

COST AND MANAGEMENT ACCOUNTING

SOLVED QUESTION PAPER JUNE 2017

Q.1. You are required to report to top management of eastern India engineering company the point of sales in terms of Rupee to break even for the purpose you obtain that:

Fixed overheads remain constant at Rs. 12,000

Variable costs will rise zero to Rs.12,000

Selling price is Rs. 600 per ton

The tonnage produced and sold is 30 tons

- (A) Rs.36,000
- (B) Rs.32,000
- (C) Rs.30,000
- (D) Rs.38,000

Answer:- (A)

Explanation:- Break even point = $\frac{\text{Fixed cost}}{\text{P/V ratio}} = \frac{\text{Rs. 12,000}}{33.33\%} = \text{Rs.36,000}$

Working notes

1. $\text{P/V ratio} = \frac{\text{contribution}}{\text{Sales}} * 100 = \frac{200}{600} * 100 = 33.33\%$
2. Variable cost (a) = Rs. 12,000
Units (b) = 30 tons
Variable cost per unit (a)/(b) = Rs.400 per unit
3. Contribution per unit = Sales - variable cost per unit
= Rs. 600- Rs. 400
= Rs. 200

Q.2. In a period sales amount to Rs.2,00,000, net profit Rs.20,000 and fixed overheads are Rs. 30,000. If sales Rs. 3,00,000 profit will be:

- (A) Rs.48,000

- (B) Rs.50,000
- (C) Rs.40,000
- (D) Rs.45,000

Answer:- (D)

Explanation:-

Sales	Given	3,00,000
-Variable cost	75% on sales	2,25,000
Contribution	25% on sales	75,000
-Fixed cost	Given	30,000
Profit		45,000

Working notes

1.

Sales	Given	2,00,000
-Variable cost		1,50,000
Contribution		50,000
-Fixed cost	Given	30,000
Profit	Given	20,000

↑
Reverse

calculation

2.
$$P/V \text{ ratio} = \frac{\text{contribution}}{\text{Sales}} * 100 = \frac{50,000}{2,00,000} * 100 = 25\%$$

Q.3. Reliance furniture house places before you the following trading results:

Year	Units	Total cost	Sales
2015	10,000	80,000	1,00,000
2016	12,000	90,000	1,20,000

Fixed cost will be :

- (A) Rs.15,000
- (B) Rs. 10,000
- (C) Rs.30,000
- (D) Rs.60,000

Answer:- (C)

Explanation:- Fixed cost = Total cost – variable cost

Fixed cost = 80,000- (10,000*Rs.5p.u) = 80,000- 50,000 = **Rs. 30,000**

OR

Fixed cost = 90000- (12,000*Rs.5p.u) = 80,000- 60,000 = **Rs. 30,000**

Working Notes

1. Variable cost per unit = $\frac{\text{change in total cost}}{\text{Change in units}} = \frac{\text{Rs. } 90,000 - \text{Rs. } 80,000}{12,000 - 10,000} = \frac{\text{Rs. } 10,000}{2,000} = \text{Rs. } 5 \text{ per unit}$

Q.4. A factory engaged in manufacturing plastic buckets is working at 40% capacity and produces 10,000 buckets per annum. The present cost break up for one bucket is as under.

Material Rs. 10
Labour Rs. 3
Overheads Rs. 5 (60% fixed)

The selling price per bucket Rs.20. If factory operates 90% of capacity the profit will be:

- (A) Rs.75,000
- (B) Rs. 80,000
- (C) Rs.82,500
- (D) Rs.92,500

Answer:- (C)

Explanation:-

At 22,500 units of bucket

Particulars	Per unit (Rs.)	Total cost (Rs.)
Sales	20	4,50,000
CONTRIBUTION	25% of sales	1,12,500
-Fixed cost	See working notes	30,000
Profit		82,500

At 90% capacity units of buckets is = $\frac{10,000}{40\%} * 90\% = 22,500 \text{ units}$

Working Notes

1. Calculation of variable cost per unit

Material	10
----------	----

Labour	3
Overheads (Rs. 5*40%)	2
	15

2. Fixed cost per unit = Rs. 5 * 60% = Rs. 3

3. At 10,000 units of bucket

Particulars	Per unit (Rs.)	Total cost (Rs.)
Sales	20	2,00,000
-variable cost	15	1,50,000
CONTRIBUTION		50,000
-Fixed cost	3	30,000
Profit		20,000

4. P/V ratio = $\frac{\text{contribution}}{\text{Sales}} * 100 = \frac{50,000}{2,00,000} * 100 = 25\%$

Q.5. Rowan premium plan is an improvement over:

- (A) Taylor plan
- (B) Gantt bonus plan
- (C) Halsey Premium plan
- (D) None of the above

Answer:- (C)

Explanation:- Rowan premium plan is an improvement over is Halsey premium plan

Q.6. A company has fixed costs of Rs.90,000 with sales of Rs.3,00,000 and profit of Rs.60,000. Margin of safety will be :

- (A) Rs. 1,00,000
- (B) Rs. 1,20,000
- (C) Rs. 1,50,000
- (D) Rs. 1,30,000

Answer:- (B)

Explanation:- Margin of safety(MOS) = $\frac{\text{Profit}}{\text{P/v ratio}} = \frac{60,000(\text{Given})}{50\%} = \text{Rs. } 1,20,000$

Working Notes

1. P/V ratio = $\frac{\text{contribution}}{\text{Sales}} * 100 = \frac{1,50,000}{3,00,000} * 100 = 50\%$
2. Contribution = fixed cost + profit = Rs. 90,000 + Rs. 60,000 = Rs. 1,50,000

Q.7. A company sells its product at Rs. 15 per unit. In a period if it produces and sells 8,000 units, it incurred a loss of Rs. 5 per unit. If the value is raised to 20,000 units, it earns profit of Rs. 4 per unit. Break even profit in units will be:

- (A) 13,000 units
- (B) 12,000 units
- (C) 14,000 units
- (D) 10,000 units

Answer:- (B)

Explanation:- Break even point (units) = $\frac{\text{Fixed cost}}{\text{Contribution}} = \frac{1,20,000}{10} = 12,000 \text{ units}$

Working Notes

1. P/V ratio = $\frac{\text{Change in profit}}{\text{Change in sales}} * 100 = \frac{1,20,000}{1,80,000} * 100 = 66.666\%$

2.

