Operatives wages	Fuel for the collection Vehicles
272	The actual output of 162,500 units and actual fixed costs of Rs. 87000 were exactly as budgeted. However, the actual expenditure of Rs. 300,000 was Rs. 18,000 over budget. What was the budget variable cost per unit?	Rs. 1.20	Rs. 1.31	Rs.1.42	Rs. 1.50
273	A Ltd is a manufacturing company that has no production resource limitations for the foreseeable future. The Managing Director has asked the company managers to coordinate the preparation of their budgets for the next financial year. In what order should the following budgets be prepared? 1) Sales budget (2) Cash budget (3) Production budget (4) Purchase budget (5) Finished goods inventory budget	(2), (3), (4), (5), (1)	(1), (5), (3), (4), (2)	(1), (4), (5), (3), (2)	(4), (5), (3), (1), (2)
274	S produces and sells one product, P, for which the data are as follows: Selling price Rs. 28 Variable cost Rs. 16 Fixed cost Rs. 4  The fixed costs are based on a budgeted production and sales level of 25,000 units for the next period.  Due to market changes both the selling price and the variable cost are expected to increase above the budgeted level in the next period.  If the selling price and variable cost per unit increase by 10% and 8% respectively, by how much must sales volume change, compared with the original budgeted level, in order to achieve the original budgeted profit for the period?	10.1% decrease	11.2% decrease	13.3% decrease	16.0% decrease



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
275	A company makes a single product and incurs fixed costs of Rs. 30,000 per annum. Variable cost per unit is Rs. 5 and each unit sells for Rs. 15. Annual sales demand is 7,000 units. The breakeven point is :	2,000 units	3,000 units	4,000 units	6,000 units
276	A company manufactures a single product for which cost and selling price data are as follows: Selling price per unit - Rs. 12 Variable cost per unit - Rs. 8 Fixed cost for a period - Rs. 98,000  Budgeted sales for a period - 30,000 units  The margin of safety, expressed as a percentage of budgeted sales, is:	20%	25%	72%	125%
277	A company's break even point is 6,000 units per annum. The selling price is Rs. 90 per unit and the variable cost is Rs. 40 per unit. What are the company's annual fixed costs?	Rs. 120	Rs. 2,40,000	Rs. 3,00,000	Rs. 5,40,000
278	After inviting tenders for supply of raw materials, two quotations are received as follows—  Supplier P Rs. 2.20 per unit, Supplier Q Rs. 2.10 per unit plus Rs. 2,000 fixed charges irrespective of the units ordered. The order quantity for which the purchase price per unit will be the same—	22,000 units	20,000 units	21,000 units	None of the above.
279	The cost per unit of a product manufactured in a factory amounts to Rs. 160 (75% variable) when the production is 10,000 units. When production increases by 25%, the cost of production will be Rs. per unit.	Rs. 145	Rs. 150	Rs. 152	Rs. 140
280	In 'make or buy' decision, it is profitable to buy from outside only when the supplier's price is below the firm's own	Fixed Cost	Variable Cost	Total Cost	Prime Cost
281	A budget which is prepared in a manner so as to give the budgeted cost for any level of activity is known as:	Master budget	Zero base budget	Functional budget	Flexible budget
282	_____ is a summary of all functional budgets in a capsule form.	Functional Budget	Master Budget	Long Period Budget	Flexible Budget
283	_____ is a detailed budget of cash receipts and cash expenditure incorporating both revenue and capital items.	Cash Budget	Capital Expenditure Budget	Sales Budget	Overhead Budget



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
284	<p>Following information is available of XYZ Limited for quarter ended June, 2023</p> <p>Fixed cost                      Rs. 5,00,000            Variable cost                Rs. 10 per unit            Selling price                 Rs. 15 per unit            Output level                 1,50,000 units</p> <p>What will be amount of profit earned during the quarter using the marginal costing technique?</p>	Rs. 2,50,000	Rs. 10,00,000	Rs. 5,00,000	Rs. 17,50,000
285	The P/v ratio of a company is 50% and margin of safety is 40%. If present sales is Rs. 30,00,000 then Break Even Point in Rs. will be:	Rs. 9,00,000	Rs. 18,00,000	Rs. 5,00,000	None of the above
286	Following information is available of PQR for year ended March, 2013: 4,000 units in process, 3,800 units output, 10% of input is normal wastage, Rs. 2.50 per unit is scrap value and Rs. 46,000 incurred towards total process cost then amount on account of abnormal gain to be transferred to Costing P&L will be:-	Rs. 2,500	Rs. 2,000	Rs. 4,000	Rs. 3,500
287	In element-wise classification of overheads, which one of the following is not included —	Fixed overheads	Indirect labour	Indirect materials	Indirect expenditure.
288	When the sales increase from Rs. 40,000 to Rs. 60,000 and profit increases by Rs. 5,000, the P/V ratio is:	20%	30%	25%	40%
289	In activity based costing , costs are accumulated by activity. Such Accumulated Amounts are called -	Cost drivers	Cost objects	Cost pools	Cost Benefits Analysis
290	Steps in ABC Include -	Identification of activities and their respective costs	Identification of cost Driver of each activity and computation of an allocation rate per activity	Allocation of Overhead Cost to products /services based on the activities involved	all of the above
291	Which of the following is not a benefit of ABC ?	Accurate cost allocation	Improved decision making	Better control on activity and costs	reduction of prime cost
292	The key elements of Activity Based Budgeting are -	Type of Activity to be performed	Quantity of activity to be performed	Cost of activity to be performed	all of the above
293	The primary objective of Cost Accounting is to:	Prepare financial statements	Determine the economic stability of a company	Ascertain the cost of products and services	Audit the financial records



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
294	Which of the following best describes the difference between cost control and cost reduction?	Cost control is preventive; cost reduction is corrective	Cost control is corrective; cost reduction is preventive	Both are identical	Cost control focuses on increasing sales
295	In a manufacturing process, normal loss is treated as:	Abnormal cost and debited to Costing P&L	Charged to a specific job	Included in the cost of good output	Ignored in cost accounting
296	When preparing a cost sheet, which of the following is excluded from prime cost?	Direct materials	Direct labour	Direct expenses	Factory overheads
297	Which of the following is NOT considered in marginal costing?	Variable cost	Fixed cost	Direct material cost	Direct labor cost
298	The purpose of CAS (Cost Accounting Standards) is to:	Ensure uniform cost accounting practices	Reduce financial reporting fraud	Set global accounting standards	Determine tax liability
299	CAS-18 deals with:	Transport Cost	Research and Development Cost	Sales Promotion Cost	Packing Cost
300	Cost Accounting Records include:	Cost ledgers only	Job cost sheets, cost ledgers, cost memorandum	Cost sheet only	Budget reports only
301	Which of the following is <b>not</b> covered under CAS-1: Classification of Cost?	Cost by nature	Cost by behavior	Cost by traceability	Cost by ownership
302	Joint costs incurred before separation point are dealt under:	CAS-19	CAS-22	CAS-6	CAS-9
303	A company purchases raw material worth ₹1,00,000. Freight inward is ₹5,000, and handling charges ₹2,000. As per CAS-6, material cost is:	₹ 1,00,000	₹ 1,05,000	₹ 1,07,000	₹ 1,02,000
304	Which of the following is a direct material cost as per CAS-6?	Wages of procurement staff	Freight paid for raw materials	Insurance of factory	Depreciation on delivery trucks
305	Which of the following should NOT be included in Employee Cost (CAS-7)?	Salary & wages	Retirement benefits	Travel reimbursement for official trip	Dividend paid to employees as shareholders
306	A company orders 5,000 units of material. Ordering cost per order ₹200. Carrying cost per unit per year is ₹5. What is the EOQ?	100 units	1,000 units	2,000 units	632 units
307	If minimum stock (safety stock) is 500 units, lead time is 10 days, average usage 100 units/day, what is reorder level?	1,500 units	500 units	1,000 units	2,000 units
308	Inventory has slow moving material not used for year, what should be done ?	Keep at cost, await usage	Mark down to NRV or write off partly	Transfer to scrap	Treat as non-current asset
309	In inventory control, "Danger level" indicates:	Level above which storage costs shoot up	Stock level below which emergency purchase is needed	Stock level to trigger regular orders	Level equal to minimum stock + reorder level
310	In setting quantitative levels of inventory, which is correct sequence (from highest to lowest)?	Danger level > Re-order level > Maximum level	Maximum level > Re-order level > Minimum level	Re-order level > Maximum level > Danger level	Safety stock > Maximum stock > Reorder level



