

**THE SOCIETY OF ACCOUNTING EDUCATION**  
**CERTIFIED FINANCIAL & MANAGEMENT ACCOUNTANT MEMBERSHIP**  
**PROGRAM**

**Model Paper for Course : Cost and Management Accounting**  
**Course Code: ML-03**  
**Level: Managerial Level**

1. Which of the following cost is linked with the calculation of cost of inventories?
  - a) **Product cost**
  - b) Period cost
  - c) Both product and period cost
  - d) Historical cost
  
2. You made Rs. 10,000 loan to your cousin's company. At the end of one year, the company returned to you Rs. 10,850. The Rs. 850 is called which one of the following?
  - a) Increases in loan
  - b) Increases in dividends
  - c) **An 8.5% return on investment**
  - d) All of the given options
  
3. Machine lubricant used on processing equipment in a manufacturing plant would be classified as a:
  - a) Period cost (manufacturing overhead)
  - b) Period cost (Selling, General & Admin)
  - c) **Product cost (manufacturing overhead)**
  - d) Product cost (Selling, General & Admin)
  
4. An average cost is also known as:
  - a) **Variable cost**
  - b) Unit cost

- c) Total cost
  - d) Fixed cost
5. Finished goods inventory costs represent the costs of goods that are:
- a) Currently being worked on
  - b) Waiting to be worked on
  - c) **Waiting to be sold**
  - d) Already delivered to customers
6. Which of the following is deducted from purchases in order to get the value of Net purchases?
- a) **Purchases returns**
  - b) Carriage inward
  - c) Custom duty
  - d) All of the given options
7. Which of the following is correct?
- a) **Units sold= Opening finished goods units + Units produced – Closing finished goods units**
  - b) Units Sold = Units produced + Closing finished goods units - Opening finished goods units
  - c) Units sold = Sales + Average units of finished goods inventory
  - d) Units sold = Sales - Average units of finished goods inventory
8. In cost Accounting, normal loss is/are charged to:
- a) Factory overhead control account
  - b) Work in process account
  - c) **Income Statement**
  - d) All of the given options
9. Material requisition is a document that supports the requirement of the material. This document is sent to store incharge and approved by:

- a) Store manager
  - b) **Production manager**
  - c) Supplier manager
  - d) Purchase manager
10. Over applied FOH will always result when a predetermined FOH rate is applied and:
- a) Production is greater than defined capacity
  - b) **Actual overhead costs are less than budgeted**
  - c) Budgeted capacity is less than normal capacity
  - d) Actual overhead incurred is less than applied Overhead
11. Which of the following would be considered as factory overhead using a job order cost system?
- a) Direct materials
  - b) Direct labor
  - c) **Depreciation on factory buildings**
  - d) Salesperson's salary
12. At the end of the accounting period, a production department manager submits a production report that shows all of the following EXCEPT:
- a) Number of units in the beginning work in process
  - b) **Number of units sold**
  - c) Number of units in the ending work in process and their estimated stage of completion
  - d) Number of units completed
13. In order to compute equivalent units of production, which of the following must be reasonably estimated?
- a) Units
  - b) **The percentage of completion**
  - c) Direct material cost

- d) Units started and completed
14. When 10,000 ending units of work-in-process are 30% completed as to conversion, it means:
- a) 30% of the units are completed
  - b) 70% of the units are completed
  - c) Each unit has been completed to 70% of its final stage
  - d) **Each of the units is 30% completed**
15. LG has incurred cost of Rs. 60,000 for material. Further it incurred Rs. 35,000 for labor and Rs. 70,000 for factory overhead. There was no beginning and ending work in process. 7,500 units were completed and transferred out. What would be the unit cost for material?
- a) **Rs. 22**
  - b) Rs. 16
  - c) Rs. 14
  - d) Rs. 8
16. 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
17. If the cost per equivalent unit is Rs. 1.60. The equivalent units of output are 50,000. The WIP closing stock is 10,000 units, 40% completed. What will be the value of closing stock?
- a) Rs. 9,600
  - b) Rs. 80,000
  - c) Rs. 16,000

- d) **Rs. 6,400**
18. Which of the given cost does not become the part of cost unit?
- a) **Advertising expenses**
  - b) Direct labor cost
  - c) Factory overhead cost
  - d) Cost of raw material
19. Which of the given cost becomes the part of cost unit?
- a) Direct material cost
  - b) Factory overhead
  - c) Direct labor cost
  - d) **All of the given options**
20. The main difference between the profit center and investment center is:
- a) **Decision making**
  - b) Revenue generation
  - c) Cost incurrence
  - d) Investment
21. The Economic Order Quantity is the amount of inventory to be ordered at one time for purpose to minimize:
- a) Conversion cost
  - b) FOH cost
  - c) **Inventory cost**
  - d) Prime cost
22. The annual demand for a stock item is 2,500 units. The cost of placing an order is Rs. 80 and the cost holding an item in stock is for one year is Rs. 15.  
Required: What is the EOQ?
- a) **163 units**

- b) 1250 units
  - c) 5,000 units
  - d) 160 units
23. TO whom purchase order form is issued to place an order?
- a) Work station incharge
  - b) Store incharge
  - c) **Supplier**
  - d) Manager
24. What type of information CANNOT get from bin card?
- a) It provides the information for Reorder level
  - b) It provides the information for Economic order quantity
  - c) It provides the information for Maximum daily consumption
  - d) **It provides the information for Cost of material consumed**
25. Which of the following groups of workers would be classified as indirect labor?
- a) Machinists in an organization manufacturing clothes
  - b) Bricklayers in a house building company
  - c) **Maintenance workers in a shoe factory**
  - d) None of the given options
26. Taylor's Differential Piece Rate Plan based on \_\_\_\_\_piece rates is fixed.
- a) **Two**
  - b) Three
  - c) Four
  - d) Five
27. Merick Differential Piece Rate Plan based on \_\_\_\_\_piece rates is fixed.
- a) Two

- b) **Three**
  - c) Four
  - d) Five
28. Depreciation of building expense is an example of factory overhead which is apportioned on the basis of:
- a) **Capital value**
  - b) Departmental payroll
  - c) Area in square feet or cubic feet
  - d) Number of workers
29. Maintenance and repair of plant and machinery can be apportioned on the basis of:
- a) Capital value
  - b) Departmental payroll
  - c) Area in square feet or cubic feet
  - d) Number of workers
30. Calculate predetermined factory overhead absorption rates with the help of given data.
- | Items                 | Budgeted figure | Actual Figures |
|-----------------------|-----------------|----------------|
| Factory overhead (Rs) | 1,200,000       | ----           |
| Machine hours         | 200,000         | 28,000         |
- a) Rs. 43.00
  - b) Rs. 0.20
  - c) **Rs. 6.00**
  - d) Rs. 14
31. In which of the situation spending variance will give favorable result?
- a) Actual factory overhead is less than absorbed factory overhead
  - b) Actual factory overhead is greater than absorbed factory overhead
  - c) Budgeted factory overhead for actual volume is greater than actual factory overhead