Units	Sales per unit (Rs.)		Profit/ (loss) Per unit (Rs.)	Profit/ (loss) (Rs.)
8,000	15	1,20,000	(5)	(40,000)
20,000	15	3,00,000	4	80,000
		Difference		Difference
		1,80,000		1,20,000

3. Contribution per unit(Rs.) = sales per unit * p/v ratio = Rs. 15* 66.666% = Rs. 10 per unit

4. At 8,000 units

Contribution	Rs. 10	80,000
-Fixed cost		1,20,000
Profit/(loss)	Given	(40,000)

↑ Reverse

calculation

Q.8. The cost accountant of M Ltd has ascertained the selling price of a product is Rs.20 per unit. Variable cost is Rs. 15 per unit and break even point is 21,600 units. Management has decided to treat 12,000 units of B.E.P because production department cannot produce more than this at the moment. The selling price for 12,000 units B.E.P will be:

- (A) Rs. 20 per unit
- (B) Rs. 24 per unit
- (C) Rs. 26 per unit
- (D) Rs. 28 per unit

Answer:- (B)

Explanation:- Selling price = contribution + variable cost = Rs. 9 + Rs. 15 = Rs. 24 per unit

Working notes

1. For 21600 units

$$\text{BEP} = \frac{\text{Fixed cost}}{\text{Contribution}} =: 21600 \text{ units} = \frac{\text{fixed cost}}{(\text{Rs. } 20-15)}$$
$$\text{Fixed cost} = 21600 \text{ units} * \text{Rs. } 5 = \text{Rs. } 1,08,000$$

2. For 12,000 units

$$\text{BEP} = \frac{\text{Fixed cost}}{\text{Contribution}} =: 12,000 \text{ units} = \frac{\text{Rs. } 1,08,000}{\text{Contribution}}$$

$$\text{Contribution} = \frac{\text{Rs. } 1,08,000}{12,000} = \text{Rs. } 9$$

Q.9. Yadhav co. has annual fixed cost of Rs. 1,20,000. In 2015 sales amounted to Rs. 6,00,000 as compared to Rs.4,50,000 in 2014 and profit in 2015 was Rs. 50,000 higher than in 2014. If there is no need to expand the company's capacity. The profit or loss in 2016 on forecasted sales of Rs.9,00,000 will be:

- (A) Rs. 1,80,000
- (B) Rs. 1,90,000
- (C) Rs. 1,70,000
- (D) Rs. 1,85,000

Answer:- (A)

Explanation:- Profit = contribution – fixed cost = Rs. (3,00,000 – 1,20,000) = Rs. 1,80,000

Working notes

1. Change in sales = Rs. 600000- Rs. 450000 = Rs. 1,50,000
2. P/V ratio = $\frac{\text{Change in profit}}{\text{Change in sales}} \times 100 = \frac{50,000}{1,50,000} \times 100 = 33.33\%$
3. Contribution = sales * p/v ratio = Rs. 9,00,000 * 33.33% = Rs. 3,00,000

Q.10. A company manufactures and sells three types of products namely A,B and C, total sales per month is Rs.80,000 in which the shares of these three types of products are 50%,30%,20% respectively. Variable costs of these products are 60%,50% and 40% respectively :

- (A) 49%
- (B) 48%
- (C) 47%
- (D) 50%

Answer:- (C)

Explanation:- Calculation of combined p/v ratio
 combined P/v ratio = p/v ratio * sales weight

Product	Sales share	p/v ratio	Combined P/v ratio
A	50%	40%	20%
B	30%	50%	15%
C	20%	60%	12%
Total			47%

Working notes

1. Calculation of p/v ratio
 P/v ratio = 1- variable cost

Product	Variable cost	P/v ratio = 1- variable cost
A	60%	40%
B	50%	50%
C	40%	60%

Q.11. A plant produces a product in the quantity of 10,000 units at a cost of Rs. 3 per unit. If 20,000 units are produced, the cost per unit will be Rs. 2.50, selling price per unit is Rs. 4. The variable cost per unit will be :

- (A) Rs. 2
- (B) Rs. 3
- (C) Rs. 4
- (D) Rs. 1

Answer:- (A)

Explanation:- variable cost per unit = $\frac{\text{Change in cost}}{\text{Change in units}} = \frac{(20000 \text{ units} * \text{Rs.} 2.50) - (10000 \text{ units} * \text{Rs.} 3)}{20,000 - 10,000}$

$$= \frac{\text{Rs.} 20000}{10000 \text{ units}} = \text{Rs. } 2$$

Q.12. Plant is operating at 60% capacity. The fixed costs are Rs. 30,000, the variable costs are Rs. 1,00,000 and sales amount to Rs. 1,50,000 the percentage of capacity at which the plant should operate to earn a profit of Rs.40,000 will be :

- (A) 80%
- (B) 84%
- (C) 90%
- (D) 94%

Answer:- (B)

Explanation:- proportion method (%) = $\frac{60\%}{\text{Rs. } 1,50,000} * 2,10,000 = 84\%$

Working notes

1. Contribution = Sales- variable cost = Rs. 1,50,000 – Rs.1,00,000 = Rs. 50,000

2. P/V ratio = $\frac{\text{Contribution}}{\text{Sales}} * 100 = \frac{50,000}{1,50,000} * 100 = 33.33\%$

3. Desired sales = $\frac{\text{Fixed cost} + \text{profit}}{\text{P/v ratio}} = \frac{\text{Rs.} 30,000 + \text{Rs. } 40,000}{33.33\%} = \frac{\text{Rs. } 70,000}{33.33\%}$

= Rs. 2,10,000

Q.13. The standard cost card shows the following details relating to material requirements for production one kg of groundnut oil:

Quantity of groundnut 3 kg .
Price of groundnut Rs. 1.50 per kg .

