MCQs on Accounting for Business Decision

(Chapter 3 to 5)

Q1. Which of these 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

Q2. 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 despite changes in output
   (d) Which remains same for each unit of output

Q3. Uncontrollable costs are the costs which be influenced by the action of a specified member of an undertaking.
   (a) can not
   (b) can
   (c) may or may not
   (d) must

Q4. Element/s of Cost of a product are:
   (a) Material only
   (b) Labour only
   (c) Expenses only
   (d) Material, Labour and expenses

Q5. Abnormal cost is the cost:
   (a) Cost normally incurred at a given level of output
   (b) Cost not normally incurred at a given level of output
   (c) Cost which is charged to customer
   (d) Cost which is included in the cost of the product

Q6. Conversion cost includes cost of converting...........into.........
   (a) Raw material, WIP
   (b) Raw material, Finished goods
   (c) WIP, Finished goods
   (d) Finished goods, Saleable goods

Q7. Sunk costs are:
   (a) relevant for decision making
   (b) Not relevant for decision making
   (c) cost to be incurred in future
   (d) future costs

Q8. 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

Q9. Manufacturing overheads: Rs. 30,000
   (a) Rs. 1,80,000
   (b) Rs. 2,00,000
   (c) Rs. 1,70,000
   (d) Rs. 2,10,000

Q10. Total cost of a product: Rs. 10,000
      Profit: 25% on Selling Price
      Profit is:
      (a) Rs. 2,500
      (b) Rs. 3,000
      (c) Rs. 3,333
      (d) Rs. 2,000

Q11. 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
      (a) Rs. 2,70,000
      (b) Rs. 2,80,000
      (c) Rs. 3,00,000
      (d) Rs. 3,20,000

Q12. Bin Card is a
      (a) Quantitative as well as value wise records of material received, issued and balance;
      (b) Quantitative record of material received, issued and balance
      (c) Value wise records of material received, issued and balance
      (d) a record of labour attendance

Q13. Stores Ledger is a:
      (a) Quantitative as well as value wise records of material received, issued and balance;
      (b) Quantitative record of material received, issued and balance
      (c) Value wise records of material received, issued and balance
      (d) a record of labour attendance

Q14. Re-order level is calculated as:
      (a) Maximum consumption x Maximum re-order period
      (b) Minimum consumption x Minimum re-order period
      (c) 1/2 of (Minimum + Maximum consumption)
      (d) Maximum level - Minimum level

Q15. Economic order quantity is that quantity at which cost of holding and carrying inventory is:
      (a) Maximum and equal
      (b) Minimum and equal
      (c) It can be maximum or minimum depending upon case to case.
      (d) Minimum and unequal

DIMR
Q16. ABC analysis is an inventory control technique in which:
   (a) Inventory levels are maintained
   (b) Inventory is classified into A, B and C category with A being the highest quantity, lowest value.
   (c) Inventory is classified into A, B and C Category with A being the lowest quantity, highest value
   (d) Either b or c.

Q17. Which one out of the following is not an inventory valuation method?
   (a) FIFO
   (b) LIFO
   (c) Weighted Average
   (d) EOQ

Q18. In case of rising prices (inflation), FIFO method will:
   (a) provide lowest value of closing stock and profit
   (b) provide highest value of closing stock and profit
   (c) provide highest value of closing stock but lowest value of profit
   (d) provide highest value of profit but lowest value of closing stock

Q19. In case of rising prices (inflation), LIFO will:
   (a) provide lowest value of closing stock and profit
   (b) provide highest value of closing stock and profit
   (c) provide highest value of closing stock but lowest value of profit
   (d) provide highest value of profit but lowest value of closing stock

Q20. Which of the following is an abnormal cause of Idle time:
   (a) Time taken by workers to travel the distance between the main gate of factory and place of their work
   (b) Time lost between the finish of one job and starting of next job
   (c) Time spent to meet their personal needs like taking lunch, tea etc.
   (d) Machine break downs

Q21. Overhead refers to:
   (a) Direct or Prime Cost
   (b) All Indirect costs
   (c) only Factory indirect costs
   (d) Only indirect expenses

Q22. Allotment of whole item of cost to a cost centre or cost unit is known as:
   (a) Cost Apportionment
   (b) Cost Allocation
   (c) Cost Absorption
   (d) Machine hour rate

Q23. Which of the following is not a method of cost absorption?
   (a) Percentage of direct material cost
   (b) Machine hour rate
   (c) Labour hour rate
   (d) Repeated distribution method

Q24. Service department's costs should be allocated to:
   (a) Only Service departments
(b) Only Production departments  
(c) **Both Production and service departments**  
(d) None of the production and service departments

Q25. Most suitable basis for apportioning insurance of machine would be:
(a) Floor Area  
(b) **Value of Machines**  
(c) No. Of Workers  
(d) No. Of Machines

Q26. Blanket overhead rate is:
(a) **One single overhead absorption rate for the whole factory**  
(b) Rate which is blank or nil rate  
(c) rate in which multiple overhead rates are calculated for each production department, service department etc.  
(d) Always a machine hour rate

Q27. Which of the following is not a reason for an idle time variance?
(a) **Wage rate increase**  
(b) Machine breakdown  
(c) Illness or injury to worker  
(d) Non-availability of material

Q28. Marginal costs is taken as equal to

A) Prime Cost plus all variable overheads  
B) Prime Cost minus all variable overheads  
C) Variable overheads  
D) None of the above

Q29. 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
Q30. Which of the following are the assumptions of marginal costing?