- d) **Absorbed factory overhead less than budgeted factory overhead for actual volume**
32. If absorbed factory overhead is Rs.155,000 and Budgeted factory overhead for actual volume is Rs. 110,000 then difference of both will be:
- a) **Unfavorable Spending variance of Rs. 45,000**
  - b) Favorable Spending variance of Rs. 45,000
  - c) Favorable Volume variance of Rs. 45,000
  - d) Favorable Budget variance of Rs. 45,000
33. Which of the given is CORRECT for accounting entry of closing balance of Work In Process (WIP)?
- a) WIP a/c Dr and Inventory a/c Cr
  - b) Inventory a/c Dr and WIP a/c Cr
  - c) **WIP a/c Dr and payroll a/c Cr**
  - d) There is no accounting entry for closing balance of WIP
34. Greenwood petroleum has the data for the year was as follow:  
Lost units (Normal Loss) 200  
Introduced units during the year 67,00  
Units in process 15,00  
Identify how many units were completed and transferred out during this period?
- a) 1,700 units
  - b) **5,000 units**
  - c) 1,500 units
  - d) 6,900 units
35. All of the following indicate the problems in traditional budget EXCEPT:
- a) **Programs and activities involving wasteful expenditure are identified, resulting in unavoidable financial and other costs**
  - b) Inefficiencies of a prior year are carried forward in determining subsequent years' levels of performance



- c) Managers are not encouraged to identify and evaluate alternate means of accomplishing the same objective
- d) Decision-making is irrational in the absence of rigorous analysis of all proposed costs and benefits

36. A forecast set of final accounts is also known as:

- a) Cash budget
- b) Capital budget
- c) **Master budget**
- d) Sales budget

37. Brutus Company manufactures glass bottles. The company expects to sell 500,000 bottles next year. The budgeted ending inventory this year is 15,000 bottles and the desired ending inventory for next year is 12,000 bottles. It takes 5 pounds of sand to produce one bottle. The ending inventory of sand this year is expected to be 200,000 pounds, and the desired ending inventory next year is 100,000 pounds. The amount of direct material purchases is expected to be:

- a) **2,385,000 pounds**
- b) 2,465,000 pounds
- c) 2,585,000 pounds
- d) 2,600,000 pounds

38. BDH produced 30,500 units of Kisty (a product). Each unit of Kisty takes two units of component L. Component L is budgeted to cost Rs. 12 per unit. Current inventory of L is 4,000 units. BDH wants 6,000 units of L on hand at the end of the next year. How much will the direct materials budget show as the cost of materials to be purchased?

- a) Rs. 756,000
- b) **Rs. 390,000**
- c) Rs. 684,000
- d) Rs. 330,000

39. Railway Product Ltd makes one product that sells for Rs. 72 per unit. Fixed costs are Rs. 81,000 per month & the product has a contribution to sales ratio of 37.5%. In a period when actual sales were Rs. 684,000 the company's unit margin of safety was:

- a) 4,000 units
  - b) 4,800 units
  - c) 5,500 units
  - d) **6,500 units**
40. A company decreased the selling price for its product from Rs. 2.00 to Rs. 1.75 per unit when total fixed costs decreased from Rs. 500,000 to Rs. 400,000 and variable cost per unit of Rs. 1 remained unchanged. How would these changes affect the break-even point?
- a) The break-even point in units would be increased
  - b) **The break-even point in units would be decreased**
  - c) The break-even point in units would remain unchanged
  - d) The effect cannot be determined from the information given
41. The total cost of the beginning inventory was Rs. 60,000. During the month, 50,000 units were transferred out. The equivalent unit cost was computed to be Rs. 4.00 for materials and Rs. 7.40 for conversion costs under the weighted average method. With the help of given information, what was the total cost of the units completed and transferred out during the month.
- a) Rs. 480,000
  - b) **Rs. 570,000**
  - c) Rs. 540,000
  - d) Rs. 510,000
42. The average cost method of process costing has an advantage when compared to the FIFO method relative to simplicity because under the average method:
- a) It provides that units started within the current period are valued at the current period cost
  - b) The costs in the beginning inventory in a processing department maintain their separate identity
  - c) The identity of the beginning units in process is typically maintained when they are transferred to the next department
  - d) **All units completed during the period will be assigned the same unit cost**

43. Assuming no returns outwards or carriage inwards, the cost of goods sold will be equal to:
- a) **Opening stock Less purchases plus closing stock**
  - b) Closing stock plus purchases plus opening stock
  - c) Sales less gross profit
  - d) Purchases plus closing stock plus opening stock plus direct labor
44. “Taking steps for the fresh purchase of those stocks which have been exhausted and for which requisitions are to be honored in future” is an easy explanation of:
- a) Over stocking
  - b) Under stocking
  - c) **Replenishment of stock**
  - d) Acquisition of stock
45. Which of the following would be the effect, if inventory is not properly measured?
- a) **Expenses and revenues cannot be properly matched**
  - b) Unfair position in Financial Statements
  - c) Inventory items show under or over stocking
  - d) All of the given options
46. While calculating the EOQ, carrying cost is taken as the:
- a) **%age of unit cost**
  - b) %age of ordering cost
  - c) %age of annual required units
  - d) Total unit cost
47. Payroll includes:
- a) Salaries & Wages of direct labor
  - b) Salaries & Wages of Indirect labor
  - c) Salaries & Wages of Administrative

- d) **Salaries & Wages of direct labor, Indirect labor, and Administrative**
48. Increased cost of production due to high labor turnover is a result of which of the following factor?
- a) Interruption of production
  - b) Coordination between new and old employee to produce more
  - c) **Increased production due to newly motivated employees**
  - d) Decrease losses as new employees will be more concerned towards output
49. The Process of cost apportionment is carried out so that:
- a) Cost may be controlled
  - b) Cost unit gather overheads as they pass through cost centers
  - c) Whole items of cost can be charged to cost centers
  - d) **Common costs are shared among cost centers**
50. When a manufacturing Company has highly automated manufacturing plant producing many different products, the most appropriate basis for applying FOH cost to work in process is:
- a) Direct labor hours
  - b) **Direct labor costs**
  - c) Machine hours
  - d) Cost of material used
51. Which of the following industries would most likely use a Process cost Accounting system?
- a) **Construction**
  - b) Beer
  - c) Hospitality
  - d) Consulting
52. Which of the following loss is not included as part of the cost of transferred or finished goods, but rather treated as a period cost?