Actual production data are :

Production during the month 1,000 kg .
Quantity used 3,500 kg .
Price of groundnut Rs. 2.00 kg

Material cost variance will be :

- (A) Rs. 2,500 (A)
- (B) Rs. 2,000 (A)
- (C) Rs. 3,000 (A)
- (D) Rs. 4,500 (A)

Answer:- (A)

Explanation:- Material cost variance = Standard cost – Actual cost

$$\begin{aligned} &= (SQ-SP) - (AQ- AP) \\ &= (3kg * 1000kg * Rs. 1.50/kg) - (3500kg- Rs. 2kg) \\ &= Rs. 4500 - Rs. 7000 \\ &= \mathbf{Rs. 2500 (A)} \end{aligned}$$

Q.14. When demand forecasting is difficult, budget which is prepared:

- (A) Sales budget
- (B) Production budget
- (C) Financial budget
- (D) Flexible budget

Answer:- (D)

Q.15. Standard set for material consumption was 100 kg. @ Rs. 2.25 per kg.

In a cost period opening stock was 100 kg. @ Rs. 2.25 per kg.

Purchase made 500 kg. @ Rs. 2.15 kg. Consumption: 110 kg.

The material price variance will be :

- (A) Rs. 50 (F)
- (B) Rs.50 (A)
- (C) Rs.100(F)
- (D) Rs. 100(A)

Answer:- (A)

Explanation:- material price variance = actual qty purchased (SP- AP)
 = 500qty (Rs. 2.25 – Rs.2.15)
 = 500qty *Rs. 0.10
 = **Rs.50 (F)**

Q.16. The following information is given:

Material purchased 3,000 kg
 Value of materials purchased Rs. 9,000
 Standard quantity 25 kg for one kg finished goods
 Standard price Rs. 2 per kg .
 Closing stock of materials 500 kg
 Finished goods produced 80 kg.
 Material usage variance will be :

- (A) Rs. 1,000 (F)
- (B) Rs.1,000 (A)
- (C) Rs.1,500 (F)
- (D) Rs. 1,500(A)

Answer:- (B)

Explanation:- Material usage variance = (SQ – AQ used) * SP
 = (2000kg – 2500kg) * Rs. 2
 = - 500 kg * Rs. 2
 = **Rs. 1000 (A)**

Working notes

1. AQ used = material purchased – closing stock = 3000kg- 500kg = 2500 kg
2. SQ = 1 kg Finished goods = 25 kg material
 80 kg Finished goods = 25 kg material
 = 80kg * 25 kg = 2000kg

Q.17. Given for a factory:

Normal number of workers in the department: 50
 Normal hours paid for in a week: 40
 Standard rate of wages per hours: Rs. 0.80
 Standard output of the department per hour taking into account normal 20 units
 In the first week of March, 2016, it was ascertained that 1000 units were produced despite 20% idle time due to power failure and actual rate of wages was Rs. 0.90 per hour. Labour cost variance will be:

- (A) Rs. 300 (F)
- (B) Rs.300 (A)
- (C) Rs.200 (A)
- (D) Rs. 200(F)

Answer:- (D)

Explanation:- Labour cost variance = (SH * SR) – (AH * AR)
= (2500 * Rs. 0.80) – (2000 * Rs. 0.90)
= Rs. 2,000 – Rs. 1,800
= **Rs. 200 (F)**

working notes

1. Calculation of standard hours to make 1000 units :
1 hr = 20 units
Therefore, 1000 units / 20 units = **50hrs**
2. **Total no. of workers hours under standard (SH) = 50 hrs * 50 workers = 2500 worker hours**
3. **Total no. of workers hours under actual(AH) = 40 hrs * 50 workers = 2000 worker hours**

Q.18. The following information relate to manufacturing process of a company:

Number of employees 200

Weekly hours worked 40

Standard wage rate 50 paise per hour

Standard output 250 units per hour

During the first week of February 2016, four employees were paid at 45 paise per hour

And two employees were paid at 55 paise per hour, the rest of the employees were paid at Standard rate. Idle time is one hour per employee. Actual output was 10250 units .

Labour efficiency Variance will be:

- (A) Rs. 200 (F)
- (B) Rs.300 (F)
- (C) Rs.250 (F)
- (D) Rs. 400(F)

Answer:- (A)

Explanation:- Labour efficiency Variance = (SH- AH worked) * SR
= (8200 – 7800) * Rs. 0.50
= **200 (F)**

Working notes

1. $SH = \frac{\text{Actual output}}{\text{Standard output}} * \text{no. of employees} = \frac{10,250}{250} * 200 = 8200 \text{ hours}$
2. $AH_{\text{worked}} = (200 \text{ employees} * 40 \text{ hrs worked}) - (200 \text{ employees} * 1 \text{ hr idle})$

$$= 8000 - 200 = 7800 \text{ hours}$$

Q.19. The data given below:

	Standard	Actual
Labour hours	10,000	12,000
Variable overheads	Rs.2,000	Rs. 3,000
Units output	5,000	4,000

Variable overhead expenditure variance will be:

- (A) Rs.600 (A)
- (B) Rs.700 (A)
- (C) Rs.600 (F)
- (D) Rs. 700(F)

