**COST AND MANAGEMENT ACCOUNTING – P21COC102**

**UNIT I**

1. The term management accounting was first coined in \_\_\_\_\_\_\_\_\_\_.

a) 1960 b) 1950 c) 1945 d) 1955

Ans: b

2. Management accounting is A) Subjective B) Objective

a) Only A b) Only B c) Both A and B d) None of the above

Ans: a

3. The use of management accounting is \_\_\_\_\_\_\_\_\_\_.

a) Optional b) Compulsory c) Legally obligatory

d) Compulsory to some and optional to others

Ans: a

4. The Management accounting can be stated as an extension of A) Cost Accounting B) Financial Accounting C) Responsibility Accounting

a) Both A and B b) Both A and C c) Both B and C d) A, B, C

Ans: d

5. Which of the following is true about management accounting? A) Management accounting is associated with presentation of accounting data. B) Management accounting is extremely sensitive to investors needs.

a) Only A b) Only B c) Both A and B d) None of the above

Ans:a

6. Management accounting assists the management \_\_\_\_\_\_\_\_\_\_.

a) Only in control b) Only in direction c) Only in planning

d) In planning, direction and control

Ans: d

7. Which of the following are tools of management accounting?

A) Decision accounting B) Standard costing C) Budgetary control D) Human Resources Accounting

a) A, B and D b) A, C and D c) A, B and C d) A, B , C, D

Ans: c

8. Management accounting is related with A) The problem of choice making B) Recording of transactions C) Cause and effect relationships

a) A and B b). B and C c) A and C d) All are false

Ans: c

9. Management accountancy is a structure for \_\_\_\_\_\_\_\_\_.

a) Costing b) Accounting c) Decision making d) Management

Ans: c

10. Who coined the concept of management accounting?

a) R.N Anthony b) James H. Bliss c) J. Batty d) American Accounting

Ans: b

11. Management accounting deals with

a) Quantitative information b) Qualitative information

c) Both a and b d) None of the above

Ans: C

12. A.Management accounting highlights staff relationship with top management as well as other personnel.

B. Management Accounting is the application of professional knowledge in preparing accounting information that assists the management in formulation of policies.

a)Both A & B are correct b) Both A & B are incorrect c) Only A is correct d) Only B is correct

Ans: d

13. The definition “Management Accounting is the presentation of accounting information in such a way as to assist management in the creation of policy and the day-to-day operation of an undertaking” is given by \_\_\_\_\_\_\_ .

a) Ango-American Council on Productivity b) AICPA

c) Robert N. Anthony d) all the above

Ans:a

14. \_\_\_\_\_\_\_\_ is the relationship between quick assets and current liabilities .

a) Current ratio b) Absolute liquidity ratio c) Acid test ratio d) Proprietary ratio

Ans: c

15. When the concept of ratio is defined in respected to the items shown in the financial statements, it is termed as

a) Accounting ratio b) Financial ratio c) Costing ratio d) None of the above

Ans:a

16. The definition, “The term accounting ratio is used to describe significant relationship which exist between figures shown in a balance sheet, in a profit and loss account, in a budgetary control system or in any part of the accounting organization” is given by

a) Biramn and Dribin b) Lord Keynes c) J. Betty d) None of the above.

Ans: c

17. The relationship between two financial variables can be expressed in:

a) Pure ratio b) Percentage c) Rate or time d) Any of the above

Ans:d

18. Liquidity ratios are expressed in

a) Pure ratio form b) Percentage c) Rate or time d) None of the above

Ans: a

19. Which of the following statements are true about Ratio Analysis?

A. Ratio analysis is useful in financial analysis.

B. Ratio analysis is helpful in making comparison with similar firms

C. Ratio Analysis is helpful in measuring external factors influencing the business.

D. Ratio Analysis is helpful in financial planning and forecasting.

a) A, B and D b) A, C and D c) A, B and C d) A, B , C, D

Ans: a

20. When current ratio is 2:1 and if equal increase in current assets and current liabilities would result in \_\_\_\_\_\_\_\_\_ .

a) No change in current ratio b) Increase in current ratio

c) Decrease in current ratio d) Double the current ratio

Ans: c

21. If the cost of goods sold is Rs.1 lakh and the opening and closing stock are Rs.20000 and Rs.30000 respectively, stock turnover ratio will be

a) 3.33 b) 4 C) 5 d) 6.33

Ans: b

22. General Profitability ratios are based on \_\_\_\_\_\_\_\_.

a) Investments b) Sales c) both a & b d) None of the above

Ans: b

23. Gross Profit ratio is also termed as \_\_\_\_\_\_\_\_.

a) Gross Profit Margin b) Gross Margin to net sales c) Both a and b d) All of the above

Ans: c

24. A: A high operating ratio indicates a favourable position.

B: A high operating ratio haves a high margin to meet non operating expenses

a) Both A and B correct b) Both A and B are wrong

c) Only A is correct d) Only B is correct

Ans: b

25. While calculating Gross Profit, if net profit is given,

a) It can be converted into gross profit by adding interest to it

b) It can be converted into Gross profit by adding indirect expenses to it

c) Both a and b d) None of the above

Ans: a

26. Gross profit ratio is calculated by

a) (Gross Profit/Gross sales) X 100 b) (Gross Profit/Net sales) X 100

c) (Net Profit/Gross sales) X 100 d) None of the above

Ans: a

27. Given Sales is Rs.1, 20,000 and Gross Profit is 30,000, the gross profit ratio is

a) 24% b) 25% c). 40% d) 44%

Ans:b

28. What will be the Gross Profit if, total sales is Rs 2,60,000 Cost of net goods sold is Rs 2,00,000 and Sales return is Rs 10,000?

a). 13% b) 28% c) 26% d) 20%

Ans: a

29. If selling price is fixed 25% above the cost, the Gross Profit ratio is

a) 13% b) 28% c) 26% d) 20%

Ans: d

30. Gross Profit ratio should be adequate to cover

a) Selling expenses b) Administrative expenses c) Dividends d) All of the above

Ans: d

31. The ratios that reflect managerial efficiency in handling the assets is:

a) short term solvency ratios b) profitability ratios c) turnover ratios d) long term ratios

Ans: c

32. The ratios which reveal the final result of the managerial policies and performance is:

a) short term solvency b) long term solvency c) profitability ratios d) turnover ratios

Ans: c

33. The ratio which indicates earnings per share reflected by the market price is \_\_\_\_

a) retained earnings ratio b) earnings per share c) price earning ratio d) pay out ratio

Ans: c

34. Which of the following is not an objective of cost accounting?

a) Ascertainment of cost b) Determination of selling price

c) Cost control and cost reduction d) Assisting shareholders in decision making

Ans: d

35. A profit centre is a centre \_\_\_\_\_\_\_\_\_\_.

a) Where the manager has the responsibility of generating and maximizing profits

b) Which is concerned with earning an adequate Return on investment

c) Both of the above

d) Which manages cost

Ans: a

36. Fixed cost is a cost:

a) which changes in total in proportion to changes in output.

b) which is partly fixed and partly variable in relation to output.

c) which do not change in total during a given period despise changes in output.

d) which remains same for each unit of output.