- a) Operating loss
  - b) Abnormal loss
  - c) **Normal loss**
  - d) Non-operating loss
53. A company produces two chemicals in a joint process. Chemical A can be sold at split off while chemical B currently cost Rs. 2 per gallon for disposal. If chemical B is further processed, it would cost Rs. 5 per gallon. At what sales price would the company be in different between disposing of chemical B at split off and further processing the chemical?
- a) **Rs.3**
  - b) Rs.5
  - c) Rs.4
  - d) Rs.7
54. Variable costing is also known as:
- a) Direct Costing
  - b) Marginal Costing
  - c) **Both Direct Costing & Marginal Costing**
  - d) Indirect Costing
55. The following data related to production of ABC Company: Units produced 8,000 units  
Direct materials Rs.6 Direct labor Rs.12 Fixed overhead Rs.24000 Variable overhead Rs.6  
Fixed selling and administrative Rs.2000 Variable selling and administrative Rs.2  
Using the data given above, what will be the unit product cost under marginal costing?
- a) Rs. 22
  - b) **Rs. 24**
  - c) Rs. 28
  - d) Rs. 30
56. Net income reported under direct costing will exceed net income reported under absorption costing for a given period if:

- a) The fixed overhead exceeds the variable overhead
  - b) Production equals sales for that period
  - c) Production exceeds sales for that period
  - d) **Sales exceed production for that period**
57. Profit under absorption costing will be higher than under marginal costing if:
- a) **Produced units > Units sold**
  - b) Produced units < Units sold
  - c) Produced units =Units sold
  - d) Profit cannot be determined with given statement
58. A firm sells bags for Rs. 14 each. The variable cost for each unit is Rs. 8. What is the contribution margin per unit?
- a) **Rs. 6**
  - b) Rs. 12
  - c) Rs. 14
  - d) Rs. 8
59. The break-even point in units is calculated using which of the following factors?
- a) Fixed expenses and the contribution margin ratio
  - b) Variable expenses and the contribution margin ratio
  - c) **Fixed expenses and the unit contribution margin**
  - d) Variable expenses and the unit contribution margin
60. The point at which the cost line intersects the sales line will be called:
- a) Budgeted sales
  - b) **Break Even sales**
  - c) Margin of safety
  - d) Contribution margin

61. If one would prepare a graph with a horizontal axis representing units of production and a vertical axis representing per-unit production cost, how would a line representing fixed production cost is drawn?
- a) As a horizontal line
  - b) As a vertical line
  - c) As a straight line sloping upward to the right
  - d) **As a straight line sloping downward to the right**
62. Budget for an organization is prepared by which of the following person?
- a) Functional head
  - b) **Manager**
  - c) Auditor
  - d) Administrator
63. Amount of Depreciation on fixed assets will be fixed in nature if calculated under which of the following method?
- a) **Straight line method**
  - b) Reducing balance method
  - c) Some of year's digits method
  - d) Double declining method
64. Which of the following factor/s should be considered while constructing an administrative selling expense budget?
- a) Fixed expenses
  - b) Past experience
  - c) Variable expenses
  - d) **All of the given options**
65. All are examples of cash disbursements EXCEPT:
- a) Payment for materials purchased
  - b) **Payment received as collection of accounts receivable**

- c) Payment of dividends
  - d) Payment of taxes
66. A budget that requires management to justify all expenditures, rather than just changes from the previous year is referred to as:
- a) Self-imposed budget
  - b) Participative budget
  - c) Perpetual budget
  - d) **Zero-based budget**
67. Which of the following sentences is the best description of zero-base budgeting?
- a) **Zero-base budgeting is a technique applied in government budgeting in order to have a neutral effect on policy issues**
  - b) Zero-base budgeting requires a completely clean sheet of paper every year, on which each part of the organization must justify the budget it requires
  - c) Zero-base budgeting starts with the figures of the previous period and assumes a zero rate of change
  - d) Zero based budgeting is an alternative name of flexible budget
68. Which of the following is the first step in the decision-making process?
- a) **Clarify the decision problem**
  - b) Collect the data
  - c) Select an alternative
  - d) Develop a decision model
69. Which the following would be considered a Relevant Cost?
- a) The book value of the old equipment
  - b) Depreciation expense on the old equipment
  - c) **The current disposal price of the old equipment**
  - d) Historical cost of an equipment



70. The Auslander Company has 1,600 obsolete calculators that are carried in inventory at a total cost of Rs. 106,800. If these calculators are upgraded at a total cost of Rs. 40,000, they can be sold for a total of Rs. 120,000. As an alternative, the calculators can be sold in their present condition for Rs. 44,800. What will be the sunk cost in this situation?
- a) Rs. 0
  - b) Rs. 40,000
  - c) Rs. 44,800
  - d) **Rs. 106,800**
71. Costs that have been incurred include which of the following?
- a) Only opportunity costs
  - b) Costs that have already been paid
  - c) Costs that have been committed
  - d) **Both costs that have already been paid and committed**
72. For a retail outlet chain with multiple stores, which of the following statements would be correct?
- a) Stores which have a net loss should be discontinued
  - b) **Stores with a negative contribution margin should be discontinued**
  - c) Stores with a negative contribution margin should be discontinued provided such discontinuation will not cause an increase in sales at other stores
  - d) Stores with a negative contribution margin should not be discontinued if such discontinuation will cause profitable stores to bear a portion of the unprofitable store's overhead
73. In the process costing when material is issued for production to department no 1. what would be the journal entry Passed?
- a) **W.I.P (Dept-I) To Material a/c**
  - b) W.I.P (Dept-ii) To Material a/c
  - c) Material a/c To W.I.P (Dept-ii)
  - d) W.I.P (Dept-ii) To FOH applied.

74. FIFO is the abbreviation of:

- a) Final Interest-Free Option
- b) **First in First out Method**
- c) None of the given options
- d) Fixed income Financial Operations

75. Railway Product Ltd makes one product that sells for Rs. 72 per unit. Fixed costs are Rs. 81,000 per month & the product has a contribution to sales ratio of 37.5%. In a period when actual sales were Rs. 684,000 the company's unit margin of safety was:

- a) 4,000 units
- b) 4,800 units
- c) 5,500 units
- d) **6,500 units**

76. If Selling price per unit Rs. 15.00; Direct Materials cost per unit Rs. 3.50; Direct Labour cost per unit Rs. 4.00 Variable Overhead per unit Rs. 2.00; Budgeted fixed production overhead costs are Rs. 60,000 per annum charged evenly across each month of the year. Budgeted production costs are 30,000 units per annum. What is the Net profit per unit under Absorption costing method.

- a) Rs. 9.50
- b) Rs. 15.00
- c) Rs. 11.50
- d) **Rs. 3.50**

77. Superior started 80,000 gallons of paint. During the month the company completed 92,000 gallons and transferred them to the mixing department. Superior had 38,000 gallons in beginning inventory and 26,000 gallons in ending inventory. Material is added at the beginning of the process and conversion costs are added evenly throughout the process. Beginning WIP was 30% complete as to conversion costs and ending WIP was 20% complete as to conversion costs. The company uses a FIFO costing the cost data for February follow: Beginning inventory:

Direct materials Rs.22, 200 Conversion costs Rs. 44,000 Costs added this period:Direct materials Rs. 150,000 Conversion costs Rs. 343,200. What was the cost of direct materials in ending inventory?