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

## COST ACCOUNTING (PAPER - 8)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
311	A company has the following inventory data: Re-order level = 1,500 units; Re-order quantity = 1,200 units; Minimum consumption = 80 units/day; Maximum consumption = 120 units/day; Lead time = 10 to 15 days. What is the Maximum Level of inventory (in units)?	2,100 units	3,900 units	1,900 units	3,000 units
312	Which of the following is NOT a part of employee cost?	Wages	Bonus	Interest on capital	Provident fund contribution
313	A worker's standard time is 10 hours; actual time taken is 8 hours; wage rate is ₹50/hour. Bonus under Halsey Plan is:	₹ 50	₹ 75	₹ 100	₹ 125
314	A company had 1,200 employees at the beginning of July and 1,400 at the end. During the month: 50 workers left voluntarily, 30 were discharged, and 100 workers were recruited, but only 40 were replacements. What is the Labour Turnover Ratio using the Separation Method?	6.15%	7.14%	6.25%	8%
315	A worker is paid under the Rowan Plan. Standard Time = 20 hours, Time Taken = 16 hours, Rate = ₹50/hour. What are the total earnings?	₹ 850	₹ 1,050	₹ 950	₹ 960
316	Which plan shares wages based on time saved, with fixed percentage to worker?	Halsey Plan	Rowan Plan	Taylor Plan	Gantt Plan
317	In Rowan Plan, the bonus is calculated based on:	Proportion of time saved to standard time	Fixed percentage of wages	Total output produced	Total hours worked
318	If a direct expense becomes abnormally high due to emergency (e.g., courier), how is it treated?	Charged to cost of goods sold	Included in direct expenses	Ignored in cost accounting	Transferred to Costing Profit & Loss A/c
319	A contractor pays ₹25,000 as a one-time fee to use a patented method for a single job. How should this cost be treated?	Indirect Expense	Charged to general overhead	Direct Expense	Capitalized
320	Budgeted overhead = ₹1,50,000; Budgeted machine hours = 30,000; Actual hours = 28,000; Actual overhead = ₹1,35,000. Was overhead over or under-absorbed?	Over-absorbed by ₹10,000	Under-absorbed by ₹5,000	Over-absorbed by ₹5,000	Under-absorbed by ₹10,000
321	A company has two departments: Dept A and Dept B. Absorption rates: Dept A = ₹60/hr, Dept B = ₹50/hr. Actual overheads: A = ₹3,00,000, B = ₹2,50,000. Actual hours: A = 4,500 hrs, B = 4,800 hrs. What is total under/over-absorption?	Under-absorbed by ₹40,000	Over-absorbed by ₹20,000	Under-absorbed by ₹10,000	Over-absorbed by ₹10,000
322	Which of the following is the most appropriate base for absorbing factory overhead in a labour-intensive industry?	Machine hours	Direct material cost	Direct labour hours	Units produced
323	Which of the following is the most appropriate basis for apportioning canteen expenses among production departments?	Floor area	Number of employees	Machine hours	Value of output



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## COST ACCOUNTING (PAPER - 8)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
324	In a non-integral costing system, which of the following is true?	Only cost accounts are maintained, no financial books	Cost and financial books are merged	Separate cost books are maintained, and reconciliation is done with financial books	Cost ledger control account is not required
325	Which of the following is TRUE about reconciliation between cost and financial accounts?	Only timing differences are adjusted	Only valuation differences are adjusted	Both timing and valuation differences are adjusted	No adjustments are needed if integral accounting is used
326	When the cost accounts show under absorption of overhead, it means:	Actual overhead > Absorbed overhead	Actual overhead < Absorbed overhead	They are equal	It has no effect on profit
327	The purpose of preparing a cost reconciliation statement is to:	Find errors in costing records only	Adjust financial profit to costing profit	Show the difference between financial profit and costing profit and explain it	Omit abnormal items
328	In cost accounts, depreciation is charged at 10% on machinery of ₹2,00,000, while in financial accounts depreciation is charged at 15%. What will be the difference in profit due to this?	₹10,000 higher in cost accounts	₹10,000 lower in cost accounts	₹20,000 higher in financial accounts	No difference
329	In cost books, closing stock is valued at ₹80,000. In financial books, the same is valued at ₹90,000. If cost profit is ₹1,00,000, then financial profit is:	₹ 1,10,000	₹ 90,000	₹ 1,20,000	₹ 80,000
330	Margin of safety represents:	Fixed costs	The difference between actual sales and break-even sales	Variable costs	Profit margin
331	Sales = ₹5,00,000, Cost of Goods Sold = ₹3,60,000, Selling & Distribution overheads = ₹40,000. Find profit.	₹ 1,00,000	₹ 1,20,000	₹ 90,000	₹ 80,000
332	The Cost Ledger Control Account (CLCA) is used to:	Record cost accounting entries only	Reconcile cost ledger with the financial ledger	Replace the general ledger for cost accounts	Record revenue transactions
333	In cost accounts, idle time compensation is usually:	Included in direct labour	Charged to cost of production	Treated as overhead	Omitted
334	Job costing is most suitable for:	Cement manufacturing	Oil refining	Construction of bridges	Chemical industry
335	A company undertakes Job #251. Direct materials = ₹50,000, Direct labour = ₹30,000. Factory overheads are absorbed at 80% of direct labour. Cost of Job #251 = ?	₹ 74,000	₹ 80,000	₹ 1,04,000	₹ 96,000
336	In job costing, indirect costs are charged to jobs using:	Direct allocation	Overhead absorption rate	Actual expenditure basis	Historical cost method
337	Job cost sheet is primarily prepared for:	Recording only overheads	Ascertaining cost of a specific job	Financial reporting purposes	Cost control of all departments
338	Which of the following is NOT a feature of job costing?	Costs are collected by jobs	Each job has a distinct identity	Mass production of homogeneous units	A job cost sheet is maintained



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## COST ACCOUNTING (PAPER - 8)

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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
339	In job costing, each job is treated as:	A separate cost unit	A batch of identical products	A process account	A service department
340	Batch costing is most suitable for:	Ship building	Pharmaceutical industry	Oil refinery	Bridge construction
341	Batch requires 2,000 labour hours @ ₹50/hr. Material = ₹60,000. Overheads = ₹200 per labour hr. Batch size = 1,000 units. Cost per unit?	₹ 560	₹ 310	₹ 280	₹ 250
342	Batch requires materials = ₹18,000, Labour = ₹12,000. Overheads = 50% of Prime Cost. Batch size = 600 units. Cost per unit?	₹ 70	₹ 80	₹ 75	₹ 85
343	The total cost per unit decreases as batch size increases mainly due to:	Decrease in material cost	Decrease in set-up cost per unit	Decrease in labour rate	Decrease in selling cost
344	Batch costing is a variant of:	Job Costing	Process Costing	Contract Costing	Operating Costing
345	In batch costing, abnormal loss is:	Added to cost	Excluded from cost	Transferred to costing P&L	Charged to next batch
346	Cost to date ₹2,00,000, Work certified ₹2,50,000, Work uncertified ₹20,000. What is the notional profit?	₹ 70,000	₹ 50,000	₹ 80,000	₹ 30,000
347	Which of the following costs is <i>not</i> normally debited to the Contract Account?	Direct wages	Depreciation of plant used on site	Architects' fees	Interest on capital of contractor
348	A clause in a contract which provides that the contract price will be increased if materials, labour etc. costs rise is called:	Price variation clause	Escalation clause	Cost plus clause	Contingency clause
349	If variable cost is 40%, and fixed costs are ₹6,000, break-even sales will be:	₹ 15,000	₹ 10,000	₹ 14,000	₹ 2,400
350	When is 2/3 of notional profit transferred to P&L?	Completion > 50%	Completion < 50%	Always	Never
351	Cost to date ₹3,00,000, Estimated cost to complete ₹1,00,000, Contract price ₹5,00,000. Estimated profit?	₹ 50,000	₹ 1,50,000	₹ 2,00,000	₹ 1,00,000
352	Which of the following is <b>not</b> a feature of process costing?	Continuous production	Separate costing for each unit	Standardized operations	Accumulation of costs by process
353	A company has two processes. Process I transfers 5,000 units to Process II. Process II loses 2% normal loss on its input. In process II, materials are added at start, conversion equally. If Process II starts 5,000 units, what is the good output expected?	4,900 units	4,400 units	5,900 units	8,300 units
354	A company processes 5,000 units. Normal loss = 10%. Actual output = 4,300 units. Scrap from normal loss has no value. What is the abnormal loss in units?	500	700	200	300
355	Normal loss is expected and is:	Charged to costing P&L	Ignored in cost accounting	Spread over good units	Added to abnormal loss
356	Abnormal loss units are valued at:	Cost per equivalent unit	Scrap value	Zero	Sales price
357	Process costing is used in:	Construction	Hospitals	Sugar industry	Automobile manufacturing