Ans: c

37. Elements of cost of a product are

a) Material and labour expenses b) Labour and overhead expenses c) material and expenses

d) Material, labour and expenses

Ans: d

38. Compared with financial accounting, cost accounting is relatively \_\_\_\_ development.

a) old b) recent c) earliest d) both a and c

Ans: b

39. Cost accounting started as a branch of \_\_\_\_\_\_\_.

a) financial accounting b) management accounting c) corporate accounting

d) vedic accounting

Ans: a

40. The vital importance that cost accounting has acquired in the modern age is because of the growth of \_\_\_\_\_ in modern industry.

a) technologies b) creativity c) complexities d) simplicity

Ans: c

41. In brief, \_\_\_ is the activity of finding out the cost of products and services.

a) financial accounting b) management accounting

c) corporate accounting d) cost accounting

Ans: d

42. Cost accounting provides \_\_\_\_ cost information to various levels of management for efficient performance of their functions.

a) Minute b) Limited c) Detailed d) both a and b

Ans: c

43. Modern management needs \_\_\_\_ information than supplied by financial statements like profit and loss account and balance sheet.

a) less detailed b) much more detailed c) limited amount d) all the above

Ans: b

44. The information supplied by cost accounting acts as a tool of management for making \_\_\_\_

a) minimum use of scarce resources b) maximum use of resources

c) optimum use of scarce resources d) all of the above

Ans: c

45. Cost accounting makes optimum use of scarce resources which ultimately add to the \_\_\_\_ of business.

a) loss b) profitability c) extraction d) merger

Ans: b

46. \_\_\_\_\_ is the process of determining and accumulating the cost of product or activity.

a) Cost accounting b) Financial accounting c) Cost control d) cost audit

Ans: a

47. \_\_\_ involves the classifying, recording and appropriate allocation of expenditure for the determination of cost of products or services.

a) Pricing b) costing c) balancing d) cost auditing

Ans: b

48. Cost accounting is a quantitative method that accumulates, classifies, summarises and interpret information for \_\_\_\_

a) Operational planning and control b) Special decision

c) Product decision d) All of the above

Ans: d

49. \_\_\_\_\_ is the objective of Cost accounting.

a) Controlling cost b) Ascertaining costing profit c) Determining selling price

d) All the above

Ans: d

50. The term costing and cost accounting are many times used interchangeably but the scope of cost accounting is \_\_\_\_

a) limited as compared to costing b) broader than that of costing c) equal to costing

d) there is no relation between costing and cost accounting

Ans: b

51. \_\_\_ refer to presentation of cost primarily used by the management at different levels.

a) Cost audit b) Cost ascertainment c) Cost reports d) Cost system

Ans: c

52. Cost accounting was developed because of the \_\_\_

a) limitations of the financial accounting b) limitations of the management accounting

c) limitations of the human resource accounting d) limitations of the double entry system

Ans: a

53. The cost which is to be incurred even when a business unit is closed is a \_\_\_\_

a) imputed cost b) historical cost c) sunk cost d)shutdown cost

Ans: d

54. Classification of costs is useful to \_\_\_\_\_

a) find gross profit b) find net profit c) identify efficiency d) identify cost

Ans: d

55. Indirect material used in production is classified as \_\_\_\_

a) office overhead b) selling overhead c) production overhead d) distribution overhead

Ans: c

56. Which one of the following is not considered for preparation of cost sheet?

a) Goodwill written off b) factory cost c) selling cost d) labour cost

Ans: a

57. Tender is an estimation of \_\_\_\_

a) profit b) cost c) selling price d) units

Ans: c

58. Basic objective of cost accounting is \_\_\_\_\_

a) tax compliance b) financial audit c) cost ascertainment d) profit analysis

Ans: c

59. Cost classification can be done in \_\_\_\_

a) two ways b) three ways c) four ways d) several ways

Ans: d

60. Cost accounting concepts include all the following except \_\_\_\_\_\_\_\_\_\_\_\_

a) planning b) controlling c) profit sharing d) product sharing

Ans: c

**UNIT II**

1.Marginal cost is \_\_\_\_\_\_\_\_\_\_\_.

a)prime cost b)Variable cost c) Work cost d) cost of production

Ans: b

2.Absorption costing takes into account the \_\_\_\_\_\_\_.

a)Total cost b)Fixed cost c) variable cost d) Work cost

Ans: a

3. Contribution is \_\_\_\_\_\_\_\_\_\_.

a) excess of sales over total cost b) Excess of cost of sales over sales

c) Excess of sales over fixed cost d) excess of sales over variable cost.

Ans: d

4. P/V Ratio is \_\_\_\_\_\_\_\_.

a) Price volume ratio b) Price variance Ratio c) Contribution to sales ratio d) Total cost to sales ratio.

Ans: c

5. Breakeven point is \_\_\_\_\_\_\_\_\_.

a) Sales at which profit is high b) Sales at which there is loss c) Sales at which there is no profit or loss d) None of the above

Ans: c

6. Margin of safety is \_\_\_\_\_\_\_\_\_\_.

a) Sales at which there is profit b) Sales at which there is loss

c) Sales in excess of BEP d) None of the above

Ans: c

7. Angle of Incidence is \_\_\_\_\_\_\_\_\_\_.

a) Angle between sales and fixed cost lines b) Angle between sales and variable cost lines c) Angle between sales and total cost lines d) None of the above

Ans: c

8. Break even chart is a chart of \_\_\_\_\_\_\_\_\_\_.

a) Sales b) Total Cost c) Profit d) Sales and total cost

Ans: d

9. A key factor is \_\_\_\_\_\_\_\_.

a) Budget factor b) Limiting factor c) Cost factor d) None of these

Ans: b

10. If total cost of 100 units is Rs 5000 and those of 101 units is Rs 5030 then increase of Rs 30 in total cost is

a) Marginal cost b) Prime cost c) All variable overheads d) None of the above

Ans: a

11. Which of the following statements are true?

A) Marginal costing is not an independent system of costing

B) In marginal costing all elements of cost are divided into fixed and variable components

C) In marginal costing fixed costs are treated as product cost

D) Marginal costing is not a technique of cost analysis.

a) A and B b) B and C c) A and D d) B and D

Ans: a

12. Given production is 1,00,000 units, fixed costs is Rs 2,00,000 Selling price is Rs 10 per unit and variable cost is Rs 6 per unit. Determine profit using technique of marginal costing.

a) Rs 2,00,000 b) Rs 8,00,000 c) Rs 6,00,000 d) None of the above

Ans: a

13. When contribution is positive but equal to fixed cost,

a) There is loss equal to fixed costs b) There is loss more than fixed costs

c) There will be loss less than fixed costs d) There will be neither profit not loss

Ans: d

14. If the marginal cost is \_\_\_\_\_\_\_\_\_ buying price, additional requirement of the component should be met by making rather than buying.  
a) Equal to b) More than c) Less than d) None of the above.