A) All the elements of cost can be divided into fixed and variable components.
B) Total fixed cost remains constant at all levels of output.
C) Total variable costs varies in proportion to the volume of output.
D) Per unit selling price remain unchanged at all levels of operating activity.

A) A and B
B) B and C
C) A and D
D) A, B C and D

Q31. The corrective actions after the analysis of variances has to be taken by

A. Cost accountant
B. Management
C. Both a and b
D. None of the above

Q32. The formula to estimate Labour Mix variance is

A. Total standard labour cost of actual output - Total actual cost of actual output
B. (Standard rate per hour - Actual rate per hour) * Actual Hours
C. (Revised standard time - Actual time) * Standard rate
D. Abnormal idle hours * Standard hourly rate

Q33. To get to labour efficiency variance, the formula to be applied is

A. Total standard labour cost of actual output - Total actual cost of actual output
B

. (Standard rate per hour - Actual rate per hour) * Actual Hours

C. (Standard time - Actual time) * Standard rate per hour

D. Abnormal idle hours * Standard hourly rate

Q34. Labour efficiency variance is also known as

A. Labour time variance

B. Labour quantity variance

C. Labour usage variance

D. All of the above

Q35. The formula used for calculation of labour rate variance is

A. Total standard labour cost of actual output - Total actual cost of actual output

B. (Standard rate per hour - Actual rate per hour) * Actual Hours

C. (Standard time - Actual time) * Standard rate per hour

D. Abnormal idle hours * Standard hourly rate

Q36. Labour cost variance is measured as

A. Total standard labour cost of actual output - Total actual cost of actual output

B. (Standard rate per hour - Actual rate per hour) * Actual Hours

C. (Standard time - Actual time) * Standard rate per hour

D. Abnormal idle hours * Standard hourly rate

Q37. In case only actual data and standard data are given without any indication of output
C

A. Standard quantity is to be calculated

B. **Standard quantity is not to be calculated**
   - Inadequate information

D. None of the above

Q38. When actual output is different from standard output, determine

A. Standard cost of revised standard mix for standard output

B. Actual yield for standard output

C. **Standard quantity for actual output**

D. None of the above

Q39. While calculating material mix variance, if revised standard quantity is greater than actual quantity, the variance is

A. Unfavorable

B. **Favorable**

C. Neither favorable nor unfavorable

D. None of the above

Q40. The formula to calculate material price variance is

A. Total standard cost - Total actual cost

B. Standard cost of revised standard mix - Standard cost of actual mix

C. *(Standard unit price - Actual unit price) * Actual quantity used*

D. *(Standard quantity - Actual quantity) * Unit standard price*
Q41. Material cost variances is measured as

A. **Total standard cost - Total actual cost**

B. Standard cost of revised standard mix - Standard cost of actual mix

C. (Standard unit price - Actual unit price) * Actual quantity used
   . (Standard quantity - Actual quantity) * Unit standard price

Q42. When the actual cost is less than the standard cost, the difference is termed as

A. **Favorable variance**

B. Adverse variance

C. Both a and b

D. None of the above

Q43. Factors that are largely considered in making or buying decisions are called

a. Quality of suppliers

b. Dependability of suppliers

c. Production irrelevancy

d. **Both a and b**

Q44. Difference exists between total revenues that can be earned from two different alternatives is classified as

a. Independent revenue

b. Incremental revenue

c. **Differential revenue**

d. Dependent revenue

Q45. Decisions are made by company which products to manufacture and sell and in what quantities out of many product lines are considered as

a. Incremental decisions

b. Outsource decisions

c. **Product mix decisions**
d. In-source decisions

Q46. Low level managers are in organizations to make decisions about
a. Net income irrelevancy
b. **Operating income maximization**
c. Operating income minimization
d. Operating income relevancy

Q47. Buying of goods or services from suppliers or vendors of some other country instead of local supplier is classified as
a. **Out-sourcing**
b. In-sourcing
c. Idle sourcing
d. Sunk sourcing
Q48. At breakeven point there is

a. Profit  
b. Loss  
c. **No profit or loss**  
d. None of these

Q49. At breakeven point

a. **Total expenses = Total revenue**  
b. Total expenses > Total revenue  
c. Total expenses < Total revenue  
d. Any of the above

Q50. Margin of safety is equal to

a. **Actual sales – Sales at Breakeven point**  
b. Actual sales + Sales at Breakeven point  
c. Actual sales x Sales at Breakeven point  
d. Actual sales / Sales at Breakeven point