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
358	A bus runs 80 km with 40 passengers. Return trip is 60 km with 20 passengers. What are the total passenger-km?	4,400	3,200	2,000	5,600
359	A hotel has 40 rooms, average occupancy 75%. Monthly operating cost ₹12,00,000. What is cost per room-day?	₹ 1,000	₹ 1,200	₹ 1,333	₹ 1,100
360	A truck runs 100 km daily with a 5-tonne load one way and returns empty. Operating 25 days/month. What is the total tonne-km?	5,000	12,500	25,000	15,000
361	Operating costing is most suitable for which of the following?	Construction firms	Transport companies	Manufacturing units	Auditing firms
362	Which of the following is a characteristic of operating costing?	Applied to goods costing	Used for uniform services	Used for one-time contracts	Has no overheads
363	Which of the following is <b>not</b> a component of operating cost for transport?	Diesel cost	Driver's salary	Factory rent	Depreciation on vehicle
364	In operating costing, <b>composite cost units</b> are used when:	Only one service is offered	Service is measurable in one metric	Multiple elements affect service	Costing is not needed
365	In marginal costing, fixed costs are treated as:	Product cost	Partially variable cost	Period cost	Avoidable cost
366	If selling price per unit increases, the break-even point will:	Increase	Decrease	Remain unchanged	Cannot say
367	When marginal cost and average cost are equal, then:	Average cost is increasing	Average cost is decreasing	Average cost is constant	Fixed cost is zero
368	Profit-Volume (P/V) Ratio improves when:	Variable cost increases	Fixed cost increases	Selling price decreases	Variable cost decreases
369	Selling price = ₹50, Variable cost = ₹30, Fixed cost = ₹40,000. Calculate break-even sales (units).	2,000	1,333	1,500	800
370	If sales increase by ₹25,000 and the P/V ratio is 40%, how much does profit increase?	₹ 10,000	₹ 15,000	₹ 5,000	₹ 12,500
371	If Margin of safety = ₹1,20,000; P/V ratio = 30%. What will be the Profit = ?	₹ 36,000	₹ 40,000	₹ 24,000	₹ 30,000
372	Selling price = ₹100, Variable cost = ₹60, Fixed cost = ₹1,60,000. Profit desired ₹40,000. What is the required sales?	₹ 4,00,000	₹ 5,00,000	₹ 6,00,000	₹ 3,00,000
373	If a company's operating capacity increases from 60% to 80%, while fixed costs remain the same, how will the Break-Even Point (BEP) be affected?	Increase	Decrease	Remain unchanged	Become irrelevant
374	Sales is ₹1,00,000, Variable cost is ₹60,000 and Fixed cost is ₹40,000. What is the P/V ratio?	60%	40%	50%	30%
375	Which is NOT a component of material cost variance?	Material price variance	Material usage variance	Material mix variance	Material production variance
376	Actual usage = 2,100kg, standard = 2,000kg, Selling price = ₹25. Find material usage variance.	₹2,500 (A)	₹2,500 (F)	₹1,500 (A)	₹1,500 (F)
377	Paying a higher wage rate than standard leads to:	Labour efficiency variance	Labour rate variance	Labour idle time variance	Labour mix variance



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### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
378	Standard price = ₹20/kg, standard quantity = 500 kg, actual quantity = 520 kg, actual price = ₹22/kg. Find Material Cost Variance (MCV).	₹1,000 (A)	₹1,000 (F)	₹1,440 (A)	₹1,040 (F)
379	Standard mix: A = 60%, B = 40% of 1,000 kg. Standard prices: A = ₹10, B = ₹5. Actual: A = 550kg, B = 450kg. Find Material Mix Variance.	₹250 (F)	₹250 (A)	₹200 (F)	₹200 (A)
380	Standard rate = ₹50/hr; Standard time = 1,000 hrs; Actual rate = ₹52/hr; Actual time = 1,050 hrs. What is Labour Cost Variance?	₹4,600 (A)	₹2,000 (F)	₹1,500 (A)	₹1,500 (F)
381	Standard rate = ₹55/hr; Actual rate = ₹60/hr; Actual hours = 900. What is Labour Rate Variance (LRV)?	₹4,500 (A)	₹4,500 (F)	₹5,000 (A)	₹5,000 (F)
382	Budgeted Output = 1,000 units; Standard overhead Rate = ₹8/unit; Actual Output = 950; Actual Overhead = ₹7,800. What is Overhead Cost Variance?	₹200 (F)	₹200 (A)	₹400 (A)	₹400 (F)
383	“Master budget” usually comprises:	Sales budget only	Production budget only	All functional budgets + budgeted financial statements	Cash budget only
384	A flexible budget is useful when:	Activity level is fixed and known in advance	Actual output differs from the level assumed in the budget	All costs are fixed	There is no variance between budgeted and actual
385	A static budget is one which:	Changes with output	Remains unchanged despite output changes	Is too flexible	Is for govt only
386	Flexible budget at 12,000 units: Variable cost is ₹5/unit, Fixed cost is ₹20,000; actual Variable Cost is ₹63,000, Fixed cost is ₹22,000. Calculate total cost variance.	₹5,000 (A)	₹5,000 (F)	₹3,000 (A)	₹2,000 (A)
387	Zero-base budgeting means:	Build budget from scratch	Budget with zero profit	First year budget	Zero idle capacity
388	Budget that adjusts to activity level & cost behaviour:	Fixed budget	Flexible budget	Sales budget	Production budget
389	Planned sales = 8,000; Opening stock = 500; Closing stock = 1,000. Production budget is:	7,000 units	7,500 units	8,500 units	8,000 units
390	Cash budget: Opening ₹5,000; Receipts ₹25,000; Payments ₹30,000. Find Closing balance.	₹ 0	₹ 5,000	₹ 10,000	₹ 15,000
391	Budgetary slack means:	Understating revenue / overstating cost	Overstating revenue / understating cost	Estimation error due to uncertainty	Always due to fraud
392	Standard usage = 4 kg/unit; Expected production = 2,000 units. What is Material usage budget?	8,000 kg	6,000 kg	10,000 kg	12,000 kg



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## COST ACCOUNTING (PAPER - 8)

### ANSWERS TO MCQ BANK

SL. NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
1	Prime Cost is:	the total of direct costs	2
2	A company employs three drivers to deliver goods to its customers. The salaries paid to these drivers are:	a selling & distribution overhead	4
3	A company has to pay a Rs. 1 per unit royalty to the designer of a product which it manufactures and sells. The royalty charge would be classified in the company's accounts as a	Direct expense	1
4	_____ is a method of dealing with overheads which involves spreading common costs over cost centers on the basis of benefit received.	overhead apportionment	2
5	Which of the following classification is meant for distinction between direct cost and indirect cost?	Element	2
6	Which of the following is applicable for Cost Control?	It ends when the targets are achieved	3
7	_____ is anything for which a separate measurement of cost is required	Cost object	4
8	Ticket counter in a Metro Station is an example of	Revenue centre	4
9	Absorption costing is also referred as _____	All of the above terms	4
10	the main purpose of cost accounting is	to provide information to management for decision-making	4
11	_____ is anything for which a separate measurement is required	cost object	2
12	Which of the following is true about Cost Control	It ends when targets achieved	3
13	Cost Units used in Power Sector is :	Kilo - Watt-Hour (kWh)	2
14	Process Costing method is suitable for :	Chemical Industries	2
15	distinction between Direct Cost and Indirect Cost is an example of _____ classification.	By element	1
16	The advantage of using IT in Cost Accounting does not include	stock needs to be reconciled with goods received note	2
17	A taxi provider charges minimum Rs.80 thereafter Rs. 12 per kilometer of distance travelled ,the behaviour of conveyance Cost is	semi-variable	2
18	A Ltd. Has three Production Departments, and each department has machines , which of the following cannot be treated as Cost Centre for cost allocation:	A Ltd.	4
19	Which of the following is an example of functional classification of cost?	Administrative overhead	3
20	Cost which are ascertained after they have been incurred are known as	Historical Costs	3
21	Generally , for the purpose of Cost sheet preparation , costs are classified on the basis of -	Functions	1
22	What is prime cost	Total direct cost only	1
23	Which of the following does not form part of prime cost	Cost of Packing	1
24	Which of these is not an objective of Cost Accounting?	Assisting Shareholders in decision making	4
25	Which of the following are direct expenses ? (1) Cost of Special Designs ,drawings or layout, (2) Hire of Tools or Equipment for a particular job , (3) Salesman's wages , (4) Rent , rates and Insurance of a factory ,	(1) and (2)	1
26	Salary paid to plant Supervisor is a part of	Factory Overheads	2
27	Depreciation of Director's Laptop is treated as a part of :	Administration Overheads	1
28	A manufacturing Company has set-up a lab for testing of products for compliance with standards. Salary of this Lab Staff are part of :	Quality Control Cost	2
29	Audit fees paid to external Statutory Auditors is part of	Administration Cost	1
30	Salary paid to factory stores is a part of	Factory Overheads	1
31	Canteen Expenses for factory workers are part of -	Factory Overheads	1
32	A company pays Royalty to State Government on the basis of production , it is treated as:	Direct Expenses	3
33	Which of the following is not an element of Works Overhead ?	Sales Manager's Salary	3
34	A profit centre is a centre	Where the manager has the responsibility of generating and maximising profits	1