Ans: c

15. In marginal costing profitability of each product is measured on the basis of its\_\_\_\_\_\_\_\_\_.  
a) Cost b) Profit c) Contribution d) None of the above

Ans: C

16. While selecting optimum product mix \_\_\_\_\_\_\_\_\_\_\_ is the real index of profitability.  
a) Contribution per unit b) Contribution per unit of key factor

c) Profit and sales d) None of the above

Ans: b

17. While selecting optimum product mix, \_\_\_\_\_\_\_\_.  
a) Ranks are assigned on the basis of highest contribution per unit of key factor  
b) Ranks are assigned on the basis of lowest contribution per unit of key factor  
c) No ranks are assigned  
d) None of the above

Ans: a

18. Using equation method, Break-even point is calculated as\_\_\_\_\_\_\_\_\_\_.  
a) Sales = Variable expenses + Fixed expenses + Profit  
b) Sales = Variable expenses + Fixed expenses - Profit  
c) Sales = Variable expenses - Fixed expenses + Profit d) None of the above

Ans: a

19. Given selling price is Rs 10 per unit, variable cost is Rs 6 per unit and fixed cost is Rs 5,000. What is break-even point?  
a) 500 units b) 1,000 units c) 1,250 units d) None of the above

Ans: c

20. Contribution is also known as \_\_\_\_\_\_\_\_\_.  
a) Contribution margin b) Net Margin c) Both a and b d) None of the above

Ans: a

21. Given selling price is Rs 20 per unit, direct material Rs. 5; direct wages Rs. 3, factory variable overhead Rs.0.50; selling and distribution variable overhead Re.0.50. What is contribution per unit?  
a) Rs 1.25 per unit b) Rs 1 per unit c) Rs 0.8 per unit d) None of the above

Ans: b

22. Determine total as well as per unit contribution if Sales is Rs 40,000, Sales in units is 4,000 and variable cost is Rs 30,000.  
a) Rs 10,000 and Rs 2.5 b) Rs 70,000 and Rs 3.5 c) Rs 36,000 and Rs 3.6  
d) None of the above

Ans: a

23. Determine Contribution if Sales is Rs 1,50,000 and P/V ratio is 40%.  
a) Rs 60,000 b) Rs 70,000 c) Rs 30,000 d) None of the above

Ans: a

24. Determine Contribution if Fixed cost is Rs 40,000 and profit is Rs 30,000.  
a) Rs 60,000 b) Rs 70,000 c) Rs 30,000 d) None of the above

Ans: b

25. Determine Contribution if Fixed cost is Rs 50,000 and loss is Rs 20,000.  
a) Rs 60,000 b) Rs 70,000 c) Rs 30,000 d) None of the above

Ans: c

26. Which of the following statements are true?  
a) Contribution doesn’t include fixed cost whereas profit includes fixed cost.  
b) Contribution is not based on the concept of marginal cost.  
c) Contribution above breakeven point becomes profit. d) All of the above

Ans: c

27. Profit-Volume ratio is also known as \_\_\_\_\_\_\_\_\_\_.  
a) Contribution ratio b) Contribution/Sales ratio

c) Marginal Income percentage d) All of the above

Ans: d

28. Which of the following statements are true?  
a) P/V Ratio can never be used to measure break-even point  
b) Higher the P/V ratio less will be the profit and vice versa  
c) Concept of P/V ratio is also used to determine profit at a given volume of sales  
d) All of the above

Ans: c

29. The P/V ratio can be improved by  
a) Decreasing the selling price per unit b) Increasing variable cost  
c) Changing the sales mix d) None of the above

Ans: c

30. Determine P/V ratio if Sales is Rs 80,000 and Variable cost is Rs 60,000.  
a) 40% b) 25% c) 50% d) None of the above

Ans: b

31. Determine P/V ratio if Sales is Rs 1,00,000, Fixed cost is Rs 30,000 and Profit is Rs 20,000.  
a) 25% b) 50% c) 45% d) None of the above

Ans: b

32. Determine P/V ratio if Sales per unit is Rs 10 and Variable cost per unit is Rs 7.  
a) 25% b) 50% c) 45% d) 30%

Ans: d

33. P/V ratio is 60% Marginal cost is Rs.50. What is the selling price per unit?  
a) Rs.120 b) Rs.130 c) Rs. 155 d) Rs.125

Ans: d

34. Given sales is Rs 2,00,000 and Rs 4,00,000 in year 2013 and 2014 respectively. Cost is Rs 1,40,000 and Rs 2,40,000 in 2013 and 2014 respectively. Compute P/V ratio.  
a) 40% b) 30% c) 25% d) 50%

Ans: d

35. Profit on sales is measured as   
a) Sales\*P/V Ratio – Fixed cost b) Sales\*P/V Ratio + Fixed cost  
c) Sales + P/V Ratio + Fixed cost d) None of the above

Ans: a

36. Sales for desired profit is measured as   
a) (Fixed cost + profit)/ (P/V Ratio) b) (Fixed cost + profit) \* (P/V Ratio)  
c) (Fixed cost - profit)/ (P/V Ratio) d) None of the above

Ans: a

37. Determine B.E.P if Sales is Rs 1,00,000, Variable cost is Rs 50,000 and Profit is Rs 20,000.  
a) Rs 60,000 b) Rs 40,000 c) Rs 80,000 d) None of the above

Ans: a

38. What will be the B.E.P if P/V ratio is 20% and Fixed cost is Rs 40,000.  
a) Rs 2,00,000 b) Rs 4,00,000 c) Rs 6,00,000 d) None of the above

Ans: a

39. Make or buy decision ignores

a) Contribtion b) selling price c) Fixed cost d) variable cost

Ans: c

40. Calculate B.E.P if Fixed cost is Rs 1,50,000, Variable cost is Rs 2,00,000 and Profit is Rs 1,50,000.  
a) Rs 2,00,000 b) Rs 2,50,000 c) Rs 3,00,000 d) None of the above

Ans: b

41. Margin of safety can be increased by \_\_\_\_\_\_.  
a) Decrease in selling price b) Decline in volume of production   
c) Reduction in fixed or the variable costs or both d) None of the above

Ans: c

42. Determine Margin of safety if Profit is Rs 15,000 and P/V ratio is 40%.  
a) Rs 37,500 b) Rs 33,000 c) Rs 38,000 d) None of the above

Ans: a

43. What is Margin of Safety if Sales is 20,000 units and B.E.P is 15,000 units.  
a) 35,000 units b) 5,000 units c) Rs 5,000 d) Rs 35,000

Ans: b

44. What will be sales in rupees for desired profit if fixed cost is Rs 30,000, desired profit is Rs 15,000 and P/V ratio is 30%?  
a) Rs 1,50,000 b) Rs 1,00,000 c) Rs 2,00,000 d) None of the above

Ans: a

45. Fixed expenses decrease per unit with the \_\_\_\_\_\_\_\_\_ in production and increases per unit with the \_\_\_\_\_\_\_\_\_ in production.  
a) increase, decrease b) decrease, increase c) increase, increase d) decrease, decrease

Ans: a

46. The excess of sales over variable costs is

a) fixed cost b) marginal cost c) contribution d) profits

47. Which of the following are advantages of marginal costing?  
a) Makes the process of cost accounting more simpleb) Helps in proper valuation of closing stock  
c) Useful for standard and budgetary control d) All of the above

Ans: d

48. \_\_\_\_\_\_\_\_\_\_\_ is not suitable where selling price is determined on the basis of cost-plus method.  
a) Absorption costing b) Marginal costing c) Both a and b d) None of the above

Ans:b

49. The problems associated with marginal costing are  
a) Difficulties in divisions of costs b) Problem of valuation of stocks  
c) Ignores time element d) All of the above

Ans: d

50. A company wants to maintain pv ratio at 25%. If the variable cost of the product is Rs.300, what will be the selling price?  
a) Rs.100 b) Rs.200 c) Rs.300 d) Rs.400

Ans: d

51. The excess of actual or budgeted sales over the break even sales is known as the \_\_\_\_

a) Profit b) Loss c) Margin of safety d) variable cost

Ans: c

52. Which one of the following statement in marginal costing is incorrect?

a) It is a method of ascertaining cost.

b) It is a technique used for managerial decision making.

c) Costs are classified into variable and fixed cost.

d) Sales above break even point indicate profits.