Answer:- (C)

Explanation:- Variable overhead expenditure variance = $(SR - AR) * AH$
 $= (Rs. 0.20 - Rs. 0.25) * 12,000$
 $= Rs. - 0.05 * 12000$
 $= \text{Rs. 600 (F)}$

Working notes

1. $SR = \frac{\text{variable overheads}}{\text{Labour hours}} = \frac{Rs. 2000}{10000} = Rs. 0.20$
2. $AR = \frac{\text{variable overheads}}{\text{Labour hours}} = \frac{Rs. 3000}{12000} = Rs. 0.25$

Q.20. $\frac{\text{Dividend per share}}{\text{Market price per share}} * 100 =$

- (A) Payout ratio
- (B) Earning yield ratio
- (C) Dividend yield ratio
- (D) Dividend ratio

Answer:- (C)

Explanation:- formula

Q.21. The branch of accounting which primarily deals with processing and accounting data for internal use in a concern is :

- (A) Financial accounting
- (B) Cost accounting
- (C) Management accounting
- (D) None of the above

Answer:- (B)

Explanation:- when the processing and accounting data is use internally is termed as cost accounting.

Q.22. Material cost variance is due to :

- (A) Change in price of material
- (B) Change in quantity used
- (C) Change in material mix
- (D) All of the above

Answer:- (D)

Explanation:- Material cost variance includes the change in price , quantity and also material mix of the material.

Q.23. In case flow, income tax paid is treated as:

- (A) Operating activity
- (B) Investing activity
- (C) Financial activity
- (D) Not shown any where

Answer:- (A)

Explanation:- Income tax paid is treated under operating activity.

Q.24. When margin of safety is 20% and P/V ratio is 60% , the profit will be :

- (A) 30%
- (B) 33 1/3%
- (C) 12%
- (D) None of the above

Answer:- (C)

Explanation:- Profit = Margin of safety * P/v ratio = 20% * 60% = **12%**

Q.25. Proprietor's net capital employed is known as:

- (A) Net worth
- (B) Equity share
- (C) Long term loans
- (D) Fixed assets

Answer:- (A)

Q.26. Which of the following is not applied in management accounting?

- (A) Comparative statement
- (B) Managerial reporting
- (C) Double entry system
- (D) Operation research

Answer:- (C)

Explanation:- Double entry system is not applied in management accounting

Q.27. EBIT / total assets ratio is :

- (A) Liquidity ratio
- (B) Profitability ratio
- (C) Solvency ratio
- (D) Turnover ratio

Answer:- (B)

Q.28. If the total cost of producing 20,000 units of a product is Rs. 90,000 and if 25,000 units will be produced, then the total cost will be Rs. 1,05,000 and the selling price is Rs. 8 per unit. The break even point will be:

- (A) 10,000 units
- (B) 8,000 units
- (C) 6,000 units
- (D) 5,000 units

Answer:- (C)

Explanation:-
$$\text{BEP} = \frac{\text{Fixed cost}}{\text{Contribution}} = \frac{\text{Rs. } 30,000}{\text{Rs. } 5} = 6000 \text{ units}$$

Working Notes

1. variable cost per unit = $\frac{\text{Change in cost}}{\text{Change in units}} = \frac{\text{Rs. } 1,05,000 - \text{Rs. } 90,000}{25,000 - 20,000} = \frac{\text{Rs. } 15,000}{5,000} = \text{Rs. } 3 \text{ p.u}$
2. Fixed cost = Total cost – variable cost = Rs. 90,000 – (20000units * Rs. 3)
= Rs. 90,000- Rs. 60,000 = Rs. 30,000
3. Contribution p.u = SP – Vc p.u = Rs. 8 – Rs. 3 = Rs. 5

Q.29. P/V ratio 25% , Sales Rs. 1,20,000 and fixed cost Rs. 17,500, profit will be:

- (A) Rs. 12,500
- (B) Rs. 30,000
- (C) Rs. 17,000
- (D) Rs. 20,000

Answer:- (A)

Explanation:-

Particulars		Total cost (Rs.)
Sales		1,20,000
CONTRIBUTION	25% on sales	30,000
-Fixed cost		17,500
Profit		12,500

Q.30. Under marginal costing system, product cost are :

- (A) Equal to fixed cost plus variable costs
- (B) Equal to only marginal costs
- (C) Equal to semi variable costs
- (D) None of the above

Answer:- (B)

Q.31. A, B, C analysis is

- (A) A system of profit planning
- (B) A technique of financial analysis
- (C) A technique of inventory control
- (D) A technique of profit determination

Answer:- (C)

Explanation:- Part of a inventory control

Q.32. In different cost analysis, managerial decisions are based on :

- (A) P/v ratio
- (B) Comparison of cost differential and income differential
- (C) Difference in cost between two alternative
- (D) Both (B) and (C)

Answer:- (D)

Q.33. The difference between the standard hours for the actual output and actual hours for actual output and multiplied by standard rate per hours is :

- (A) Labour rate variance
- (B) Overhead cost variance
- (C) Labour efficiency variance
- (D) Overhead volume variance

Answer:- (C)

Q.34. The difference between actual price and standard price multiplied by actual quantity will result into:

- (A) Material quantity variance
- (B) Material mix variance
- (C) Material price variance
- (D) Material yield variance

Answer:- (C)

Q.35. The budget which usually takes the form of profit and loss account and balance sheet is known as:

- (A) Cash budget
- (B) Master budget
- (C) Flexible budget
- (D) Labour budget

Answer:- (B)

Q.36. A fixed budget is one which:

- (A) Is a plan for capital expenditure in monetary terms

- (B) Is designed to remain unchanged irrespective of the volume of output or turnover attained
- (C) Deals with income and expenditure applicable to a particular function
- (D) Deals with none of these

Answer:- (B)

Q.37. A good costing system gives equal emphasis on cost ascertainment and cost

- (A) Reduction
- (B) Control
- (C) Maximisation
- (D) None of the above

Answer:- (A)

Q.38. The method of costing used both in cinema and a hospital is costing .