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## COST ACCOUNTING (PAPER - 8) ANSWERS TO MCQ BANK

SL. NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
35	Responsibility Centre can be categorised into:	Cost Centres, Profit Centres and Investment Centres	4
36	Cost Unit is defined as:	Unit of quantity of product, service or time in relation to which costs may be ascertained or expressed	1
37	Fixed cost is a cost:	Which do not change in total during a given period despite changes in output	3
38	Uncontrollable costs are the costs which be influenced by the action of a specified member of an undertaking.	can not	1
39	Element/s of Cost of a product are:	Material, Labour and expenses	2
40	Abnormal cost is the cost:	Cost not normally incurred at a given level of output	2
41	Conversion cost includes cost of converting.....into.....	Raw material, Finished goods	2
42	Sunk costs are:	Not relevant for decision making	2
43	Calculate the prime cost from the following information: Direct material purchased: Rs. 1,00,000 Direct material consumed: Rs. 90,000  Direct labour: Rs. 60,000  Direct expenses: Rs. 20,000  Manufacturing overheads: Rs. 30,000	Rs. 1,70,000	3
44	Total cost of a product: Rs. 10,000 Profit: 25% on Selling Price Profit is:	Rs. 3,333	3
45	Calculate cost of sales from the following:  Net Works cost: Rs. 2,00,000  Office & Administration Overheads: Rs. 1,00,000 Opening stock of WIP: Rs. 10,000  Closing Stock of WIP: Rs. 20,000 Closing stock of finished goods: Rs. 30,000  There was no opening stock of finished goods. Selling overheads: Rs. 10,000	Rs. 2,80,000	2
46	Which of the following is considered as normal loss of material?	Loss due to careless handling of material	3
47	The most important element of cost is-	Material	1
48	Direct material is a –	None of these	4
49	Which of the following is considered as accounting record?	Store Ledger	3
50	Direct material can be classified as :	Vaiable Cost	3
51	In which of the following methods of pricing, costs lag behind the current economic values?	First in first out price method	3
52	In which of the following methods, issues of materials are priced at pre-determined rate?	Standard price method	4
53	Which of the following methods smoothes out the effect of fluctuations when material prices fluctuate widely?	Weighted average	4
54	In which of the following incentive plan of payment, wages on time basis are not Guaranteed?	Taylor's differential piece rate system	3
55	Cost of idle time arising due to non-availability of raw material is :	Charged to costing profit and loss A/c	1



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## COST ACCOUNTING (PAPER - 8) ANSWERS TO MCQ BANK

SL. NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
56	When overtime is required for meeting urgent orders, overtime premium should be	Charged to overhead costs	2
57	Labour turnover is measured by	Number of workers replaced average number of workers	1
58	Idle time is	Time spent by workers off their work	3
59	Over time is :	Actual hours being more than normal time	1
60	Labour productivity is measured by comparing	All of the above	4
61	If the time saved is less than 50% of the standard time, then the wages under Rowan and Halsey premium plan on comparison gives:	More wages to workers under Rowan Plan than Halsey Plan	3
62	Under Taylor's differential piece rate scheme, if a worker fails to complete the task within the standard time, then he is paid	83% of the piece work rate	1
63	Direct Expenses _____ includes imputed cost.	Shall not	2
64	Direct Expenses that does not meet the test of materiality can be _____ part of overhead.	Treated	1
65	Example of Direct Expenses.	Royalty charged on production	2
66	The allotment of whole items of cost centres or cost unit is called :	Cost allocation	1
67	Directors remuneration and expenses form a part of:	Administration overhead	2
68	Charging to a cost center those overheads that result solely for the existence of that cost Center is known as	Allocation	1
69	Absorption means:	Charging of overhead to cost units	2
70	When the amount of under or over absorption is significant, it should be disposed of by:	The use of supplementary rates	2
71	Selling and distribution overheads are absorbed on the basis of:	Any of the above	4
72	Primary packing cost is a part of:	Production cost	4
73	Normal capacity of a plant refers to the difference between:	Practical capacity and estimated idle capacity as revealed by long term sales trend	3
74	When the amount of overhead absorbed is less than the amount of overhead incurred, it is called:	Under absorption of overhead	1
75	_____ is a scientific and accurate method of factory overhead absorption.	Machine hour rate method	2
76	Which of these is not a Material control technique:	Maintaining stores ledger	3
77	Out of the following, what is not the work of purchase department:	Accounting for material received	4
78	Bin Card is a:	Quantitative record of material received, issued and balance	2
79	Stores Ledger is a:	Quantitative as well as value wise records of material received, issued and balance;	1
80	Re-order level is calculated as:	Maximum consumption x Maximum re-order period	1
81	Economic order quantity is that quantity at which cost of holding and carrying inventory is	Minimum and equal	4
82	ABC analysis is an inventory control technique in which:	Inventory is classified into A, B and C Category with A being the lowest quantity, highest value	3
83	Which one out of the following is not an inventory valuation method?	EOQ	4
84	In case of rising prices (inflation), FIFO method will:	provide highest value of closing stock and profit	2
85	In case of rising prices (inflation), LIFO will:	provide lowest value of closing stock and profit	1
86	Calculate Re-order level from the following: Consumption per week: 100-200 units Delivery period: 14-28 days	800 units	2



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## COST ACCOUNTING (PAPER - 8) ANSWERS TO MCQ BANK

SL. NO.	QUESTIONS	CORRECT ANSWER	ANSWER CODE
87	Calculate EOQ (approx.) from the following details: Annual Consumption: 24000 units Ordering cost: Rs. 10 per order Purchase price: Rs. 100 per unit Carrying cost: 5%	310	1
88	Calculate the value of closing stock from the following according to FIFO method:  1st January, 2024: Opening balance: 50 units @ Rs. 4 Receipts: 5th January, 2024: 100 units @ Rs. 5 12th January, 2024: 200 units @ Rs. 4.50  Issues: 2nd January, 2024: 30 units  18th January, 2024: 150 units	Rs. 765	1
89	Calculate the value of closing stock from the following according to LIFO method:  1st January, 2024: Opening balance: 50 units @ Rs. 4 Receipts: 5th January, 2024: 100 units @ Rs. 5 12th January, 2024: 200 units @ Rs. 4.50  Issues: 2nd January, 2024: 30 units  18th January, 2024: 150 units	Rs. 805	2
90	Calculate the value of closing stock from the following according to Weighted Average method:  1st January, 2024: Opening balance: 50 units @ Rs. 4  Receipts: 5th January, 2024: 100 units @ Rs. 5 12th January, 2024: 200 units @ Rs. 4.50  Issues: 2nd January, 2024: 30 units  18th January, 2024: 150 units	Rs. 786	3
91	Cost of abnormal wastage is:	Charged to the profit & loss account	2
92	Calculate re-order level from the following: Safety stock: 1000 units Consumption per week: 500 units It takes 12 weeks to reach material from the date of ordering.	7000 units	4



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SL. NO.	QUESTIONS	CORRECT ANSWER	ANSWER CODE
93	From the following information, calculate the extra cost of material by following EOQ: Annual consumption: = 45000 units Ordering cost per order: = Rs. 10 Carrying cost per unit per annum: = Rs. 10 Purchase price per unit = Rs. 50 Re-order quantity at present = 45000 units There is discount of 10% per unit in case of purchase of 45000 units in bulk.	Rs. 2,990	4
94	Which of the following is an abnormal cause of Idle time:	Machine break downs	4
95	If overtime is resorted to at the desire of the customer, then the overtime premium:	should be charged to the job directly	3
96	Labour turnover means:	Rate of change in composition of labour force during a specified period	2
97	Which of the following is not an avoidable cause of labour turnover:	Disability, making a worker unfit for work	4
98	Costs associated with the labour turnover can be categorised into:	Both of the above	3
99	Calculate workers left and discharged from the following: Labour turnover rates are 20%, 10% and 6% respectively under Flux method, Replacement method and Separation method. No. of workers replaced during the quarter is 80.	48	3
100	Calculate workers recruited and joined from the following: Labour turnover rates are 20%, 10% and 6% respectively under Flux method, Replacement method and Separation method. No. of workers replaced during the quarter is 80.	112	1
101	Calculate the labour turnover rate according to replacement method from the following: No. of workers on the payroll: - At the beginning of the month: 500 - At the end of the month: 600 During the month, 5 workers left, 20 workers were discharged and 75 workers were recruited. Of these, 10 workers were recruited in the vacancies of those leaving and while the rest were engaged for an expansion scheme.	1.82%	2
102	Calculate the labour turnover rate according to Separation method from the following: No. of workers on the payroll: - At the beginning of the month: 500 - At the end of the month: 600 During the month, 5 workers left, 20 workers were discharged and 75 workers were recruited. Of these, 10 workers were recruited in the vacancies of those leaving and while the rest were engaged for an expansion scheme.	4.55%	1
103	A worker is allowed 60 hours to complete the job on a guaranteed wage of Rs. 10 per hour. Under the Rowan Plan, he gets an hourly wage of Rs. 12 per hour. For the same saving in time, how much he will get under the Halsey Plan?	Rs.540	2
104	Overhead refers to:	All Indirect costs	2
105	Allotment of whole item of cost to a cost centre or cost unit is known as:	Cost Allocation	2
106	Which of the following is not a method of cost absorption?	Repeated distribution method	4