Ans: a

53. Which one of the following statement is incorrect?

a) PV ratio indicates profitability. b) Sales below break even point means profit.

c) Margin of safety indicate profit. d) contribution = Sales X PV ratio

Ans: b

54. Variable cost per unit\_\_\_\_\_\_ with change in the level of output.

a) increases b) decreases c) remains unchanged d) none

Ans: c

55. Decrease in variable cost per unit will \_\_\_\_\_\_\_\_\_\_\_ the BEP.

a) increase b) decrease c) remains unchanged d) none

Ans: b

56. In marginal costing, only \_\_\_\_\_\_\_ costs are charged to products.

a) fixed costs b) variable costs c) total costs d) none

Ans: b

57. Which one of the following statement is incorrect?

a) Fixed costs are not included in Marginal costing.

b) Marginal costing is also known as variable costing.

c) Contribution is also known as marginal income.

d) Absorption costing is more suitable for decision taking than marginal costing.

Ans: d

58. Budgeted sales Rs. 500000; Budgeted variable costs Rs. 300000; Budgeted fixed costs Rs. 100000; The BEP (Rs.) for the firm will be \_\_\_\_\_\_\_\_\_\_\_

a) Rs. 200000 b) Rs. 230000 c) Rs. 250000 d) Rs. 150000

Ans: c

59. What is PV ratio?

a) Project Valuation ratio b) Profit Volume ratio c) Present Value ratio d) Proposed Value ratio

Ans: b

60. Contribution is \_\_\_\_\_\_\_

a) Sales – Total cost b) Sales – variable cost c) sales – fixed cost d) None

Ans: b

**UNIT III**

1. Budgeting is a \_\_\_\_\_\_\_

a) Technique b) a method of costing c) Maintaining ledger accounts d) None of the above

Ans: a

2. Sales Budget is a \_\_\_\_\_\_\_

a) Budget of output to be sold b) Budget for selling expenses c) Budget of Revenue and expenses d) a list of incentives to salesmen.

Ans: a

3. Purchase Budget is related to

a) Purchase of Fixed Assets b) Purchase of Raw materials

c) Purchase of advertising and distribution materials d) Purchase of office supplies.

Ans: b

4. A master budget is

a) Budget for assets and liabilities b) budget of profit or loss

c) Budget for operations of the entire organization d) budget for managerial remuneration.

Ans: c

5. A flexible budget is

a) Budget for different capacity levels b) budget for different departments

c) budget for receipts and payments d) none of the above.

Ans: a

6. Zero base budgeting refers to

a) Short term and long term budgeting b) Performance reporting

c) Responsibility accounting d)Justification of every item in the budget afresh

Ans: d

7. Control ratios are calculated for

a) comparison of actual performance with budgets b) Planning of activities

c) Financial performance measurement d) None of the above

Ans: a

8. Recording of actual performance is \_\_\_\_\_\_\_\_\_\_ .

a) an advantage of budgetary control b) a step in budgetary control

c) a limitation of budgetary control d) None

Ans: b

9. R&D budget is an example of \_\_\_\_\_\_\_ .

a) Short term budget b) Current budget c) Long term budget d) None

Ans: c

10. Frequent revision of budget will \_\_\_\_\_\_\_ .

a) Affect its reliability b) increase the accuracy c) Both d) Subjective matter

Ans: a

11. A budget is a detailed plan of operations for specific \_\_\_\_ period.

a) past b) present c) future d) none

Ans: c

12. Which one of the following is not essential for a sound system of Budgetary control?

a) chart b) Budget centre c) profit centre d) stock centre

Ans: d

13. Budget period depends upon \_\_\_\_\_\_\_\_\_\_ .

a) The type of budget.

b) The nature of business.

c) The length of trade cycles

d) All of these.

Ans: d

14. A. Budget is a plan of operations.

B. Budgetary control is a tool for decision making.

a) A is true. b) B is true c) Both A and B are true d) Both A and B are false.

Ans: c

15. Which one of the ratio is not included under Budgetary control?

a) Activity ratio b) Capacity ratio c) productivity ratio d) cash ratio’

Ans: d

16. Budget centre is a section of the organization of an undertaking defined for the purpose of \_\_\_\_\_

a) Budgetary control b) Responsibility centre c) budget requirements d) budget accounting

Ans: a

17. Budgetary control consists \_\_\_

a) Planning b) co-ordination c) recording d) all of these

Ans: d

18. The limitation of budgeting is \_\_\_\_\_.

a) Budgeting is not a substitute of management b) Time effect

c) Budget plan is based on estimates d) all of these

Ans: d

19. Fixed budget is a budget which is designed to remain unchanged irrespective of the actually attained \_\_\_\_

a) level of activity b) level of responsibility c) limiting factors d) none of these

Ans: a

20. The \_\_\_\_ budget is an estimate of receipts and expenditure for a future period.

a) production b) sales c) cash d) purchase

Ans: c

21. The concept of budget that requires all levels of work from scratch is \_\_\_

a) flexible budget b) total budget c) Master budget d) zero base budget

Ans: c

22. The basic difference between a flexible budget and a fixed budget:

a) Fixed budget is concerned with fixed expenses whereas flexible budget is on different activity levels.

b) Fixed budget cannot be changed whereas flexible budget can be easily changed.

c) Fixed budget is for a single measure of activity whereas flexible budget is on different activity levels.

d) None of the above.

Ans: c

23. A flexible budget requires careful study and classification of expenses into:

a) past and current expenses b) fixed, semi-variable and variable expenses

c) administrative, selling and factory expenses d) None of the above.

Ans: b

24. Which one of the following is a financial budget?

a) Cash budget b) Working capital budget c) capital budget d) all of the above.

Ans: d

25. Which one of the following is not a financial budget?

a) cash budget b) capital budget c) sales budget d) all the above

Ans: c

26. Which one of the following are functional budget?

a) production budget b) sales budget c) raw material budget d) all the above

Ans: d

27. Which one of the following is not a step from budgetary control?

a) Research and development b) establishing a target

c) comparing actual with budgeted figures d) None of the above

Ans: a

28. Budgetary control helps in implementation of:

a) Standard costing b) marginal costing c) ratio analysis d) technical analysis

Ans: a

29. Budgetary control system acts as a friend, philosopher and guide to the:

a) management b) shareholders c) creditors d) all the above

Ans: a

30. Summary budget may be regarded as:\_\_\_\_\_\_\_\_.

a) Functional budget b) performance budget c) sales budget d) master budget

Ans: d

31. Which budget is the first step of budgetary system and all other budgets depends on it?

a) cash budget b) sales budget c) master budget d) all the above

Ans: b

32. Which of the following is not an advantage of budgeting?

a) It defines the objective of the organization b) It indicates the efficiency of the organization

c) It measures productive efficiency d) It creates coordination among various levels of management

Ans: d

33. Which of the following is not an objective of budgeting?

a) to define the goals of the organization b) to establish a system of planning and control

c) To help in fixation of selling price d) to coordinate different departments and sub-units.