- (A) Operating
- (B) Material
- (C) Job
- (D) Process

Answer:- (A)

Q.39. is a location .person or item of equipment for which cost may be determined and used for the purpose of cost control :

- (A) Profit center
- (B) Cost center
- (C) Cost unit
- (D) Cost driver

Answer:- (B)

Q.40. Difference between standard normal loss and actual normal loss is:

- (A) Material variance
- (B) Material loss variance
- (C) Material yield variance
- (D) Material cost variance

Answer:- (B)

Q.41. Prime cost plus variable overhead gives:

- (A) Cost of sales
- (B) Marginal costs
- (C) Works cost
- (D) Cost of production

Answer:- (B)

Q.42. One of the most signified tools in cost planning is:

- (A) Direct material
- (B) Budget
- (C) Marginal costing
- (D) Direct labour

Answer:- (B)

Q.43. Cost of good produced consist of:

- (A) Work in progress and finished good inventory
- (B) Production cost ,work in progress and finished goods inventory
- (C) Production cost and work in progress
- (D) Prime cost and wages

Answer:- (C)

Q.44. $\frac{\text{Cost of sales} + \text{operating expense}}{\text{Sales}} * 100$ is :

- (A) Sales ratio
- (B) Sales operating ratio
- (C) Operating ratio
- (D) Cost sales ratio

Answer:- (C)

Q.45. Two avoidable reasons for the difference between bin card and physical quantity of material may be and wrong posting in the bin card:

- (A) Pilferage
- (B) Normal
- (C) Abnormal
- (D) reasonable

Answer:- (C)

Q.46. When price fluctuate widely which of the following method will even out the effect of functions?

- (A) Weighted average
- (B) FIFO
- (C) LIFO
- (D) Simple average

Answer:- (A)

Q.47. In which of the following methods , material issues are priced at pre- determine rate ?

- (A) Replacement price method
- (B) Specific price method
- (C) Inflated price method
- (D) Standard price method

Answer:- (D)

Q.48. Which of the following does not normally appear on material requisition form ?

- (A) Job number
- (B) Unit cost
- (C) Supplier name
- (D) Quantity requisitioned

Answer:- (C)

Q.49. is defined as the rate of exchange of Labour in an establishment during a particular period.

- (A) Sales turnover
- (B) Labour capacity
- (C) Material turnover
- (D) Labour turnover

Answer:- (D)

Q.50. Overtime wages arising out of abnormal conditions. Flood, strike etc. should not be charged to..... .

- (A) Cost of production
- (B) Trading account
- (C) Profit and loss account

(D) None of the above

Answer:- (A)

Q.51. When standard output is 10 units per hour and actual output is 14 units per hour , the efficiency level will be:

- (A) 60%
- (B) 120%
- (C) 140%
- (D) None of the above

Answer:- (C)

Explanation:- Efficiency level = $\frac{\text{actual output}}{\text{Standard output}} * 100 = \frac{14}{10} * 100 = 140\%$

Q.52. Given that standard time for job is 10 hours, actual time taken is 6 hours and the rate of wages is 3 per hour. The total wages under halsey scheme will be:

- (A) Rs. 28
- (B) Rs. 20
- (C) Rs. 24
- (D) Rs. 10

Answer:- (C)

Explanation:- Total wages = Time taken x Hourly rate + 50% (Time saved) x Hourly rate.
= 6 hours * Rs.3p.h + 50% (4 hours) * Rs.3
= Rs. 18 + Rs. 6
= **Rs. 24**

Q.53. Maximum possible production capacity of a plant when operating that is fully utilized is its:

- (A) Practical capacity
- (B) Theoretical capacity
- (C) Normal capacity
- (D) Capacity based on sales expectancy

Answer:- (C)

Q.54. Research cost undertaking at the request of the consumer should be charged to :

- (A) Costing profit & loss a/c
- (B) The customer

- (C) Selling overheads
- (D) Factory cost

Answer:- (B)

Q.55. When direct materials are issued to production, the accounting entry is to debit Control a/c and credit Stores ledger control a/c .

- (A) Work in progress
- (B) Finished goods
- (C) Trading
- (D) profit & loss a/c

Answer:- (A)

Q.56. which of the following items is not included in cost accounts?

- (A) Debenture interest
- (B) Interest received on bank deposits
- (C) Dividend paid on share capital
- (D) All of the above

Answer:- (D)

Q.57. When costing loss is Rs. 6500 , administrative overhead under absorbed being Rs. 500 , the loss as per financial accounts should be:

- (A) Rs. 7,000
- (B) Rs. 6,500
- (C) Rs. 6,000
- (D) Rs. 8,000

Answer:- (A)

Explanation:- Loss as per financial accounts = costing loss + under absorbed overheads
= Rs. 6500+ Rs. 500
= **Rs. 7000**

Q.58. In big contract the completion of work is certified by:

- (A) Contractor
- (B) Surveyor
- (C) CEO
- (D) Manager

Answer:- (B)

Q.59. Batch production is suitable for:

- (A) Mass production in batches
- (B) Production of homogeneous articles in batches
- (C) Production of articles in mass scale
- (D) Mass production in jobs

Answer:- (B)

Q.60. The stage of production where separate products are identified is called

- (A) Split off point
- (B) Border point
- (C) Edge point
- (D) Normal point

Answer:- (A)

Q.61. Costs incurred up to the point where individual products can be identified are called

- (A) Mixed
- (B) Joint
- (C) Separate
- (D) None of the above

Answer:- (B)