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SL. NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
107	Service departments costs should be allocated to:	Both Production and service departments	3
108	Most suitable basis for apportioning insurance of machine would be:	Value of Machines	2
109	Blanket overhead rate is:	One single overhead absorption rate for the whole factory	1
110	AT Co makes a single product and is preparing its material usage budget for next year. Each unit of product requires 2kg of material, and 5,000 units of product are to be produced next year.  Opening inventory of material is budgeted to be 800 kg and AT co budgets to increase material inventory at the end of next year by 20%  The material usage budget for next year is:	10,000 Kg	3
111	During a period 17, 500 labour hours were worked at a standard cost of Rs. 6.50 per hour. The labour efficiency variance was Rs. 7,800 favourable. How many standard hours were produced?	18700	4
112	In most of the manufacturing industries ,the most important element of cost is	material	1
113	Which of the following is NOT considered to be Normal loss of Materials ?	Loss due to breaking the bulk	3
114	Which of following is NOT considered as Normal loss of material?	Loss due to pilferage	2
115	At the economic ordering quantity level , the following is true on an annual basis:	Ordering Cost is equal to the Carrying Cost	3
116	Continuous Stock Taking is a part of:	Perpetual Inventory	2
117	In which of the following methods, issues of materials are priced at pre-determined rate?	Standard price method	2
118	When Material prices Fluctuate widely, the method of pricing that gives absurd results is -	Simple Average Price	4
119	When prices fluctuate widely , the method that will smooth out the effect of fluctuations is	Weighted Average price	2
120	Under the FSN system of Inventory Control ,Inventory is Classified on the basis of :	Frequently of usage of items of inventory	2
121	Form used for making a formal request to the Purchasing Department to purchase materials is a-	Purchase Requisition Note	2
122	Classification of Materials on the basis of their Importance in Value is called:	ABC Analysis	3
123	For Return of Excess Materials from Production Department to stores , the document used is:	All the above (same)	4
124	Which of the following is NOT related to a standard list of materials and components?	Consumption Statement	1
125	Which of the following is NOT recorded on a Bin card?	Inter department transfers	3
126	What is the formula for Re-order level?	Maximum Usage x maximum lead time	2
127	(ROL+ROQ (-) minimum usage x minimum lead time ) is the computation formula for....	Maximum level	1
128	Inventory turnover ratio is expressed in	times	3
129	Generally , a _____ T/o and _____ days Average Inventory held is preferable	High , less	1
130	Pricing of Materials in the order in which they are purchased is called _____ method	FIFO	2
131	Landed cost of materials does not include.....	Stock Insurance	3
132	Cost of abnormal loss of materials is	Debited to costing P & L	1
133	Idle time is the time under which	Both (a) and (b)	3
134	When a direct Worker is paid on a monthly fixed salary basis , the following is true :	There is no idle time cost	1
135	Time and Motion study is conducted by	Engineering Department	4



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SL. NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
136	Wages sheet is generally prepared by-	Payroll Department	3
137	For reducing the labour cost per unit ,which of the following factors is most important?	Higher Productivity or Efficiency	3
138	Time Booking refers to a method wherein _____ of an employees is recorded	Time spent on a particulars job	4
139	Employee Cost includes	All of the above	4
140	Standard Time of a job is 60 hours and guaranteed time rate is rs 90 per hour. What is the amount of wages under Rowan plan if job is completed in 48 hours?	rs 1728	2
141	Standard Time of a job is 60 hours and guaranteed time rate is rs 90 per hour. What is the amount of wages under Halsey plan if job is completed in 48 hours?	rs 180	2
142	If Overtime is required for meeting urgent orders , the Overtime premium should be charged as -	Respective job	1
143	Keeping a record of total time spent by the worker inside the factory is called	Time keeping	1
144	Wages attributable to Normal idle Time is treated as	Either of the above	3
145	In the context of Labour Turnover ,Number of Workers left and discharged is called-	Separation	4
146	(Hours worked X Rate per hour) is the computation of wages under	Time rate System	4
147	Under Halsey System ,generally Bonus is computed as _____ x (Time Saved x Rate per hour)	50%	2
148	A worker will earn wages under Halsey and Rowan System , if time Saved equals -	50% of Std Time	1
149	Labour Efficiency (based on time) is given by the Formula	Std Time /Actual Time	1
150	If wages per day of 8 hours is rs 500, std outputis 100 units , Actual Output is 120 ,piece rate wages-	rs 600	2
151	If Std Time is 8 hours , Actual time is 6 hours ,rate per hour is Rs. 100 , Rwan Wages =	Rs. 750	3
152	If Actual Output in 8 hours is 700 units , Standard Output is 90 units per hour , Efficiency Ratio is	97.22%	1
153	Fixed over costs are not effected in monetary terms during a fiven period by a change in Output. But this statement is valid provided	Increase in Output is not Substantial	1
154	_____ Capacity is defined as actually utilised capacity of a plant .	Practical	3
155	Maximum Possible Productive Capacity of a plant when no operating time is lost is its :	Theoretical Capacity	3
156	Charging of common Overheads cost to various cost centres, using appropriate bases is known as -	Apportionment	2
157	Distribution of service Department Overheads Cost to production Departments using different assumptions and methods is known as -	Re- Apportionment	4
158	packing Cost is part of	It may be any of the above	4
159	Which of the following is not treated as a Manufacturing Overhead ?	Night Shift allowance paid to a factory Worker due to general work pressure	4
160	The difference between Actual Factory Overhead and Absorbed Factory Overhead will be usually at the minimum level , provided pre-determined overhead rate is based on :	Normal Capacity	4
161	When Absorbed Overhead is Higher than the amount of Overhead incurred , it is called	Over absorption of overhead	2
162	Which of the following overhead cost may not be apportioned on the basis of Direct Wages?	Managerial Salaries	4
163	The following is an example of direct expenses as per CAS-10:	Travelling expenses to site.	2
164	CAS 21 stands for:	None of these	4
165	Standard deals with the cost of service cost center is:	CAS-13	2
166	Which standards deals with the principles and methods of determining depreciation and amortization cost?	CAS 16	4
167	Which standards deals with determination of averages/ equalized transportation cost?	CAS 5	1



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SL. NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
168	Which standard deals with the principles and methods of determining the manufacturing Cost of excisable goods?	CAS 22	4
169	_____ deals with the principles and methods of determining the production or operation overheads.	CAS-3	1
170	CAS 13 stands for:	Cost of Service cost centre	4
171	Which of the following items is not included in preparation of cost sheet?	Interest paid	4
172	Which of the following items is not excluded while preparing a cost sheet?	Property tax on Factory building	3
173	Which of the following are direct expenses?(1) The cost of special designs, drawings or layouts,(2) The hire of tools or equipment for a particular job,(3) Salesman's wages,(4) Rent, rates and insurance of a factory	(1) and (2)	1
174	What is prime cost ?	Total direct cost only	1
175	Which of the following is not an element of works overhead?	Sales manager's salary	1
176	For the purpose of Cost Sheet preparation , costs are classified based on:	Functions	1
177	Salary paid to an office supervisor is a part of:	Administration cost	2
178	Audit fees paid to cost auditors is part of	Administration cost	3
179	A company has set up a laboratory for testing of products for compliance with standards. Salary of this laboratory stuffs are part of:	Quality control cost	2
180	Canteen expenses for factory workers are part of:	Factory overhead	2
181	Which of the following does not form part of prime cost?	Overtime premium paid to workers	4
182	A company pays royalty to State Government on the basis of production, it is treated as:	Direct expenses	1
183	In Reconciliation Statements, expenses shown only in financial accounts are:	Added to financial profit	4
184	In Reconciliation Statement, expenses shown only in cost accounts are:	Deducted from financial profit	2
185	In Reconciliation Statement, transfers to reserves are:	Added to financial profit	1
186	In Reconciliation Statement, incomes shown only in financial accounts are:	Deducted from financial profit	2
187	In Reconciliation Statement, Closing Stock undervalued in Financial Accounts is	Added to financial profit	1
188	Under non-integrated accounting system:	Separate ledgers are maintained for cost and financial accounts	1
189	Under non-integrated system of accounting, purchase of raw material is debited to:	Material control account / stores ledger control account	2
190	When costing loss is Rs. 5,600, administrative overhead under-absorbed being Rs. 600, the loss as per financial accounts should be _____.	Rs.6200	3
191	Which of the following items should be added to costing profit to arrive at financial profit?	Over absorption of works overhead	2
192	Integral accounts eliminate the necessity of operating	Cost Ledger control account	1
193	Under Non- integrated accounting system, the amount made to complete double entry is :	General ledger adjustment account	4
194	Under the Non- Integrated Accounting System -	Separate ledgers are maintained for Cost and Financial Accounts	2
195	Notional Costs -	may be Included in Non - Integrated accounts	2
196	Which account is to be debited if materials worth rs 500 are returned to vendor under Non -Ingrated Accounts	General ledger adjustment account	4
197	What is the journal Entry under Integrated System for recording Sales made?	Dr. General Ledger Adjsutment , Cr .sales	4
198	Which of the following items is most likely to be included in Cost Accounts ?	Notional Rent	1
199	Job costing is used in:	All of the above	4
200	In a job cost system, costs are accumulated _____.	By specific job	2
201	The most suitable cost system where the products differ in type of material and work performed is:	Job costing	2
202	Cost Price is not fixed in case of:	Cost plus contracts	1