Ans: c

34. Which of the following statements about budgeting is false?

a) Budgetary control and standard costing are same.

b) Budgetary control does not facilitate introduction of Management by exception.

c) Budgeting is the art of building a budget.

d) A key factor does not influence the preparation of all other budgets.

Ans: b

35. Sale budget is a:\_\_\_\_\_\_\_\_\_\_\_

a) Financial budget b) Functional budget c) Master budget d) None of the above

Ans: b

36. Sales budget shows the sales details as:\_\_\_\_\_\_\_\_

a) product wise b) area wise c) region wise d) all the above

Ans: d

37. Usually sales budget is stated in terms of:\_\_\_\_\_\_\_\_.

a) value b) quantity c) Both of the above d) None of the above

Ans: c

38. Sales budget is prepared by \_\_\_

a) Production manager b) managing director c) sales manager d) None of the above

Ans: c

39. Regarding sales budget, which of the following statement is incorrect?

a) Sales budget is a functional budget. b) Sales budget is based on production budget

c) Sales budget is stated in terms of quantity and value.

d) Sales budget is the starting point of preparation of master budget.

Ans: b

40. Production budget is dependent on:\_\_\_\_\_\_\_.

a) Purchase budget b) Sales budget c) Cash budget d) overheads budget

Ans: b

41. Which of the following is subsidiary of production budget?

a) Raw material budget b) labour cost budget c) manufacturing overheads budget d) all the above

Ans: d

42. A purchase budget is used instead of a production budget by\_\_\_\_\_.

a) Manufacturing companies b) non profit organizations c) merchandise companies d) service companies

Ans: c

43. Which one of the following is essential in the preparation of production budget?

a) opening stock b) closing stock c) sales d) all the above

Ans: d

44. \_\_\_\_ leads to \_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_ leads to budgetary control.

a) Budgeting, budgeting, forecasting b) Forecasting, budgeting, budgeting

c) Budgeting, forecasting, budgeting c) none of the above

Ans: b

45. Budgetary control is a system controlling \_\_\_\_\_\_  
a) profits b) revenue c) costs d) all the above

Ans: c

46. Zero based budgeting was first used by \_\_\_\_\_\_\_\_

a) Adam Smith b) Jimmy Carter c) Baumol W.J d) None

Ans: b

47. Classification of budget on the basis of capacity \_\_\_\_\_\_\_\_

a) Financial and functional b) long term and short term c) fixed and flexible d) None

Ans: c

48. A. Budgeting is said to be the art of building a budget.

B. Budget relating to key factor should be prepared last.

a) Both A and B are correct b) Both A and B are wrong c) only A is correct d) only B is correct

Ans: c

49. A. Production budget is prepared on the basis of sales budget.

B. Sales budget is prepared on the basis of production budget.

a) Both A and B are correct b) Both A and B are wrong c) only A is correct d) only B is correct

Ans: c

50. A. Sales budget, is the most important budget among all the budgets.

B. Sales presented in Sales budget is only an estimate.

a) Both A and B are correct b) Both A and B are wrong c) only A is correct d) only B is correct

Ans: a

51. Budgeting is based upon \_\_\_\_\_\_\_\_\_\_\_.

a) Past statistics b) present conditions c) Both a and b d) none of the above

Ans: c

52. A budget should be \_\_\_\_\_\_\_\_\_\_.

a) rigid b) flexible c) both a and b d) None of the above

Ans: b

53. Production budget is prepared after receiving the \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a) Raw Material purchase budget b) sales budget c) cash budget d) all the above

Ans: b

54. A company prepared a static budget for 5000 direct labour hours, with estimated overhead costs of Rs. 25000 for variable overhead and Rs. 6000 for fixed overhead. On preparing a flexible budget at 3800 labour hours, how much is the total overhead costs at this level of activity?

a) Rs. 19000 b) Rs. 24000 c) Rs.25000 d) Rs. 31000

Ans: c

55. A company incurs manufacturing overhead as Rs. 5000 variable costs and Rs. 13500 fixed costs at a normal capacity of producing 10000 units. If 11000 units were to be produced what will the total costs at this level of activity?

a) Rs. 5500 b) Rs. 7500 c) Rs.11500 d) Rs.19000

Ans: d

56. Budget which is directed towards long term strategic goals is known as \_\_\_\_\_\_\_\_.

a) Zero-base budget b) Capital budget c) rolling budget d) master budget

Ans: b

57.Various functional budgets are integrated into \_\_\_\_\_\_\_\_.

a) financial budget b) Fixed budget c) Master budget d) Programme budget

Ans: c

58. In Zero base budgeting: \_\_\_\_\_\_\_\_\_\_.

a) Every year is taken as a new year b) Previous year is not taken as a base

c) Both A and B d) None of these

59. \_\_\_ is an estimate of expected sales during a budget period.

a) Sales budget b) Master budget c) fixed budget d) None

Ans: a

60.\_\_\_\_\_ is an estimate of cash receipts and disbursements during a future period of time.

a) Capital expenditure budget b) Cash budget c) cash book d) None

Ans: b

**UNIT IV**

1. Normal process loss is adjusted with the \_\_\_\_\_\_.

a) Cost of production b) P&L A/c c) Overhead d)Fixed Cost

Ans: a

2. The loss caused due to unexpected condition is called \_\_\_\_.

a) Normal loss b)Abnormal loss c) Gross loss d)Net loss

Ans: b

3. The loss which could not be avoided is called \_\_\_\_.

a) Abnormal loss b) Gross loss c) Net loss d) Normal Loss

Ans: d

4. If the output in a process is in excess of the expected output after adjusting the normal loss it is known as \_\_\_\_\_\_\_\_\_\_\_.

a) Abnormal loss b) Cost of production c) Abnormal gain d) Normal loss

Ans: c

5. Abnormal loss is the difference between the actual loss \_\_\_\_\_\_\_\_\_\_\_\_.

a) Normal Loss b) Net loss c) Net Profit d)Gross profit

Ans: a

6. The value of abnormal loss is debited in the \_\_\_\_\_\_\_\_\_\_\_\_.

a) Process account b) Costing P&L A/c c) Income & Expenditure A/c d)Cost Sheet

Ans: b

7. Equivalent production units are calculated in process account due to \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a) Editing b)Cost centre c)Cost unit d)Work-in-Progress

Ans: d

8. When two or more products of equal importance are produced simultaneously \_\_\_\_\_\_\_\_\_\_\_\_.

a) By-products b) Joint products c)Quality products d)Discounted products

Ans: b

9. One or more products of relatively small value which are produced simultaneously are called \_\_\_\_.

a) joint products b)co-Products c) By-products d)Discounted products

Ans: c

10. The method of costing adopted for products which undergo different stages of production is

called \_\_\_\_\_\_\_\_\_\_\_\_\_.

a) Marginal costing b)Standard costing c)Budgeting d)Process costing

Ans: d

11. In which of the following situations an abnormal gain occurs in a process?

a) When actual losses are greater than the normal loss.

b) When costs are reduced through increased machine speed.

c) When actual losses are less than the normal level. d) When the process output is greater than planned.