Q.62. The method of costing suitable in chemical industries is :

- (A) Job costing
- (B) Contract costing
- (C) Batch costing
- (D) Process costing

Answer:- (D)

Q.63. Individual products each of a significant sales value, produced simultaneously from the identical raw materials are called:

- (A) Joint product
- (B) Common product
- (C) By- product
- (D) Main product

Answer:- (D)

Q.64. Credit sales Rs. 3, 00,000, Opening balance of accounts receivable Rs. 50,000 and closing balance of accounts receivable Rs.70,000 (assuming 360 days in a year) debtors turnover ratio will be:

- (A) 5
- (B) 6
- (C) 4
- (D) 7

Answer:- (A)

Explanation = Debtors turnover ratio = $\frac{\text{credit sales}}{\text{Average debtors}} = \frac{\text{Rs. 3,00,000}}{\text{Rs. 60,000}} = 5$

$$\begin{aligned} \text{Average Debtors} &= \frac{\text{Opening acc receivable} + \text{closing acc receivable}}{2} \\ &= \frac{\text{Rs. 50,000} + \text{Rs. 70,000}}{2} = \frac{\text{Rs. 1,20,000}}{2} = \text{Rs. 60,000} \end{aligned}$$

Q.65. Profit on sales of machinery should be from the net profit to get funds from operations

- (A) Deducted
- (B) Deleted
- (C) Avoided
- (D) None of the above

Answer:- (B)

Q.66. Short-term solvency is indicated by :

- (A) Debtors turnover ratio
- (B) Liquid ratio
- (C) Price earning ratio
- (D) Stock turnover ratio

Answer:- (B)

Q.67. Which of the following is not true ?

- (A) Profit volume ratio = $\frac{\text{Profit}}{\text{Margin of safety}} * 100$
- (B) Break- even point = $\frac{\text{Fixed cost}}{\text{P/V ratio}}$
- (C) Break –even point = $\frac{\text{Fixed cost}}{\text{P/V ratio}} * 100$

$$(D) \text{ Profit volume ratio} = \frac{\text{P/V ratio}}{\text{B.E.P , (in Rs.)}} = \frac{\text{Fixed cost}}{\text{B.E.P , (in Rs.)}}$$

Answer:- (B)

Q.68. By cash equivalents we mean:

- (A) Bank balance
- (B) Short-term highly liquid securities
- (C) Investments
- (D) Investments in debenture

Answer:- (B)

Q.69. Management accounting aims at :

- (A) Presentation of accounting information
- (B) Assist in long term planning
- (C) Assist in day to day activities
- (D) All of the above

Answer:- (D)

Q.70. **Assertion (A):**

In management accounting firm decisions on pricing policy can be taken,

Reason (R):

As marginal cost per unit is constant from period to period within a short span of time,

Codes:

- (A) A is true, but R is false
- (B) A is false, but R is true
- (C) Both A & R are true and R is the correct explanation of A
- (D) Both A & R are true but R is not the correct explanation of A

Answer:- (C)

Q.71. Net profit + Non-cash expenses =

- (A) Gross profit
- (B) Profit after tax
- (C) Fund from operation
- (D) Distributable profit

Answer:- (C)

Q.72. Assertion (A):

Profit volume ratio is considered to be the best indirect of the profitability on the business

Reason (R):

If profit volume ratio improved, it will result in better profits,

Codes:

(A) A is false, but R is true

(B) A is true, but R is false

(C) Both A & R are true but R is not the correct explanation of A

(D) Both A & R are true and R is the correct explanation of A

Answer:- (D)

Q.73. Statement I :

Margin of safety represents the difference between the sales at break-even point and total sales

Statement II:

Margin safety can be expressed as a percentage of total sales or in value or in terms of quantity

Codes :

(A) Statement I is correct but statement ii is incorrect

(B) Statement I is incorrect but statement ii is correct

(C) Both statements are correct

(D) Both statements are incorrect

Answer:- (C)

Q.74. Match the following:

List –I

(A) Classification of cost into fixed and variable cost

(B) Difference between Sales variable cost

(C) Both fixed and variable cost

(D) Relative profitability

Codes:

(A)

(B)

(C)

(D)

(A) (2)

(1)

(4)

(3)

(B) (3)

(1)

(4)

(2)

(C) (3)

(4)

(1)

(2)

(D) (4)

(3)

(1)

(2)

List- II

(1) Contribution

(2) P/V ratio

(3) Marginal costing

(4) Absorption

Answer:- (B)

Q.75. Match the following:

List –I

List- II

- | | |
|--|-----------------------------------|
| (A) Cash flow statement | (1) Inflow of fund |
| (B) Inflow of cash | (2) short term financial planning |
| (C) Investment (maturity period 3 months) | (3) financial activity |
| (D) Payment of dividend | (4) cash equivalent |
- Codes:

	(A)	(B)	(C)	(D)
(A)	(2)	(4)	(1)	(3)
(B)	(2)	(1)	(4)	(3)
(C)	(4)	(3)	(1)	(2)
(D)	(3)	(4)	(1)	(2)

Answer:- (B)

Q.76. Match the following :

- | | |
|-------------------------|------------------------------------|
| List-I | list-II |
| (a)Prepaid expenses | (1) Solvency ratio |
| (b)Sales ratio | (2) Net profiting investment ratio |
| (c)Return as investment | (3) Turnover ratio |
| (d)100- property ratio | (4) Current ratio |

Codes:

	(a)	(b)	(c)	(d)
(A)	(4)	(3)	(2)	(1)
(B)	(4)	(3)	(1)	(2)
(C)	(2)	(1)	(4)	(3)
(D)	(2)	(4)	(1)	(3)

Answer:- (A)

Q.77. Match the following:

- | | |
|----------------------------|------------------------------|
| List-I | list -II |
| (a) Interest in fund | (1) application of funds |
| (b) Goods purchase credit | (2) drain in working capital |
| (c) Commission outstanding | (3) source of funds |
| (d) Net loss | (4) no flow of funds |

Codes :

	(a)	(b)	(c)	(d)
(A)	(4)	(3)	(2)	(1)
(B)	(4)	(3)	(1)	(2)
(C)	(3)	(4)	(2)	(1)
(D)	(3)	(4)	(1)	(2)

Answer:- (C)

Q.78. Consider the following statements:

- (1) Marginal costing and absorption costing are the same
 - (2) For decision making absorption costing is more suitable than marginal costing
 - (3) Cost volume profit relationship also denote break-even point,
 - (4) Marginal costing is based on the distribution between fixed and variable cost
- Which of the statements given above are correct?

- (A) 4 and 2
- (B) 2 and 3
- (C) 3 and 4
- (D) 1 and 2

Answer:- (C)

Q.79. Which of the following are advantages of material costing?

- (1) Pricing decision
- (2) True profit
- (3) Difficult to classify
- (4) Ignores time value
- (5) Break even analysis
- (6) Contribution is not final
- (7) Control over expenditure

- (A) 1, 3, 5 and 7
- (B) 1, 2, 5 and 7
- (C) 3, 4, 6 and 7
- (D) 1, 2, 6 and 7

Answer:- (B)

Q.80. Arrange the following categories of cash inflows and cash outflows in a correct order:

- (1) Cash from investing activities
 - (2) Cash from financing activities
 - (3) Cash from operating activities
- Codes:

- (A) 2, 1 and 3
- (B) 1, 3 and 2
- (C) 3, 2 and 1
- (D) 3, 1 and 2

Answer:- (D)

Q.81. The chief objective of cost accounting is to :

- (A) Earn more profit
- (B) Increase production
- (C) Provide information for management for planning and control
- (D) Fix the price

Answer:- (C)

Q.82. Cost accounting differ from financial accounting in respect of :

- (A) Recording cost
- (B) Ascertaining cost
- (C) Control of cost
- (D) Reporting of cost

Answer:- (D)

Q.83. A power house which generates and supplies power is called :

- (A) Profit Centre
- (B) Production Centre
- (C) Cost Centre
- (D) Service cost Centre

Answer:- (D)

Q.84. Over absorption of factory overheads due to inefficiency of management should be disposed by:

- (A) Use of supplementary rate
- (B) Transfer to costing profit and loss account
- (C) Carry forward to next year
- (D) Transfer to production account

Answer:- (B)

Q.85. Costs which can be identified easily and indisputably with a unit of operation or costing unit or cost Centre is called:

- (A) Variable cost
- (B) Direct cost
- (C) Product cost
- (D) Fixed cost

Answer:- (B)

Q.86. The following information relates to the production department of a factory :

Material used	Rs. 30,000
Direct Labour	Rs.20,000
Overheads	Rs. 5,000

On an order carried out in the department, direct wages amounted to Rs.3,000 find out the overhead chargeable to this order on the basis of direct wages:

- (A) Rs. 700
- (B) Rs.650
- (C) Rs.800
- (D) Rs.750

Answer:- (D)

Explanation:- Overhead % as on wages = $\frac{\text{Rs. 5,000}}{\text{Rs. 20,000}} \times 100 = 25\%$
Rs. 3,000 * 25% = **Rs. 750**

Working notes

1. Overhead % as on wages = $\frac{\text{Rs.5,000}}{\text{Rs.20,000}} \times 100 = 25\%$

Q.87. Salary of a foreman should be classified as a:

- (A)Fixed overhead
- (B)Variable overhead
- (C)Semi fixed or semi variable overhead
- (D)None of the above

Answer:- (A)

Q.88. The costing method in which fixed factory overheads are added to the inventory is :

- (A)Direct costing
- (B)Marginal costing
- (C)Absorption costing
- (D)Standard costing

Answer:- (C)

Q.89. The primary documents used for collection of production overheads are :

- (A) Stores requisition for indirect materials
- (B) Wages analysis sheet for indirect Labour
- (C) Cash book for indirect expenses
- (D) All of the above

Answer:- (D)

Q.90. Which of the following costs is not factory overhead expenses ?

- (A) Depreciation of equipment used in the research department
- (B) Salary of quality control inspector
- (C) Overtime premium paid to direct Labour
- (D) Machine maintenance Labour cost

Answer:- (C)

Q.91. A method of dealing with overheads involves spreading common costs over Costs centres on the basis of benefit received this is known as:

- (A) Overhead absorption
- (B) Overhead apportionment
- (C) Overhead identification
- (D) Overhead analysis

Answer:- (B)

Q.92. Which of the following is not a means where by factory overheads can be charged out of Production?

- (A) Direct Labour rate
- (B) Overtime rate
- (C) Machine hour rate
- (D) Blanket rate

Answer:- (B)

Q.93. An organization is divided into number of departments and overheads are collected allocated or apportioned to respective departments is called:

- (A) Service departments
- (B) Divisionalisation
- (C) Departmentalization
- (D) Classification

Answer:- (C)

Q.94. Ramya Ltd. furnishes the following information:

Production 10,000 units , Sales 10,000 units, Selling price Rs.12 per unit, Variable cost Rs. 6 per unit , Fixed costs Rs. 40,000 per annum (normal capacity of 10,000 units). Profit /loss under marginal costing method will be:

- (A) Rs. 10,000
- (B) Rs. 30,000
- (C) Rs. 20,000
- (D) Rs. 25,000

Answer:- (C)