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SL. NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
203	Most of the expenses are direct in:	Contact costing	3
204	Cost plus contract is usually entered into those cases where _____.	Determination of contract cost with reasonable accuracy is not possible	4
205	In order to determine cost of the products or services, different business firms follow:	Different methods of costing	3
206	In case product produced or jobs undertaken are of diverse system, the system of costing to be used should be:	Job Costing	3
207	Job Costing is:	Methods of costing used for non-standard and non-repetitive products	2
208	Batch costing is a type of:	job Costing	3
209	Batch costing is similar to that under job costing except with the difference that:	Batch become the cost unit instead of a job	3
210	Economic batch quantity is that size of the batch of production where:	Both A. and B	4
211	Which of the following documents are used in job costing to record the issue of direct materials to a job?	Material requisition	4
212	Which of the following statements is true?	Job cost sheet may be used for estimating profit of jobs	2
213	Which of the statement is true?	Neither A, nor B, nor C	4
214	The type of process loss that should not be allowed to affect the cost of good units is called:	Abnormal Loss	3
215	Spoilage that occurs under inefficient operating conditions and is generally controllable is called _____.	Abnormal spoilage	2
216	In which of the following situations an abnormal gain in a process occurs:	When the actual output is greater than the planned output	2
217	The value of abnormal loss is equal to :	Total process cost less realisable value of normal loss	4
218	A process account is debited by abnormal gain, the value is determined as:	Cost of good units less realisable value of normal loss	3
219	In sugar manufacturing industry molasses is also produced along with sugar. Molasses may be of small value as compared with the value of sugar and is known as:	By-product	3
220	Method of apportioning joint costs on the basis of output of each joint product at the point of split-offs is known as:	Physical unit method	1
221	The main purposes of accounting of joint products and by-products is to:	Determine profit or loss on each product line	3
222	Under net realisable value method of apportioning joint costs to joint products, the selling & distribution cost is:	Deducted from sales value	2
223	Which of the following is an example of by-product:	Edible oils and oil cakes	3
224	Which of following methods can be used when the joint products are of unequal quantity and used for captive consumption:	Technical estimates, using market value of similar goods	3
225	Cost of a particular service under operating costing is ascertained by preparing:	Job cost sheet	3
226	Operating costing is applicable to:	All of the above	4
227	Composite cost unit for a hospital is:	Per patient day	3
228	Cost units used in power sector is called:	Kilowatt-hour (KWH)	3
229	Absolute Tonne-Km is an example of:	Composite unit of transport sector	2
230	In process costing, a joint product is	a product which is produced simultaneously with other products and is of similar value to at least one of the other products.	2
231	Process B had no opening inventory. 13,500 units of raw material were transferred in at Rs. 4.50 per unit. Additional material at Rs.1.25per unit was added in process. Labour and overheads were Rs. 6.25 per completed unit and Rs. 2.50 per unit incomplete. If 11,750 completed units were transferred out, what was the closing inventory in Process B?	Rs. 14,437.50	3



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SL. NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
232	A process costing system for J Co used an input of 3,500Kg of materials at Rs.20 per Kg and labour hours of 2,750 at Rs.25 per hour. Normal loss is 20% and losses can be sold at a scrap value of Rs.5per Kg. Output was 2,950 Kg. What is the value of the output?	Rs. 142,485	1
233	In process costing, if an abnormal loss arises, the process account is generally	Credited with the full production cost of the abnormal loss units	4
234	Which of the following statements is/are correct? 1. A materials requisition note is used to record the issue of direct material to a specific job. 2. A typical job cost will contain actual costs for material, labour and production overheads, and non –production overheads are often added as a percentage of total production cost 3. The job costing method can be applied in costing batches	(1) and (3) only	3
235	A job is budgeted to require 3,300 productive hours after incurring 25% idle time. If the total labour cost budgeted for the job is Rs.36,300. What is the labour cost per hour( to the nearest cent)?	Rs. 8.25	1
236	A company calculates the prices of jobs by adding overheads to the prime cost and adding 30% to total costs as a profit margin. Job number Y256 was sold for Rs.1690 and incurred overheads of Rs. 694. What was the prime cost of the job?	Rs. 606	2
237	State which of the following are the characteristics of service costing? 1. High levels of indirect costs as a proportion of total costs 2. Use of composite cost units 3. Use of equivalent units	(1) and (2) only	2
238	Which of the following organisations should not be advised to use service costing?	Maintenance division of a manufacturing company	3
239	In case of joint products, the main objective of accounting of the cost is to apportion the joint costs incurred up to the split off point. For cost apportionment one company has chosen Physical Quantity Method. Three joint products 'A', 'B' and 'C' are produced in the same process. Up to the point of split off the total production of A, B and C is 60,000 kg, out of which 'A' produces 30,000 kg and joint costs are Rs. 3,60,000. Joint costs allocated to product A is:	Rs. 1,80,000	3
240	A transport company is running five buses between two towns, which are 50 kms apart. Seating capacity of each bus is 50 passengers. Actually passengers carried by each bus were 75% of seating capacity. All buses ran on all days of the month. Each bus made one round trip per day. Passenger kms are:	5,62,500	3
241	The cost of a product under marginal costing system includes:	Prime cost plus variable overhead	1
242	The difference between absorption costing and marginal costing is in regard to the treatment of:	Fixed overhead	2
243	Fixed costs are treated as :	Period costs	3
244	When sales and production (in units) are same then profits under :	Marginal costing is equal to that of absorption costing	3
245	When sales exceeds production (in units) then profit under:	Marginal costing is higher than that of absorption costing	1
246	which of the following factors responsible for change in the break even point?	all of the above	4
247	Variable cost -	Remains fixed per unit	2



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SL. NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
248	Marginal Costing technique follows the following basic of classification:	Behaviour wise	3
249	P/V ratio will increase if the:	There is a decrease in variable cost per unit.	4
250	The technique of differential cost is adopted when:	To make choice between two or more alternative courses of action	4
251	Which of the following would not be used to estimate standard direct material prices?	Performance standards in operation	4
252	What is an attainable standard?	A standard which includes some allowance for losses, waste and inefficiencies. It represents the level of performance which is attainable under efficient operating conditions	2
253	Budgets are shown in-Terms:	both (b) and (c)	4
254	Which of the following is not an element of master budget?	Production Schedule	2
255	Which of the following is not a potential benefit of using a budget?	More accurate external financial statements	4
256	Which of the following is a long-term budget?	Capital Budget	4
257	Materials become key factor, if	quota restrictions exist	1
258	The difference between fixed cost and variable cost assumes significance in the preparation of the following budget:	Flexible Budget	2
259	The budget that is prepared first of all is _____.	Sales budget assuming that it is the key factor	2
260	Sales budget is a _____.	functional budget	2
261	When a company wants to prepare a factory overhead budget in which the estimated costs are directly derived from the estimates of activity levels, which of the following budget should be prepared by the company?	Flexible budget	1
262	Which of the following budgets facilitates classification of fixed and variable costs:	Flexible budget	2
263	The entire budget organisation is controlled and headed by a senior executive known as:	Budget Controller	3
264	A flexible budget requires a careful study of	Fixed, semi-fixed and variable expenses	1
265	The basic difference between a fixed budget and flexible budget is that a fixed budget _____.	is concerned with a single level of activity, while flexible budget is prepared for different levels of activity	1
266	Which of the following is not a reason for an idle time variance?	Wage rate increase	1
267	During September, 300 labour hours were worked for a total cost of Rs. 4800. The variable overhead expenditure variance was Rs. 600 (A). Overheads are assumed to be related to direct labour hours of active working.  What was the standard cost per labour hour?	Rs. 14	1
268	Which of the following would explain an adverse variable production overhead efficiency variance?  1. Employees were of a lower skill level than specified in the standard  2. Unexpected idle time resulted from a series of machine breakdown  3. Poor Quality material was difficult to process	(1) and (3)	4
269	Budgeted sales of X for March are 18000 units. At the end of the production process for X, 10% of production units are scrapped as defective. Opening inventories of X for March are budgeted to be 15000 units and closing inventories will be 11,400 units. All inventories of finished goods must have successfully passed the quality control check. The production budget for X for March, in units is:	16000	4