Ans: d

12. Which of the following manufacturers would most likely not use process costing?

a) paint b) oil c) frozen orange juice d) builder of dams

Ans: d

13. The first step in process costing is to \_\_\_\_\_\_\_\_\_\_\_.

a) compute cost for each equivalent unit b) summarize total cost

c) compute output in units d) summarize flow of output

Ans: d

14. If total cost in a production process is Rs. 30000 and the number of output units are 5000 units, then units cost will be \_\_\_\_\_\_\_\_\_\_.

a) Rs. 26 b) Rs. 6 c) Rs. 60 d) Rs. 16

Ans: b

15. In process costing there is a flow of \_\_\_\_\_ from one operation to the next.

a) material b) labour c) overhead d) expenses

Ans: a

16. Make or buy decisions are involved before and after different \_\_\_\_\_.

a) Services b) contract c) processes d) indirect cost

Ans: c

17. In process costing each process is treated as a separate \_\_\_\_\_\_.

a) cost centre b) cost unit c) cost structure d) cost industry

Ans: a

18. \_\_\_\_ are produced from the same basic raw materials.

a) By products b) joint products c) final products d) basic product

Ans: b

19. Husk produced in the process of rice milling, is an example of \_\_\_.  
a) By products b) joint products c) final products d) basic product

Ans: b

20. Skimmed milk and butter are the example of \_\_\_\_\_\_.

a) By products b) joint products c) final products d) basic product

Ans: b

21. Post separable costs are attributable to each \_\_\_\_ products.

By products b) joint products c) final products d) basic product

Ans: b

22. A. Process costing is used when output is produced in a continous process system.

B. Process costing is used when it is difficult to separate individual units of various process.

a)Both A and B are correct b) Both A and B are wrong c) only A is correct d) only B is correct

Ans: a

23. Process costing is suitable for \_\_\_\_\_\_\_\_\_\_.

a) Chemical manufacturers b) tomato ketchup c) Both d) None

Ans: c

24. Which one of the following is irrelevant to process costing?

a) Calculate the cost of output b) Estimate the sales volume

c) Identify the losses d) none of the above

Ans: b

25. Which of the following is not possible in the same process account?

a) Normal loss and abnormal loss b) Normal loss and abnormal gain

c) Abnormal loss and abnormal gain d) all the above

Ans: c

26. In a process costing, loss might be \_\_\_\_\_\_\_\_.

a) Normal b) abnormal c) Both d) None

Ans: c

27. Normal loss is usually expressed as a percentage of \_\_\_\_\_\_\_\_.

a) output b) input c) Both d) None

Ans: b

28. Normal loss is \_\_\_\_\_.

a) avoidable b) unavoidable c) both d) None

Ans: b

29. Normal loss comes with \_\_\_\_.

a) scrap value b) no scrap value c) either a or b d) None

Ans: c

30. A. If the normal loss has scrap value, it is given the scrap value.

B. If the normal loss has no scrap value, it is given the nil value.

a) Both A and B are correct b) Both A and B are wrong c) only A is correct d) only B is correct

Ans: a

31. If normal loss has a \_\_\_\_ value, the company is able to \_\_\_\_ the cost of the process.

a) nil, reduce b) nil, increase c) scrap, reduce d) scrap, increase

Ans: c

32. When actual loss exceeds normal loss, there is

a) abnormal loss b) abnormal gain c) normal loss d) none

Ans: a

33. A. The cost of normal loss is included in the cost of production.

B. The cost of abnormal loss is included in the cost of production.

a)a) Both A and B are correct b) Both A and B are wrong c) only A is correct d) only B is correct

Ans: c

34. The cost of units of abnormal loss is treated as \_\_\_ for the period and charged as \_\_\_\_ for the period.

a) product cost, inventory cost b) expense, expense in the income statement

c) extra cost, suspense cost d) none

Ans: b

35. When actual loss is less than the expected (normal) loss there is:\_\_\_\_\_\_\_\_\_\_.

a) extra ordinary loss b) abnormal loss c) abnormal gain d) none

Ans: c

36. Identify which of the following is incorrect.

a) Abnormal gain is a benefit rather than a cost.

b) Abnormal gain is an adjustment that increases the profit

c) Abnormal gain is recorded as a debit entry in the process account.

d) None of the above.

Ans: d

37. When there is closing work in progress, the concept of \_\_\_\_ is used.

a) Equivalent units b) Expected units c) fair allocated units d) None

Ans: a

38. A. Joint products are two or more products generated simultaneously by a single process.

B. Joint products are substantially equal in value.

a) Both A and B are correct b) Both A and B are wrong c) only A is correct d) only B is correct

Ans: a

39. In order to calculate a cost for each joint product, the common costs must be \_\_\_ between the joint products.

a) identified b) allocated c) apportioned d) none

Ans: c

40. A. By products are outputs from a joint process.

B. By products are relatively minor in quantity and/or value.

a) Both A and B are correct b) Both A and B are wrong c) only A is correct d) only B is correct

Ans: a

41. The point at which joint products and by-products become separately identifiable is known as:

a) the split point b) separation point c) either A or B d) None

Ans: c

42. Which of the following system applies when standardized goods are produced under a series of inter connected operations?

a) job order costing b) process costing c) standard costing d) all the above

Ans: b

43. The cost of material that is not completely processed would be found in which of the following:

a) Raw material b) Work in progress c) Finished goods d) all the above

Ans: b

44. The first step in preparing the production cost report is to

a) account for the number of physical units b) calculate the cost per equivalent unit

c) assign costs to work in progress d) account for the amount of product cost

Ans: a

45. A company had no beginning work in progress. During the period 5000 units were completed, and there were 500 units of ending work in process. How many units were started in production?

a) 500 b) 50 c) 5000 d) 5500

Ans: d

46. Which cost accumulation procedure is best suited to a continous mass production of similar units?

a) Job costing b) standard costing c) process costing d) all the above

Ans: c

47. A process costing system is used by a company that \_\_\_\_

a) produces heterogeneous products b) produces items by special request of customers

c) produces homogeneous products d) accumulates cost by job

Ans: c

48. A cost incurred in one processing department that is transferred to the next processing department is called a \_\_\_\_

a) transferred in cost b) split cost c) conversion cost d) carry over cost

Ans: a

49. Which of the following companies is most likely to use a process costing system?

a) a law office b) a custom home builder c) a car repair business d) a food manufacturer

Ans: d

50. When partially completed units are converted to a comparable number of completed units, they are referred to as \_\_\_\_.