- a) Rs. 37,560
  - b) Rs. 42,600
  - c) Rs. 45,550
  - d) **Rs. 48,750**
78. Which of the following costs would **NOT** be a period cost?
- a) Indirect materials
  - b) Administrative salaries
  - c) Advertising costs
  - d) **Selling costs**
79. Cost imposed on a firm includes cost when it foregoes an alternative action but doesn't make a physical payment. Such costs are known as?
- a) Firm cost
  - b) Product cost
  - c) **Implicit cost**
  - d) Explicit cost
80. Which of the following is **CORRECT** to calculate cost of goods manufactured?
- a) Direct labor costs plus total manufacturing costs
  - b) **The beginning work in process inventory plus total manufacturing costs and subtract the ending work in process inventory**
  - c) Beginning raw materials inventory plus direct labor plus factory overhead
  - d) Conversion costs and work in process inventory adjustments results in cost of goods manufactured
81. If EOQ = 360 units, order costs are Rs. 5 per order, and carrying costs are Rs. 0.20 per unit, what is the usage in units?

- a) **2,592 units**
  - b) 25,920 units 18,720 units
  - c) 129,600 units
82. In cost Accounting, normal loss is/are charged to:
- a) **Factory overhead control account**
  - b) Work in process account
  - c) Income Statement
  - d) All of the given options
83. The flux method of labor turnover denotes:
- a) Workers employed under the expansion schemes of the company
  - b) **The total change in the composition of labor force**
  - c) Workers appointed against the vacancy caused due to discharge or quitting of the organization
  - d) Workers appointed in replacement of existing employees
84. Over applied FOH will always result when a predetermined FOH rate is applied and:
- a) Production is greater than defined capacity
  - b) Actual overhead costs are less than budgeted
  - c) Budgeted capacity is less than normal capacity
  - d) **Actual overhead incurred is less than applied Overhead**
85. Capacity Variance / Volume Variance arises due to
- a) **Difference between Absorbed factory overhead and budgeted factory or capacity attained**
  - b) Difference between Absorbed factory overhead and absorption rate
  - c) Difference between Budgeted factory overhead for capacity attained and FOH actually incurred
  - d) None of the given options

86. If a company uses a predetermined rate for the application of factory overhead, the idle capacity variance is the:
- a) **Over or under applied fixed cost element of overheads**
  - b) Over or under applied variable cost element of overheads
  - c) Difference in budgeted costs and actual costs of fixed overheads items
  - d) Difference in budgeted cost and actual costs of variable overheads items
87. At the end of the accounting period, a production department manager submits a production report that shows all of the following **EXCEPT**:
- a) Number of units in the beginning work in process
  - b) **Number of units sold**
  - c) Number of units in the ending work in process and their estimated stage of completion
  - d) Number of units completed
88. In a process costing system, the journal entry used to record the transfer of units from Department A, a processing department, to Department B, the next processing department, includes a debit to:
- a) Work in Process Department A and a credit to Work in Process Department B
  - b) **Work in Process Department B and a credit to Work in Process Department A**
  - c) Work in Process Department B and a credit to Materials
  - d) Finished Goods and a credit to Work in Process Department B
89. In the process costing when labor is charged to production department no 1. What would be the journal entry Passed?
- a) Payroll a/c To W.I.P (Dept-I)
  - b) Payroll a/c To W.I.P (Dept-II)
  - c) **W.I.P (Dept-I) To Payroll a/c**
  - d) W.I.P (Dept-II) To Payroll a/c

90. Which of the following method of accounting for joint product cost will produce the same gross profit rate for all products?
- a) Actual costing method
  - b) Services received method
  - c) **Market value method**
  - d) Physical quantity method
91. Which of the following costing method provide the added benefit of usefulness for external reporting purpose?
- a) **Absorption costing**
  - b) Marginal costing
  - c) Direct costing
  - d) Variable costing
92. Contribution margin contributes to meet which one of the following options?
- a) Variable cost
  - b) **Fixed cost**
  - c) Operating cost
  - d) Net Profit
93. If sales price and variable cost per unit both increases at 10% and the fixed cost does not change, what does its effect be on the contribution margin per unit and contribution margin ratio?
- a) Contribution margin per unit and the contribution margin ratio both remains unchanged
  - b) Contribution margin per unit and the contribution margin ratio both increases
  - c) **Contribution margin per unit increases and the contribution margin ratio remains unchanged**
  - d) Contribution margin per unit decreases and the contribution margin ratio remains decreases
94. Which of the following factor/s would cause the break-even point to change?

- a) Increased sales volume
  - b) **Fixed costs increased due to addition of physical plant**
  - c) Total variable costs increased as a function of higher production
  - d) All of the given options
95. Bruce Inc. has the following information about Rut, the only product sold. The selling price for each unit is Rs. 20, the variable cost per unit is Rs. 8, and the total fixed cost for the firm is Rs. 60,000. Bruce has budgeted sales of Rs. 130,000 for the next period. What is the margin of safety in Rs. for Bruce?
- a) **Rs. 30,000**
  - b) Rs. 70,000
  - c) Rs. 100,000
  - d) Rs. 130,000
96. Production budget is an example of which of the following budget?
- a) **Functional budget**
  - b) Master budget
  - c) Cost of goods sold budget
  - d) Sales budget
97. Which of the following is the main objective of direct material budget?
- a) Determination of minimum and maximum stock level
  - b) Developing purchasing requirements
  - c) Financial Arrangements
  - d) **All of the given options**
98. All of the following compose cost of goods sold EXCEPT:
- a) Raw material
  - b) Labor
  - c) **Capital**

- d) Factory overhead
99. Financial managers use which of the following to plan for monthly financing needs?
- a) Capital budget
  - b) **Cash budget**
  - c) Income Statement budget
  - d) Selling & administrative expenses budget
100. Which of the following sentences is the best description of zero-base budgeting?
- a) Zero-base budgeting is a technique applied in government budgeting in order to have a neutral effect on policy issues
  - b) **Zero-base budgeting requires a completely clean sheet of paper every year, on which each part of the organization must justify the budget it requires**
  - c) Zero-base budgeting starts with the figures of the previous period and assumes a zero rate of change
  - d) Zero based budgeting is an alternative name of flexible budget
101. In a make or buy situation with no limiting factors, which of the following would be the relevant costs for the decision?
- a) Opportunity costs
  - b) **Differential costs between the two options**
  - c) Sunk costs
  - d) Implied costs
102. If the cost per equivalent unit is Rs. 1.60. The equivalent units of output are 50,000. The WIP closing stock is 10,000 units, 40% completed. What will be the value of closing stock?
- a) Rs. 9,600
  - b) Rs. 80,000
  - c) Rs. 16,000
  - d) **Rs. 6,400**