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270	CG Co manufactures a single product T. Budgeted production output of product T during June is 200 units. Each unit of product T requires 6 labour hours for completion and CG Co anticipates 20 per cent idle time. Labour is paid at a rate of Rs.7 per hour. The direct labour cost budget for March is	Rs. 10,500	4
271	A Local Authority is preparing cash Budget for its refuse disposal department. Which of the following items would not be included in the cash budget?	Depreciation of the machinery	2
272	The actual output of 162,500 units and actual fixed costs of Rs. 87000 were exactly as budgeted. However, the actual expenditure of Rs. 300,000 was Rs. 18,000 over budget. What was the budget variable cost per unit?	Rs. 1.20	1
273	A ltd is a manufacturing company that has no production resource limitations for the foreseeable future. The Managing Director has asked the company mangers to coordinate the preparation of their budgets for the next financial year. In what order should the following budgets be prepared? 1) Sales budget (2) Cash budget (3) Production budget (4) Purchase budget (5) Finished goods inventory budget	(1), (5), (3), (4), (2)	2
274	S produces and sells one product, P, for which the data are as follows: Selling price Rs. 28 Variable cost Rs. 16 Fixed cost Rs. 4  The fixed costs are based on a budgeted production and sales level of 25,000 units for the next period.  Due to market changes both the selling price and the variable cost are expected to increase above the budgeted level in the next period.  If the selling price and variable cost per unit increase by 10% and 8% respectively, by how much must sales volume change, compared with the original budgeted level, in order to achieve the original budgeted profit for the period?	11.2% decrease	2
275	A company makes a single product and incurs fixed costs of Rs. 30,000 per annum. Variable cost per unit is Rs. 5 and each unit sells for Rs. 15. Annual sales demand is 7,000 units. The breakeven point is :	3,000 units	2
276	A company manufactures a single product for which cost and selling price data are as follows: Selling price per unit - Rs. 12 Variable cost per unit - Rs. 8 Fixed cost for a period - Rs. 98,000  Budgeted sales for a period - 30,000 units  The margin of safety, expressed as a percentage of budgeted sales,is:	20%	1
277	A company's break even point is 6,000 units per annum. The selling price is Rs. 90 per unit and the variable cost is Rs. 40 per unit. What are the company's annual fixed costs?	Rs. 3,00,000	3



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SL. NO.	QUESTIONS	CORRECT ANSWER	ANSWER CODE
278	After inviting tenders for supply of raw materials, two quotations are received as follows—  Supplier P Rs. 2.20 per unit, Supplier Q Rs. 2.10 per unit plus Rs. 2,000 fixed charges irrespective of the units ordered. The order quantity for which the purchase price per unit will be the same—	20,000 units	2
279	The cost per unit of a product manufactured in a factory amounts to Rs. 160 (75% variable) when the production is 10,000 units. When production increases by 25%, the cost of production will be Rs. per unit.	Rs. 152	3
280	In 'make or buy' decision, it is profitable to buy from outside only when the supplier's price is below the firm's own	Variable Cost	2
281	A budget which is prepared in a manner so as to give the budgeted cost for any level of activity is known as:	Flexible budget	4
282	_____ is a summary of all functional budgets in a capsule form.	Master Budget	2
283	_____ is a detailed budget of cash receipts and cash expenditure incorporating both revenue and capital items.	Cash Budget	1
284	Following information is available of XYZ Limited for quarter ended June, 2023  Fixed cost                      Rs. 5,00,000 Variable cost                  Rs. 10 per unit Selling price                    Rs. 15 per unit Output level                    1,50,000 units  What will be amount of profit earned during the quarter using the marginal costing technique?	Rs. 2,50,000	1
285	The P/v ratio of a company is 50% and margin of safety is 40%. If present sales is Rs. 30,00,000 then Break Even Point in Rs. will be:	Rs. 18,00,000	2
286	Following information is available of PQR for year ended March, 2013: 4,000 units in process, 3,800 units output, 10% of input is normal wastage, Rs. 2.50 per unit is scrap value and Rs. 46,000 incurred towards total process cost then amount on account of abnormal gain to be transferred to Costing P&L will be:-	Rs. 2,500	1
287	In element-wise classification of overheads, which one of the following is not included —	Fixed overheads	1
288	When the sales increase from Rs. 40,000 to Rs. 60,000 and profit increases by Rs. 5,000, the P/V ratio is:	25%	3
289	In activity based costing , costs are accumulated by activity. Such Accumulated Amounts are called -	Cost pools	3
290	Steps in ABC Include -	all of the above	4
291	Which of the following is not a benefit of ABC ?	reduction of prime cost	4
292	The key elements of Activity Based Budgeting are -	all of the above	4
293	The primary objective of Cost Accounting is to:	Ascertain the cost of products and services	3
294	Which of the following best describes the difference between cost control and cost reduction?	Cost control is preventive; cost reduction is corrective	1
295	In a manufacturing process, normal loss is treated as:	Included in the cost of good output	3
296	When preparing a cost sheet, which of the following is excluded from prime cost?	Factory overheads	4
297	Which of the following is NOT considered in marginal costing?	Fixed cost	2
298	The purpose of CAS (Cost Accounting Standards) is to:	Ensure uniform cost accounting practices	1
299	CAS-18 deals with:	Research and Development Cost	2



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## COST ACCOUNTING (PAPER - 8) ANSWERS TO MCQ BANK

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300	Cost Accounting Records include:	Job cost sheets, cost ledgers, cost memorandum	2
301	Which of the following is <b>not</b> covered under CAS-1: Classification of Cost?	Cost by ownership	4
302	Joint costs incurred before separation point are dealt under:	CAS-19	1
303	A company purchases raw material worth ₹1,00,000. Freight inward is ₹5,000, and handling charges ₹2,000. As per CAS-6, material cost is:	₹ 1,07,000	3
304	Which of the following is a direct material cost as per CAS-6?	Freight paid for raw materials	2
305	Which of the following should NOT be included in Employee Cost (CAS-7)?	Dividend paid to employees as shareholders	4
306	A company orders 5,000 units of material. Ordering cost per order ₹200. Carrying cost per unit per year is ₹5. What is the EOQ?	632 units	4
307	If minimum stock (safety stock) is 500 units, lead time is 10 days, average usage 100 units/day, what is reorder level?	1,500 units	1
308	Inventory has slow moving material not used for year, what should be done ?	Mark down to NRV or write off partly	2
309	In inventory control, "Danger level" indicates:	Stock level below which emergency purchase is needed	2
310	In setting quantitative levels of inventory, which is correct sequence (from highest to lowest)?	Maximum level > Re-order level > Minimum level	2
311	A company has the following inventory data: Re-order level = 1,500 units; Re-order quantity = 1,200 units; Minimum consumption = 80 units/day; Maximum consumption = 120 units/day; Lead time = 10 to 15 days. What is the Maximum Level of inventory (in units)?	1,900 units	3
312	Which of the following is NOT a part of employee cost?	Interest on capital	3
313	A worker's standard time is 10 hours; actual time taken is 8 hours; wage rate is ₹50/hour. Bonus under Halsey Plan is:	₹ 50	1
314	A company had 1,200 employees at the beginning of July and 1,400 at the end. During the month: 50 workers left voluntarily, 30 were discharged, and 100 workers were recruited, but only 40 were replacements. What is the Labour Turnover Ratio using the Separation Method?	6.15%	1
315	A worker is paid under the Rowan Plan. Standard Time = 20 hours, Time Taken = 16 hours, Rate = ₹50/hour. What are the total earnings?	₹ 960	4
316	Which plan shares wages based on time saved, with fixed percentage to worker?	Halsey Plan	1
317	In Rowan Plan, the bonus is calculated based on:	Proportion of time saved to standard time	1
318	If a direct expense becomes abnormally high due to emergency (e.g., courier), how is it treated?	Transferred to Costing Profit & Loss A/c	4
319	A contractor pays ₹25,000 as a one-time fee to use a patented method for a single job. How should this cost be treated?	Direct Expense	3
320	Budgeted overhead = ₹1,50,000; Budgeted machine hours = 30,000; Actual hours = 28,000; Actual overhead = ₹1,35,000. Was overhead over or under-absorbed?	Over-absorbed by ₹5,000	3
321	A company has two departments: Dept A and Dept B. Absorption rates: Dept A = ₹60/hr, Dept B = ₹50/hr. Actual overheads: A = ₹3,00,000, B = ₹2,50,000. Actual hours: A = 4,500 hrs, B = 4,800 hrs. What is total under/over-absorption?	Under-absorbed by ₹40,000	1
322	Which of the following is the most appropriate base for absorbing factory overhead in a labour-intensive industry?	Direct labour hours	3
323	Which of the following is the most appropriate basis for apportioning canteen expenses among production departments?	Number of employees	2
324	In a non-integral costing system, which of the following is true?	Separate cost books are maintained, and reconciliation is done with financial books	3
325	Which of the following is TRUE about reconciliation between cost and financial accounts?	Both timing and valuation differences are adjusted	3