a) converted units b) split off units c) equivalent units d) none

Ans: c

51. Process costing is applied when \_\_\_\_\_\_\_\_\_\_\_.

a)small number of different products are manufactured

b)large number of different products are manufactured

c) large number of identical products are manufactured

d)small numbers of customised made-to-order products are manufactured

Äns: c  
52. Process Cost is based on the concept of \_\_\_\_\_\_\_\_\_.

a)Average Cost b) Marginal Cost c) Standard Cost d) Differential Cost

Ans: a

53. Normal Loss is equal to \_\_\_\_\_\_\_\_.

a)Normal Output - Actual Output b) Actual Output - Normal Output

c) Input x % of Normal Loss d) None of the above

Ans: c

54. Abnormal Loss is equal to \_\_\_\_\_\_\_\_\_\_\_.

a)Input - Actual Output b) Actual Output - Normal Output

c) Normal Output - Actual Output d) Actual Output – Input

Ans: c

55.Abnormal Gains are equal to \_\_\_\_\_\_\_\_\_\_\_\_.

a)Actual Output - Normal Output b) Normal Output - Actual Output

c) Actual Output – Input d) Input - Actual Output

Ans: a

56.12,000 kg of a material were input to a process in a period. The normal loss is 10% of input. There is no opening or closing work-in-progress. Output in the period was 10,920 kg. What was the abnormal gain/loss in the period ?

a)Abnormal gain of 120 kg b) Abnormal loss of 120 kg

c) Abnormal gain of 1,080 kg d) Abnormal loss of 1,080 kg

Ans: a

57.The cost of production of 40 units in Process I consisting of materials Rs. 1,500; Labour Rs. 1,300 and Overhead Rs. 164. The normal waste is 5% of input.

a)40 units are transferred to next process @ Rs. 70 each

b)40 units are transferred to next process @ Rs. 74.10 each

c) 38 units are transferred to next process @ Rs. 78 each

d)40 units are transferred to next process @ Rs. 78 each

Ans: c

58.Input in a process is 4000 units and normal loss is 20%. When finished output in the process is only 3,240 units, there is an

a)Abnormal loss of 40 units b) Abnormal gain of 40 units

c) Neither abnormal loss nor gain d) Abnormal loss of 60 units

Ans: b

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

a)2,175 kg b) 2,250 kg c) 2,425 kg d) 2,500 kg

Ans: a

60. Process costing is not suitable for \_\_\_\_\_\_\_\_\_.

a) construction business b) Oil business c) chemical manufacturer d) all of these

Ans: a

**UNIT V**

1. In a non-integrated system of accounting, the emphasis is on,

a)Personal accounts b) Real accounts c) Nominal accounts d) All of these

Ans: c

2.Cost and financial accounts are required to be reconciled under

a)Integral system b) Cost control accounts system c) Under both (a) and (b) d) None of these

Ans: b

3.Which of the following accounts makes the cost ledger self-balancing ?

a)Overhead adjustment account b) Costing P & L account

c) Cost ledger control account d) None of the above

Ans: c

4.Purchases for special jobs is debited under non-integrated system to

a)Work-in-progress ledger control account b) Cost ledger control account

c) Stores ledger control account d) Purchases account

Ans: a

5. When production has been completed what double-entry would be made in a cost accounting system ?

a) Debit Cost of Sales and credit Finished Goods b) Debit Finished Goods and credit Work-in-Progress

c) Finished Goods Cost of Sales d)Work-in-Progress Finished Goods

Ans: b

6.What is a cost ledger control account?

a)An account in the cost ledger to record financial accounting items

b)An account in the financial ledger to record cost accounting items

c) An account that summarises outstanding payables balances

d)An account that summarises outstanding receivables balances

Ans: a

7.The debit balance of the overheads adjustment account may be transferred to

a)Cost of sales account b) Profit and loss account

c) Finished goods account d) Work-in-progress account

Ans: b

8.Materials lost in stores due to fire is \_\_\_\_\_\_\_\_.

a)a part of normal loss and hence part of cost b)capitalized

c) a part of abnormal loss and hence excluded from cost d)transferred to the next period

Ans: c

9. Over absorption of overhead in cost account is a \_\_\_\_\_\_\_\_\_\_..

a) Profit b) Gross Profit c) Profit or Loss d) Cost of sales

Ans: a

10. Under absorption of overhead in cost account is a

a) P& L b)Loss c)Cost of sales d) Prime cost

Ans: b

**11. \_\_\_\_\_\_\_\_\_\_\_ facilitates internal control.**  
a) reconciliation b) Overvaluation c) Computation d) None of the above

Ans: a

**12. Dividend received is shown in \_\_\_\_\_\_\_\_\_ accounts only.**  
a) financial b) Cost c) Balance Sheet d) Ignored

Ans: a

**13. Overheads recovered in costing is more than actual it is called \_\_\_\_\_\_\_\_\_.**  
a) overabsorption b) underabsorption c) Both a & b d) None of the above

Ans: a

**14. Less overheads recovered in costing is called \_\_\_\_\_\_\_\_\_\_ .**  
a) underabsorption b) overabsorption c) Both a & b d) None of the above

Ans: a

**15. Donations paid reduces \_\_\_\_\_\_\_\_\_\_ profit.**  
a) financial profit b) Ignored in costing c) costing profit d) Both a & b

Ans: a

**16. Interest on capital reduces \_\_\_\_\_\_\_\_\_ profit.**  
a) Costing profit b) financial profit c) Assets d) None of the above

Ans: b

**17. Underabsorption of overheads in costing increases \_\_\_\_\_\_\_\_\_ profit.**  
a) costing b) financial c) Assets d) None of the above

Ans: a

**18. Premium on issue of shares is shown in \_\_\_\_\_\_\_\_\_ P & L A/c.**  
a) Financial b) costing c) Ignored d) None of the above

Ans: a

19. Notional Rent is taken in \_\_\_\_\_\_\_\_\_ P & L A/c.  
a) Costing b) financial c) Ignored d) None of the above

Ans: a

20. Interest on investment increases \_\_\_\_\_\_\_\_ profit.  
a) Financial b) Costing c) Assets d) None of the above

Ans: a

**21. Overvaluation of closing stock in costing increases\_\_\_\_\_\_\_\_\_ profit.**  
a) Assets b) Financial c) Costing d) None of the above

Ans: c

**22. Undervaluation of closing stock in costing decreases \_\_\_\_\_\_\_\_\_ profit.**  
a) Financial b) Costing c) Assets d) None of the above

Ans: b

**23. Over absorption of overheads in costing decreases \_\_\_\_\_\_\_\_ profit.**  
a) Costing b) Assets c) Financial d) None of the above

Ans: a

**24. In a cost reconciliation statement, expenses shown only in financial accounts are \_\_\_\_\_\_.**  
a) Added to financial profit b) Added to costing profit

c) Deducted from financial profit d) Ignored

Ans: a

**25. Dividend paid on shares is debited to \_\_\_\_\_\_\_\_ P & L A/c.**  
a) Costing b) Financial c) Ignored d) None of the above

Ans: b

26. Donation paid is debited to \_\_\_\_\_\_\_\_\_ P & L A/c.  
a) Financial b) Ignored in costing c) Both a & b d) Costing

Ans:a

27. Under valuation of opening stock in financial accounts increases \_\_\_\_\_\_\_\_ profit.  
a) Financial b) Costing c) Both d) None of the above