103. Opening WIP Jan 01 0 units, Units received from preceding department 13,500 units, @4.50 per unit cost, Units completed in this department 11,750 units, @3.75 per unit cost. What were the units of closing work in process?
- a) 11,750 units
  - b) **1,750 units**
  - c) 13,500 units
  - d) 2,187 units
104. Which of the following is(are) base(is) of cost allocation under joint products?
- a) Physical quantity ratio
  - b) Selling price ratio
  - c) Hypothetical market value ratio
  - d) **All of given options**
105. Income approach is used for the costing of which of the following?
- a) Joint products
  - b) **By-products**
  - c) Both Joint products and By-products
  - d) None of the given options
106. Which of the following is an element of cost?
- a) **Direct Labour Cost**
  - b) Cost of goods sold
  - c) Cost of goods manufactured
  - d) Mark up
107. If, Total fixed cost Rs. 2,000, Variable manufacturing cost Rs. 3,000, Variable selling cost Rs. 1,000 and Sales Rs. 10,000 then what will be the profit under absorption costing?
- a) Rs.7,000
  - b) **Rs.5,000**

- c) Rs.4,000
- d) Rs.8,000
108. Which of the following cannot become a part of product cost under marginal costing?
- a) Direct materials
- b) Variable manufacturing overhead
- c) **Fixed manufacturing overhead**
- d) Direct labor
109. What would be the margin of safety ratio based on the following information?
- Sales price = Rs. 100 per unit
  - Variable cost = Rs. 25 per unit
  - Fixed cost = Rs. 50 per unit
- a) 25%
- b) **33.333%**
- c) 66.666%
- d) 75%
110. A company ABC has budgeted sales of Rs. 8,000 and breakeven sales of Rs. 5,000 during a particular period whereas the actual sales amounted to Rs. 7,000. What will be the margin of safety ratio?
- a) None of the given options
- b) **37.5%**
- c) 40%
- d) 60%
111. What is the starting point of variable cost line on a break even chart at zero production level?
- a) **It must start from origin**
- b) It might start from origin

- c) It does not start from origin
  - d) None of the given options
112. Responsibility center where the manager is accountable for only the revenues and costs is a(n):
- a) Revenue center
  - b) Cost center
  - c) **Profit center**
  - d) Investment center
113. Which of the following is/are included in production budget?
- a) Raw material budget
  - b) Direct labour budget
  - c) Factory overhead budget
  - d) **All of the given options**
114. If, units of goods to be sold are 800, closing finished goods units are 200 and opening finished goods units are 100. What is the required production?
- a) **900 units**
  - b) 1,000 units
  - c) 700 units
  - d) 600 units
115. Which of the following must be required for the preparation of Production cost budget?
- a) **Sales in rupees**
  - b) Cash budget
  - c) Flexible budget
  - d) Functional budget
116. Which of the following budget includes an item of indirect material cost?

- a) **FOH cost budget**
  - b) Direct labor cost budget
  - c) Direct material cost budget
  - d) None of the given options
117. Which of the following budget includes the item of depreciation of plant?
- a) Direct labor cost budget
  - b) Variable FOH cost budget
  - c) **Fixed FOH cost budget**
  - d) Direct material cost budget
118. All of the followings are included in Fixed FOH Cost Budget **EXCEPT**:
- a) **Building rent**
  - b) Insurance
  - c) Supervisor's salary
  - d) Heating and lighting
119. All of the following are the examples of administrative expenses **EXCEPT**:
- a) Salaries of employees
  - b) Utility bills
  - c) **Interest paid on debt**
  - d) Depreciation of office equipment
120. Samson Company is required by the bank to maintain a minimum cash balance of Rs. 8,000. The Company is preparing a cash budget for February. Samson's beginning cash balance is Rs. 10,000 and expects cash receipts of Rs. 20,500 and cash disbursements of Rs. 25,000 (including Rs. 3,000 of depreciation). The company currently owes the bank Rs. 20,000. In order to have exactly the required minimum balance at the end of February, Samson must:
- a) Borrow Rs. 500
  - b) **Repay Rs. 500**

- c) Borrow Rs. 2,500
  - d) Repay Rs. 2,500
121. Depreciation relating to plant & machinery is the best example of:
- a) **Committed fixed cost**
  - b) Discretionary fixed cost
  - c) Incremental cost
  - d) Avoidable cost
122. Which of the following is a cost that is always irrelevant to decision making?
- a) Opportunity cost
  - b) **Sunk cost**
  - c) Direct material cost
  - d) Direct labour cost
123. The contribution margin ratio is 30% for the Spice Co. and the breakeven point in sales is Rs. 150,000. If the company desires a target net income of Rs.60,000, what would have to be the amount of actual sales?
- a) Rs. 200,000
  - b) **Rs. 350,000**
  - c) Rs. 250,000
  - d) Rs. 210,000
124. Cost of finished goods inventory is calculated by:
- a) Deducting total cost from finished goods inventory
  - b) **Multiplying units of finished goods inventory with the cost per unit**
  - c) Dividing units of finished goods inventory with the cost per unit
  - d) Multiplying total cost with finished goods inventory
125. All of the following are characteristics of Group Bonus Scheme **EXCEPT**:
- a) A standard time is set for the completion of a job

- b) If the time taken is greater than the time allowed, the workers in the group receive time wages
  - c) If the time taken is less than the time allowed, the group receives a bonus on time saved
  - d) **If the time taken is greater than the time allowed, the workers in the group receive time educations for extra hours**
126. Superior started 80,000 gallons of paint. During the month the company completed 92,000 gallons and transferred them to the mixing department. Superior had 38,000 gallons in beginning inventory and 26,000 gallons in ending inventory. Material is added at the beginning of the process and conversion costs are added evenly throughout the process. Beginning WIP was 30% complete as to conversion costs and ending WIP was 20% complete as to conversion costs. The company uses a FIFO costing the cost data for February follow: Beginning inventory:  
Direct materials Rs.22, 200 Conversion costs Rs. 44,000 Costs added this period: Direct materials Rs. 150,000 Conversion costs Rs. 343,200 What was the cost of direct materials in ending inventory?
- a) Rs. 37,560
  - b) Rs. 42,600
  - c) **Rs. 45,550**
  - d) Rs. 48,750
127. Jones, Industries uses process costing system. In October, the finishing department had 30,000 (20% as to conversion) units in beginning work-in process, 45,000 (40% as to conversion) units in ending inventory and had 95,000 units transferred in from the previous department. Material is added at the end of the process and conversion costs are added uniformly throughout the process. If Jones uses weighted average, what are the equivalent units of production for direct material and conversion costs?
- a) Material 125,000 units Conversion cost 45,000 units
  - b) Material 125,000 units Conversion cost 98,000 units
  - c) **Material 125,000 units Conversion cost 18,000 units**
  - d) Material 125,000 units Conversion cost 80,000 units
128. An average cost is also known as:

- a) Variable cost
  - b) **Unit cost**
  - c) Total cost
  - d) Fixed cost
129. Period costs are:
- a) Expensed when the product is sold
  - b) Included in the cost of goods sold
  - c) **Related to specific period**
  - d) Not expensed
130. The net profit or loss for a particular period of time is reported on which of the following?
- a) Statement of cash flows
  - b) Statement of changes in owner's equity
  - c) **Income statement**
  - d) Balance sheet
131. Which of the following is correct?
- a) **Units sold= Opening finished goods units + Units produced – Closing finished goods units**
  - b) Units Sold = Units produced + Closing finished goods units – Opening finished goods units
  - c) Units sold = Sales + Average units of finished goods inventory
  - d) Units sold = Sales - Average units of finished goods inventory
132. Which of the following is important requirement of the effective material control?
- a) There are proper storage facilities
  - b) There is a proper authority that will regulate the supply of material
  - c) The accounts should provide a running balance of the value of the materials on hand

- d) **All of the given options**
133. Material requisition is a document that supports the requirement of the material. This document is sent to store incharge and approved by:
- a) Store manager
  - b) **Production manager**
  - c) Supplier manager
  - d) Purchase manager
134. The Process of cost apportionment is carried out so that:
- a) Cost may be controlled
  - b) Cost unit gather overheads as they pass through cost centers
  - c) Whole items of cost can be charged to cost centers
  - d) **Common costs are shared among cost centers Apportionment**
135. Which of the following is characteristic of a job order cost accounting system?
- a) It records manufacturing activities using a perpetual inventory system
  - b) It tracks cost by job
  - c) It is best suited for customized products
  - d) **All of the given options**
136. A by product:
- a) **Is produced from material that would otherwise be of no value**
  - b) Has a lower selling price than the main product
  - c) Is created along with the main product, but its sales value does not cover its production cost
  - d) Always produces a large amount of revenue than the main product
137. According to marginal costing concept, all fixed costs are considered as:
- a) **Period cost**
  - b) Production cost



- c) Mixed cost
  - d) Sunk cost
138. Variable costing is also known as:
- a) Direct Costing
  - b) Marginal Costing
  - c) **Both Direct Costing & Marginal Costing**
  - d) Indirect Costing
139. Blackhat Chimney Builders constructed 80 units during 1901. The total sales value for these 80 units was Rs. 460,000. Variable costs associated with each unit were Rs. 4,000 and the company's fixed costs for 1901 amounted to Rs. 50,000. How much was the per-unit contribution margin?
- a) Rs. 750
  - b) Rs. 1,125
  - c) **Rs. 1,750**
  - d) Rs. 5,125
140. Which of the following represents the calculation of contribution margin ratio?
- a)  $(\text{Sales} - \text{Total Expenses}) / \text{Sales}$
  - b)  $(\text{Sales} - \text{Fixed Expenses}) / \text{Sales}$
  - c)  $(\text{Sales} - \text{Cost of Goods Sold}) / \text{Sales}$
  - d)  **$(\text{Sales} - \text{Variable Expenses}) / \text{Sales}$**
141. The by-product of oil and fuel is:
- a) Mobil oil and lubricating oils
  - b) Kerosene oil and Asphalt and Tar
  - c) Gasoline and Petroleum coke
  - d) **All of the given**
142. Information concerning Label Corporation's Product A is as follows:

Sales price 300,000, Variable cost 240,000. Fixed Cost 40,000

Assuming that Label increased sales of Product A by 20%, the profit of the product A would be which of the following?

- a) Rs. 20,000
- b) Rs. 24,000
- c) **Rs. 32,000**
- d) Rs. 80,000

143. While constructing a Break even chart, the gap between sales line and variable cost line shows which of the following?

- a) Fixed cost
- b) Break even point
- c) **Contribution margin**
- d) Variable cost

144. If one would prepare a graph with a horizontal axis representing units of production and a vertical axis representing per-unit production cost, how would a line representing fixed production cost is drawn?

- a) As a horizontal line
- b) As a vertical line
- c) **As a straight line sloping upward to the right**
- d) As a straight line sloping downward to the right

145. All of the following are the objectives of budgeting EXCEPT:

- a) Maximization of sales
- b) Profit maximization
- c) Compete with competitors
- d) **Increased cost**

146. Production budget is an example of which of the following budget?

- a) **Functional budget**

- b) Master budget
  - c) Cost of goods sold budget
  - d) Sales budget
147. Consider the following data for the month of April: Closing stock 80 units, Production 280 units, Sales 330 units. Based on the data, the opening stock for April will have to be:
- a) 50 units
  - b) 410 units
  - c) 70 units
  - d) **130 units**
148. Which of the following is a reason of main difference between production budget and Production cost budget?
- a) Production budget is constructed in units
  - b) Production budget is constructed in Rs.
  - c) Production cost budget is constructed in units
  - d) **Both are same budgets**
149. Which of the following factor would determine the importance of direct labor cost budget in human resource department?
- a) **Provide guidance about the requirements of number of work force**
  - b) Provide feedback about the working of workforce
  - c) How much payroll will have been paid?
  - d) How the cost units will be produced?
150. Usually the first step in the production of the master budget is the:
- a) **Sales forecast**
  - b) Sales budget
  - c) Cash budget
  - d) Production budget

151. The master budget usually begins with a:
- a) Production budget
  - b) Direct materials budget
  - c) Direct labor budget
  - d) **Sales budget**
152. Which of the following is **NOT** example of a cash outflow?
- a) Cash drawings
  - b) Purchase of new equipment
  - c) Commission paid
  - d) **Depreciation**
153. Which of the following is true about flexible budget?
- a) **A budget that always based on actual capacity**
  - b) A budget that is prepared using spreadsheet model
  - c) A budget in which total variable cost remains unchanged
  - d) Variable costs per unit will remain unchanged
154. Smith & Company estimate its overheads to produce 80,000 units are Rs. 1,000,000 (60 percent is variable). What would be the budgeted overhead at a capacity level of 100,000 units?
- a) Rs. 1,050,000
  - b) **Rs. 1,150,000**
  - c) Rs. 1,250,000
  - d) Rs. 1,450,000
155. Which of the following is a process by which managers analyze options available to set courses of action by the organization?
- a) Heuristics method
  - b) **Decision making**

- c) The Delphi technique
  - d) Systematic error
156. The following monthly data are available for the Boarder, Inc. and its only product: Unit sales price = Rs. 36 Unit variable expenses = Rs. 28 Total fixed expenses = Rs. 50,000 Actual sales for the month of May = 7,000 units. The margin of safety for the company for May was:
- a) Rs. 6,000
  - b) **Rs. 27,000**
  - c) Rs. 56,000
  - d) Rs. 106,000
157. Perpetual inventory system is:
- a) A stock control system designed to ensure that the level of stock never falls to zero
  - b) A system of counting and valuing selected stock items at different times on a perpetually rationing basis
  - c) **A system of recording receipts and issues of stock as they occur, showing the resulting balance of each stock item at all times**
  - d) A system of stock recording which remains unchanged over time, in order to monitor trends
158. D Corporation uses process costing to calculate the cost of manufacturing Crunchies. During the month 12,500 units were completed, 1,500 units remained in work in process at 25 percent completed. How many equivalent units are produced?
- a) 12,500 units
  - b) **12,875 units**
  - c) 14,250 units
  - d) 12,125 units
159. A cost that has been incurred but cannot be changed by present or future decisions is called:
- a) **Sunk cost**