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326	When the cost accounts show under absorption of overhead, it means:	Actual overhead > Absorbed overhead	1
327	The purpose of preparing a cost reconciliation statement is to:	Show the difference between financial profit and costing profit and explain it	3
328	In cost accounts, depreciation is charged at 10% on machinery of ₹2,00,000, while in financial accounts depreciation is charged at 15%. What will be the difference in profit due to this?	₹10,000 higher in cost accounts	1
329	In cost books, closing stock is valued at ₹80,000. In financial books, the same is valued at ₹90,000. If cost profit is ₹1,00,000, then financial profit is:	₹ 1,10,000	1
330	Margin of safety represents:	The difference between actual sales and break-even sales	2
331	Sales = ₹5,00,000, Cost of Goods Sold = ₹3,60,000, Selling & Distribution overheads = ₹40,000. Find profit.	₹ 1,00,000	1
332	The Cost Ledger Control Account (CLCA) is used to:	Reconcile cost ledger with the financial ledger	2
333	In cost accounts, idle time compensation is usually:	Treated as overhead	3
334	Job costing is most suitable for:	Construction of bridges	3
335	A company undertakes Job #251. Direct materials = ₹50,000, Direct labour = ₹30,000. Factory overheads are absorbed at 80% of direct labour. Cost of Job #251 = ?	₹ 1,04,000	3
336	In job costing, indirect costs are charged to jobs using:	Overhead absorption rate	2
337	Job cost sheet is primarily prepared for:	Ascertaining cost of a specific job	2
338	Which of the following is NOT a feature of job costing?	Mass production of homogeneous units	3
339	In job costing, each job is treated as:	A separate cost unit	1
340	Batch costing is most suitable for:	Pharmaceutical industry	2
341	Batch requires 2,000 labour hours @ ₹50/hr. Material = ₹60,000. Overheads = ₹200 per labour hr. Batch size = 1,000 units. Cost per unit?	₹ 560	1
342	Batch requires materials = ₹18,000, Labour = ₹12,000. Overheads = 50% of Prime Cost. Batch size = 600 units. Cost per unit?	₹ 75	3
343	The total cost per unit decreases as batch size increases mainly due to:	Decrease in set-up cost per unit	2
344	Batch costing is a variant of:	Job Costing	1
345	In batch costing, abnormal loss is:	Transferred to costing P&L	3
346	Cost to date ₹2,00,000, Work certified ₹2,50,000, Work uncertified ₹20,000. What is the notional profit?	₹ 70,000	1
347	Which of the following costs is <i>not</i> normally debited to the Contract Account?	Interest on capital of contractor	4
348	A clause in a contract which provides that the contract price will be increased if materials, labour etc. costs rise is called:	Escalation clause	2
349	If variable cost is 40%, and fixed costs are ₹6,000, break-even sales will be:	₹ 10,000	2
350	When is 2/3 of notional profit transferred to P&L?	Completion > 50%	1
351	Cost to date ₹3,00,000, Estimated cost to complete ₹1,00,000, Contract price ₹5,00,000. Estimated profit?	₹ 1,00,000	4
352	Which of the following is <b>not</b> a feature of process costing?	Separate costing for each unit	2
353	A company has two processes. Process I transfers 5,000 units to Process II. Process II loses 2% normal loss on its input. In process II, materials are added at start, conversion equally. If Process II starts 5,000 units, what is the good output expected?	4,900 units	1
354	A company processes 5,000 units. Normal loss = 10%. Actual output = 4,300 units. Scrap from normal loss has no value. What is the abnormal loss in units?	200	3
355	Normal loss is expected and is:	Spread over good units	3
356	Abnormal loss units are valued at:	Cost per equivalent unit	1
357	Process costing is used in:	Sugar industry	3
358	A bus runs 80 km with 40 passengers. Return trip is 60 km with 20 passengers. What are the total passenger-km?	4,400	1
359	A hotel has 40 rooms, average occupancy 75%. Monthly operating cost ₹12,00,000. What is cost per room-day?	₹ 1,333	3



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360	A truck runs 100 km daily with a 5-tonne load one way and returns empty. Operating 25 days/month. What is the total tonne-km?	12,500	2
361	Operating costing is most suitable for which of the following?	Transport companies	2
362	Which of the following is a characteristic of operating costing?	Used for uniform services	2
363	Which of the following is <b>not</b> a component of operating cost for transport?	Factory rent	3
364	In operating costing, <b>composite cost units</b> are used when:	Multiple elements affect service	3
365	In marginal costing, fixed costs are treated as:	Period cost	3
366	If selling price per unit increases, the break-even point will:	Decrease	2
367	When marginal cost and average cost are equal, then:	Average cost is constant	3
368	Profit-Volume (P/V) Ratio improves when:	Variable cost decreases	4
369	Selling price = ₹50, Variable cost = ₹30, Fixed cost = ₹40,000. Calculate break-even sales (units).	2,000	1
370	If sales increase by ₹25,000 and the P/V ratio is 40%, how much does profit increase?	₹ 10,000	1
371	If Margin of safety = ₹1,20,000; P/V ratio = 30%. What will be the Profit = ?	₹ 36,000	1
372	Selling price = ₹100, Variable cost = ₹60, Fixed cost = ₹1,60,000. Profit desired ₹40,000. What is the required sales?	₹ 5,00,000	2
373	If a company's operating capacity increases from 60% to 80%, while fixed costs remain the same, how will the Break-Even Point (BEP) be affected?	Remain unchanged	3
374	Sales is ₹1,00,000, Variable cost is ₹60,000 and Fixed cost is ₹40,000. What is the P/V ratio?	40%	2
375	Which is NOT a component of material cost variance?	Material production variance	4
376	Actual usage = 2,100kg, standard = 2,000kg, Selling price = ₹25. Find material usage variance.	₹2,500 (A)	1
377	Paying a higher wage rate than standard leads to:	Labour rate variance	2
378	Standard price = ₹20/kg, standard quantity = 500 kg, actual quantity = 520 kg, actual price = ₹22/kg. Find Material Cost Variance (MCV).	₹1,440 (A)	3
379	Standard mix: A = 60%, B = 40% of 1,000 kg. Standard prices: A = ₹10, B = ₹5. Actual: A = 550kg, B = 450kg. Find Material Mix Variance.	₹250 (F)	1
380	Standard rate = ₹50/hr; Standard time = 1,000 hrs; Actual rate = ₹52/hr; Actual time = 1,050 hrs. What is Labour Cost Variance?	₹4,600 (A)	1
381	Standard rate = ₹55/hr; Actual rate = ₹60/hr; Actual hours = 900. What is Labour Rate Variance (LRV)?	₹4,500 (A)	1
382	Budgeted Output = 1,000 units; Standard overhead Rate = ₹8/unit; Actual Output = 950; Actual Overhead = ₹7,800. What is Overhead Cost Variance?	₹200 (A)	2
383	"Master budget" usually comprises:	All functional budgets + budgeted financial statements	3
384	A flexible budget is useful when:	Actual output differs from the level assumed in the budget	2
385	A static budget is one which:	Remains unchanged despite output changes	2
386	Flexible budget at 12,000 units: Variable cost is ₹5/unit, Fixed cost is ₹20,000; actual Variable Cost is ₹63,000, Fixed cost is ₹22,000. Calculate total cost variance.	₹5,000 (A)	1
387	Zero-base budgeting means:	Build budget from scratch	1
388	Budget that adjusts to activity level & cost behaviour:	Flexible budget	2
389	Planned sales = 8,000; Opening stock = 500; Closing stock = 1,000. Production budget is:	8,500 units	3
390	Cash budget: Opening ₹5,000; Receipts ₹25,000; Payments ₹30,000. Find Closing balance.	₹ 0	1
391	Budgetary slack means:	Understating revenue / overstating cost	1
392	Standard usage = 4 kg/unit; Expected production = 2,000 units. What is Material usage budget?	8,000 kg	1