Ans: a

28. Overvaluation of opening stock in financial accounts \_\_\_\_\_\_\_ financial profit.

a) Increases b) Decreases c) Doubles d) None of the above

Ans: b

29. Which of the following appears in cost reconciliation statement?  
a) Purchase returns b) Carriage inwards   
c) Sales commission d) Interest paid

Ans: d

30. In a cost reconciliation statement, income shown only in financial accounts is \_\_\_\_\_\_\_\_\_\_\_.  
a) added to financial profit b) deducted from financial profit

c) deducted from costing profit d) Ignored

Ans: b

**31. There is a loss as per financial accounts Rs.10,600. Donations made, not shown in cost accounts in Rs.6000. What would be the profit or loss as per cost accounts?**  
a) Loss Rs.16,600 b) Profit Rs.16,600   
c) Loss Rs.4,600 d) Profit Rs.4,600

Ans: c

**32. Reconciliation is usually done between**  
a) Gross profit and net profit b) Previous year’s profit with current year’s profit

c) Costing profit and financial profit d) Current year’s profit with next year’s provisions

Ans: c

**33. While preparing cost reconciliation statement, loss on sale of capital asset is \_\_\_\_\_\_\_\_** to get costing profit

a) Added to financial profit b) Added to costing profit   
c) Ignored from cost A/c d) None of the above to get costing profit

Ans: a

**34. Which of the following statements is true about the reconciliation of the cost and financial accounts?**  
a) Reconciliation doesn’t facilitate internal control

b) Reconciliation facilitates internal control   
c) Reconciliation facilitates external control d) All the above

Ans: b

**35. Interest on Bank Deposits is \_\_\_\_\_\_\_\_\_.**  
a) Credited in costing P & L A/c b) Credited in financial P & L A/c   
c) Debited in costing P & L A/c d) Debited in Financial P & L A/c

Ans: b

36. Which of the following statements is true about the dividend received from shares of a company?  
a) Dividend received is reflected only in the financial accounts

b) Dividend received is reflected only in the cost accounts

c) Dividend received is reflected only in both financial and cost accounts

d) Dividend received is not reflected in both financial and cost accounts

Ans: a

37. Over absorption of overheads in costing \_\_\_\_\_\_\_.  
a) Decreases costing profit b) Increases financial profit   
c) Increases costing profit d) Both (a) & (b)

Ans: d

38. Under valuation of opening stock in costing \_\_\_\_\_\_\_\_\_.  
a) Increases costing profit b) Decreases financial profit   
c) Decreases costing profit d) Both (a) & (b)

Ans: d

39. Donations paid is \_\_\_\_\_\_\_\_\_\_.   
a) Debited to costing P & L A/c b) Debited to financial P & L A/c   
c) Ignored in costing d) (ii) & (iii)

Ans: d

40. Which of the following statement is true about the under valuation of stock in cost accounts?

a) The undervaluation of stock reduces profits in the financial accounts

b) The undervaluation of stock reduces profits both in the financial and cost accounts

c) The undervaluation of stock profits in cost accounts

d) The undervaluation of stock does not reduce profits either in the financial or the cost accounts

Ans: c

41. The system under which only one set of account books is maintained to record both the Cost and Financial transactions is

a) Management accounting b) Cost accounting

c) Integrated accounting d) Non-integrated accounting

Ans: c

42. Which of the following journal is correct for materials purchased on credit in integrated accounting?

a) Stock ledger control a/c Dr b) Stores ledger control a/c c) Stock ledger control a/c

To Sundry creditors To Cash a/c To Sundry debtors

d) Sundry creditors a/c Dr

To Stock ledger control a/c

Ans: a

43. The journal entry for payment of wages in integrated accounting is

a) Wages a/c Dr b) Cash a/c Dr c) Wages control a/c Dr d) Any of these

To Cash a/c To wages a/c To cash a/c

Ans: c

44. Which of the following journal is correct for sales returns in integrated accounting?

a) Cost of sales a/c Dr b) Cost of sales a/c c) Cost of sales a/c d) None

To Sundry creditors To Cash a/c To Sundry debtors

Ans: c

45. Which of the following journal is correct for under absorption of overheads in integrated accounting?

a) Profit and loss a/c Dr b) Profit and loss a/c Dr c) Stock ledger control a/c Dr

To Sundry creditors To overhead control a/c To Sundry debtors

d) No entry

Ans: b

46. Which of the following journal is correct for over absorption of overheads in integrated accounting?

a) Overhead control a/c Dr b) Stores ledger control a/c Dr c) Stock ledger control a/c Dr

To Profit and loss a/c To overhead control a/c To Profit and loss a/c

d) No entry

Ans: a

47. Which of the following journal is correct for materials transferred from one job to another in integrated accounting?

a) Stores ledger control a/c Dr b) Cost of Sales a/c Dr c) Stock ledger control a/c Dr

To cost of sales a/c To stores ledger a/c To Work in progress a/c

d) No entry

Ans: d

48. Which of the following journal is correct for profits in integrated accounting?

a) Profit and Loss a/c Dr b) Work in progress a/c Dr c) Profit and loss a/c Dr

To Cost of sales a/c To profit and loss a/c To work in progress a/c

d) No entry

Ans: d

49. In integrated accounting, inventories are valued as per

a) Financial accounting b) Cost accounting c) Market value d) None

Ans: b

50. There is no difference in accounting cash purchase and credit purchase in

a) Cost accounting b) Financial accounting c) integrated accounting d) None

Ans: a

51. General ledger adjustment a/c is used in

a) Financial accounting b) Cost accounting c) integrated accounting d) None

Ans: b

52. In Reconciliation statement, over-valuation of opening stock in cost account is added with

a) Financial profit b) Gross Profit c) Net Profit d) Costing profit

Ans: d

53. In Reconciliation statement over-valuation of closing stock in cost account is added with

a) costing profit b) financial profit c)gross profit d) financial loss

Ans: b

54. For reconciliation, interest received is deducted from

a) Financial profit b) Costing profit c)Gross profit d)Net loss

Ans: a

55. In reconciliation, goodwill written off is deducted from

a) Fixed cost b) Variable cost c)Financial profit d)Costing profit

Ans: d

56. Which of the following is not an advantage of integral accounting?

a) It facilitates the introduction of mechanised accounting.

b) Its handling requires trained and more efficient persons.

c) There is no possibility of overlooking an item of expense.

d) There is no need to prepare the reconciliation statement.

Ans: b

57. Which of the following is a drawback in integral accounting.

a) There is an automatic check on the correctness of all cost data.

b) It makes the General Ledger self-balancing.

c) There is no need to reconcile the profit disclosed by the cost accounts.

d) This is suitable for small organizations.

Ans: d

58. There is no need to reconcile the profit disclosed by the cost accounts in

a) Cost accounting b) Financial accounting c) Integrated accounting d) None

Ans: c

59. Which one of the following is a prerequisite of an integrated accounting system?

a) Bulk purchases b) Financial analysis c) coding d) None

Ans: c

60. Profit on sales of fixed asset is a

a) Costing transaction b) Financial and costing transaction

c) Financial transaction d) Personal transaction

Ans: c