- b) Differential cost
  - c) Opportunity cost
  - d) Marginal cost
160. All of the following are deducted from Gross Profit to calculate Operating income **EXCEPT:**
- a) Selling expenses
  - b) Advertising expenses
  - c) Administrative expenses
  - d) **Financial expenses**
161. A company produces two chemicals in a joint process. Chemical A can be sold at split off while chemical B currently cost Rs. 12 per gallon for disposal. If chemical B is further processed, it would cost Rs. 17 per gallon. At what sale price would the company be in different between disposing of chemical B at split off and further processing the chemical?
- a) Rs. 5
  - b) **Rs. 17**
  - c) Rs. 29
  - d) Rs. 7
162. Which of the following is(are) base(is) of cost allocation under joint products?
- a) Physical quantity ratio
  - b) Selling price ratio
  - c) Hypothetical market value ratio
  - d) **All of given options**
163. What is the starting point of variable cost line on a break even chart at zero production level?
- a) **It must start from origin**

- b) It might start from origin
  - c) It does not start from origin
  - d) Non of the given options
164. Which of the following is NOT the type of a functional budget?
- a) Sales Budget
  - b) Raw material budget
  - c) Direct labour budget
  - d) **Cash budget**
165. Which of the following must be required for the preparation of Production cost budget?
- a) **Sales in rupees**
  - b) Cash budget
  - c) Flexible budget
  - d) Functional budget
166. Which of the following budget includes an item of indirect material cost?
- a) **FOH cost budget**
  - b) Direct labor cost budget
  - c) Direct material cost budget
  - d) None of the given options
167. The following information is available for Atlas Corporation to prepare a cash budget for the month of September: Cash on hand beginning of September Rs. 16,000 Expected receipts in September Rs. 272,000 · Sales salaries paid Rs. 62,000 · Material purchases (all in cash) Rs. 190,000 · Depreciation Rs. 44,000. What is the ending cash balance in September?
- a) Rs. (8,000)
  - b) Rs. 22,000

- c) **Rs. 36,000**
  - d) Rs. 45,000
168. Which of the following cost ('s) will be considered as controllable cost ('s)?
- a) Direct material
  - b) Direct labor
  - c) Variable overhead
  - d) **All of the given options**
169. All of the following costs are irrelevant to decision making **EXCEPT:**
- a) **Incremental cost**
  - b) Sunk cost
  - c) Fixed cost
  - d) Supervisor's routine salary
170. Which of the following statement is **TRUE** about opportunity cost?
- a) It is irrelevant to decision making
  - b) It is always a sunk cost
  - c) It is always a historical cost
  - d) **It is relevant to decision making**
171. Which of the following is the correct order of preparation for the various components of the income statement budget?
- a) Sales budget, production budget, budgeted income statement, selling and administrative expenses budget
  - b) Sales budget, production budget, budgeted income statement, cost of goods sold budget
  - c) **Sales budget, production budget, cost of goods sold budget, budgeted income statement**
  - d) Sales budget, direct labor budget, production budget, cost of goods sold budget
172. All of the following indicate the problems in traditional budget EXCEPT:



- a) Programs and activities involving wasteful expenditure are identified, resulting in unavoidable financial and other costs
  - b) Inefficiencies of a prior year are carried forward in determining subsequent years' levels of performance
  - c) Managers are not encouraged to identify and evaluate alternate means of accomplishing the same objective
  - d) **Decision-making is irrational in the absence of rigorous analysis of all proposed costs and benefits**
173. Slow Corporation's ending finished goods inventory this period was Rs. 43,000. The company projects a cost of goods manufactured for the next period to be Rs. 567,000 and expects to have Rs. 36,000 in ending finished goods. Given this information, what is the expected cost of goods sold for the next period?
- a) Rs. 556,000
  - b) Rs. 567,000
  - c) **Rs. 574,000**
  - d) Rs. 582,000
174. BDH Corporation, which makes only one product, Kisty, has the following information available for the coming year. BDH expects sales to be 30,000 units at Rs. 50 per unit. The current inventory of Kisty is 3,000 units. BDH wants an ending inventory of 3,500 units. BDH pays its sales staff commission of 5% of sales. How much will be recorded on the marketing budget for sales commissions for the next period?
- a) **Rs. 75,000**
  - b) Rs. 30,000
  - c) Rs. 150,000
  - d) Rs. 1,500,000
175. The contribution margin ratio is 30% for the Spice Co. and the breakeven point in sales is Rs. 150,000. If the company desires a target net income of Rs. 60,000, what would have to be the amount of actual sales?
- a) Rs. 200,000
  - b) **Rs. 350,000**

- c) Rs. 250,000
  - d) Rs. 210,000
176. A company decreased the selling price for its product from Rs. 2.00 to Rs. 1.75 per unit when total fixed costs decreased from Rs. 500,000 to Rs. 400,000 and variable cost per unit of Rs. 1 remained unchanged. How would these changes affect the break-even point?
- a) The break-even point in units would be increased
  - b) **The break-even point in units would be decreased**
  - c) The break-even point in units would remain unchanged
  - d) The effect cannot be determined from the information given
177. Which statement is true related to the differences in absorption and variable costing methods?
- a) The shorter the period of time, the less net operating income figures will tend to differ under the two costing methods
  - b) **In the long run, net operating income under the two methods will tend to be the same**
  - c) In the long run, net operating income under the two methods will not same
  - d) In the short run, net operating income under the two methods will tend to be the same
178. Cost of finished goods inventory is calculated by:
- a) Deducting total cost from finished goods inventory
  - b) **Multiplying units of finished goods inventory with the cost per unit**
  - c) Dividing units of finished goods inventory with the cost per unit
  - d) Multiplying total cost with finished goods inventory
179. Which of the following are basic inventories for a manufacturing concern?
- a) Indirect materials, goods in process, and raw materials
  - b) Finished goods, raw materials, and direct materials
  - c) **Raw materials, goods in process, and finished goods**

- d) Raw materials, factory overhead, and direct labor
180. If, COGS = Rs. 50,000 GP Margin = 25% of sales What will be the value of Sales?
- a) Rs. 200,000
  - b) **Rs. 66,667**
  - c) Rs. 62,500
  - d) Rs. 400,000
181. Which of the following method of inventory valuation is not recommended under IAS 02?
- a) **LIFO**
  - b) FIFO
  - c) Weighted Average
  - d) Both LIFO & FIFO
182. In cost Accounting, normal loss is/are charged to:
- a) **Factory overhead control account**
  - b) Work in process account
  - c) Income Statement
  - d) All of the given options
183. Material requisition is a document that supports the requirement of the material. This document is sent to store incharge and approved by:
- a) Store manager
  - b) **Production manager**
  - c) Supplier manager
  - d) Purchase manager
184. Which of the following is / are time based incentive wage plan?
- a) Hasley Premium Plan