Explanation:-

At 10,000 units sales

Particulars	Per unit (Rs.)	Total cost (Rs.)
Sales	12	
Variable cost	6	
CONTRIBUTION	6	60,000
-Fixed cost	given	40,000
Profit		20,000

Q.95. A manufacturer produces 2,00,000 units of a product at a cost of Rs. 3.25 per unit. Later on he produces 2,75,000 units at a cost of Rs. 3.20 per unit , when its fixed overheads have increased by 10% , the original fixed overhead will be :

- (A) Rs. 50,000
- (B) Rs.55,000
- (C) Rs.30,000
- (D) Rs.40,000

Answer:- (A)

Explanation:- Fixed cost = Rs. 55,000 (see working note 2) [it is inclusive of 10% increased)

$$\text{Here, Fixed cost} = \frac{\text{Rs. 55000}}{110} * 100 = \text{Rs. 50,000}$$

Working notes

1. On the production of 2,00,000 units @ Rs. 3.25 p.u, total cost = Rs. 6,50,000
If we assume that Fixed cost will be Rs. 50,000 (as we have to choose from the option or by assumption method)
Then, variable cost = Rs. 6,50,000- Rs. 50,000 = Rs. 6,00,000
Variable cost p.u. = Rs. 6,00,000 / 2,00,000 units = Rs. 3 p.u

2. If we produce of 2,75,000 units @ Rs. 3.20 p.u, total cost = Rs. 8,80,000
 Variable cost is 2,75,000 units @ Rs. 3.00 p.u = Rs.8,25,000
 Fixed cost will be = Rs. 8,80,000 – Rs. 8,25,000 = Rs. 55,000

Q.96. Mr. Mahesh has a sum of Rs.3,00,000 which invested in a business , he wishes 15% return on his fund it is revealed from the present cost data analysis that variable cost of operation are 60% of sales and fixed costs are Rs. 1,50,000 p.a. On the basis of this information , you are required to find out the sales volume to earn 15% return

- (A) Rs. 4.875 Lakhs
 (B) Rs. 4.675 Lakhs
 (C) Rs. 4.775 Lakhs
 (D) Rs. 5.875 Lakhs

Answer:- (A)

Explanation:- Desired sales = $\frac{\text{Fixed cost} + \text{profit}}{\text{P/v ratio}} = \frac{\text{Rs.1,50,000} + 45,000}{40\%} = \frac{\text{Rs. 1,95,000}}{40\%}$

= Rs. 4,87,500

Working notes

4. P/v ratio = 1- variable cost = 1- 60% = 40%
 5. Profit = Rs.3,00,000* 15% = Rs. 45,000

Q.97. A radio manufacture finds the while it costs Rs. 6.25 per unit to make component M-140 and the same is available in the market at Rs. 5.75 each. Continuous supply is also fully assured, the break down cost per unit as follows:

Materials Rs. 2.75 , Labour Rs. 1.75 other variable expenses Rs. 0.50, Deprecation and other fixed cost Rs. 1.25 what would be your decision , if the supplier offered the component at Rs. 4.85 per unit?

- (A)Make
 (B)Buy
 (C)Sell
 (D)None of the above

Answer:- (B) better to buy

Explanation:- comparison statement either to make or buy

Make		Buy	
Material	Rs. 2.75	Purchase	Rs. 4.85
Labour	Rs. 1.75		
Overhead	Rs. 0.50		
	Rs. 5.00		Rs. 4.85

Q.98. In a purely competitive market 10,000 pocket transistors can be manufactured and sold and certain profit is generated, it is estimated that 2,000 pocket transistors need to be manufactured and sold in a monopoly market to earn the same profit, Profit under both the conditions is targeted at Rs. 2,00,000. The variable cost per transistor is Rs. 100 and the total fixed costs are Rs. 37,000. You are required to find out selling price per transistor under competitive conditions.

- (A)Rs. 125.70
- (B) Rs. 123.70
- (C) Rs. 128.70
- (D) Rs. 228.70

Answer:- (B)

Explanation:- Selling price = Variable cost p.u + contribution p.u
= Rs. 100+ Rs. 23.70
= **Rs. 123.70**

Working notes

$$1. \quad \text{Desired sales(units)} = \frac{\text{Fixed cost} + \text{profit}}{\text{Contribution p.u}}$$

$$10,000 = \frac{\text{Rs.}37,000 + \text{Rs.} 2,00,000}{x}$$

$$x = \frac{\text{Rs.}2,37,000}{10,000} = \text{Rs.} 23.70$$

Q.99. A firm has given the following data:

Fixed expenses at 50% Rs. 15,000 , fixed expenses when factory is close down Rs. 10,000 , additional expenses in closing down Rs. 1,000 production at 50% capacity 5,000 units contribution per unit Rs. 1 .Advise whether to run the factory or close it down :

- (A)Close
- (B)Run
- (C)Continue
- (D)None of the above

Answer:- (B)

Explanation:- comparison statement either to run or close

Run		Close	
Contribution (5000* Rs.1)	Rs. 5,000	Factory close	Rs. 10,000
- Fixed cost	(Rs. 15,000)	Additional expense	Rs. 1,000
	Rs. 10,000		Rs. (11,000)

Q.100. From the following data, P/V ratio will be:

Year	Sales (Rs.)	Profit (Rs.)
2015	50,00,000	5,00,000
2016	75,00,000	10,00,000

- (A) 50%
- (B) 10%
- (C) 20%
- (D) 40%

Answer:- (C)

$$\begin{aligned} 1. \text{ P/V ratio} &= \frac{\text{Change in profit}}{\text{Change in sales}} * 100 = \frac{(10,00,000 - 5,00,000)}{(75,00,000 - 50,00,000)} * 100 = \\ &= \frac{\text{Rs. } 5,00,000}{\text{Rs. } 25,00,000} * 100 = \mathbf{20\%} \end{aligned}$$