- b) Hasley Weir Premium Plan
  - c) Rowan Premium Plan
  - d) **All of the given options**
185. All of the following are avoidable causes of labor turnover **EXCEPT**:
- a) **Personal betterment of worker**
  - b) Dissatisfaction with job
  - c) Bad working conditions
  - d) Long and odd working hours
186. It is possible for an item of overhead expenditure to be shared amongst many departments. It is also possible that this same item may relate to just one specific department. If the item was not charged specifically to a single department this would be an example of:
- a) **Apportionment**
  - b) Allocation
  - c) Re-apportionment
  - d) Absorption
187. The appropriate journal entry to transfer the cost of completed units from the Work in Process account would involve a credit to Work in Process and a debit to which of the following accounts?
- a) Income Summary
  - b) Raw Materials Inventory
  - c) **Finished Goods**
  - d) Manufacturing Summary
188. The point at which joint product costs become separately identifiable is known as the:
- a) **Split-off point**
  - b) Relative sales value point

- c) Joint processing cost
  - d) None of the given options
189. A by product:
- a) **Is produced from material that would otherwise be of no value**
  - b) Has a lower selling price than the main product
  - c) Is created along with the main product, but its sales value does not cover its production cost
  - d) Always produces a large amount of revenue than the main product
190. According to marginal costing concept, all fixed costs are considered as:
- a) **Period cost**
  - b) Production cost
  - c) Mixed cost
  - d) Sunk cost
191. Which of the following costs are treated as period costs under direct costing?
- a) Only direct cost
  - b) Fixed selling and administrative expenses
  - c) Fixed manufacturing overhead
  - d) **Both fixed manufacturing overhead and fixed selling and administrative expenses**
192. By using absorption costing method, which of the following is **NOT** shown in Income Statement?
- a) Cost of goods manufactured
  - b) **Contribution margin**
  - c) Selling and administrative expenses
  - d) Cost of goods sold
193. Cost volume Profit analysis (CVP) is a behavior of how many variables?

- a) 2
- b) **3**
- c) 4
- d) 5
194. Which of the following equation is **CORRECT**?
- a) Revenues + Variable costs - Fixed costs = Operating income
- b) **Revenues - Variable costs - Fixed costs = Operating income**
- c) Revenues + Variable costs + Fixed costs = Operating Income
- d) Revenues - Variable costs + Fixed costs = Operating income
195. All of the following are true **EXCEPT**:
- a) Profit + Fixed cost + Variable cost = Sales
- b) Profit + Fixed cost = Sales – Variable cost
- c) Contribution margin – Fixed cost = Profit
- d) **Profit + Fixed cost = Sales + Variable cost**
196. The following detail is related to Bloch Company: Opening work-in process 2,000 litres, 100% completed to material, 40% as to conversion cost Material put in process 24,000 litres Closing work-in-process 3,000 litres, 100% completed to material and 45% as to conversion cost **Required:** The numbers of equivalent units as to Conversion cost, using FIFO method would be:
- a) 26,000 units
- b) 25,550 units
- c) **24,200 units**
- d) 24,350 units
197. X Company has fixed cost of Rs. 200,000. It sells two products Tetra and Mint. The detail of operational Income is as follows: Tetra (Rs.) Mint (Rs.) Sales price (Per unit) 2 1 Contribution margin 1 2 **Required:** How much units would be sold at break Even point?
- a) 44,444 units

- b) 50,000 units
  - c) 88,888 units
  - d) **100,000 units**
198. If, fixed cost is Rs. 1,000 and variable cost is Rs. 6 per unit. The sales price is Rs. 10 per unit. 100 units have been produced. But no unit has been yet sold. Keeping in view the Sales level, our total cost will be equal to which of the following?
- a) Zero
  - b) **Rs. 1,000**
  - c) Rs. 6,000
  - d) Rs. 7,000
199. Which of the following factor is responsible for a difference between units sold and units produced?
- a) Factory overhead
  - b) Direct Labor
  - c) **Change in Inventory**
  - d) Total production cost
200. If a firm is using activity-based budgeting, the firm would use this in place of which of the following budgets?
- a) Direct labor budget
  - b) Direct materials budget
  - c) **Revenue budget**
  - d) Manufacturing overhead budget
201. Hogan Company plans to assemble 5,000 tables. Each table requires 0.25 hours of direct labor at Rs. 19 per direct labor hour. The amount of direct labor that should be budgeted for is:
- a) Rs. 380,000
  - b) Rs. 95,000

- c) Rs. 39,583
  - d) **Rs. 23,750**
202. The master budget usually begins with a:
- a) Production budget
  - b) Direct materials budget
  - c) Direct labor budget
  - d) **Sales budget**
203. Financial managers use which of the following to plan for monthly financing needs?
- a) Capital budget
  - b) **Cash budget**
  - c) Income Statement budget
  - d) Selling & administrative expenses budget
204. Which of the following is **NOT** example of a cash outflow?
- a) Cash drawings
  - b) Purchase of new equipment
  - c) Commission paid
  - d) **Depreciation**
205. When using a flexible budget, a decrease in production levels within a relevant range:
- a) **Decreases variable cost per unit**
  - b) Decreases total costs
  - c) Increases total fixed costs
  - d) Increases variable cost per unit
206. The Alexander Company has 1,600 obsolete calculators that are carried in inventory at a total cost of Rs. 106,800. If these calculators are upgraded at a total cost of Rs. 40,000, they can be sold for a total of Rs. 120,000. As an alternative, the calculators



can be sold in their present condition for Rs. 44,800. What will be the sunk cost in this situation?

- a) Rs. 0
  - b) Rs. 40,000
  - c) Rs. 44,800
  - d) **Rs. 106,800**
207. Which of the following is a process by which managers analyze options available to set courses of action by the organization?
- a) Heuristics method
  - b) **Decision making**
  - c) The Delphi technique
  - d) Systematic error
208. The effect on a company's operating income of discontinuing a department with a contribution margin of Rs. 8,000 and allocated overhead of Rs. 16,000 (of which Rs. 7,000 cannot be eliminated) would be to:
- a) **Increase operating income by Rs. 1,000**
  - b) Increase operating income by Rs. 8,000
  - c) Decrease operating income by Rs. 1,000
  - d) Decrease operating income by Rs. 9,000
209. David Corporation uses process costing to calculate the cost of manufacturing Crunchies. During the month 12,500 units were completed, 1,500 units remained in work in process at 25 percent completed. How many equivalent units are produced?
- a) 12,500 units
  - b) **12,875 units**
  - c) 14,250 units
  - d) 12,125 units
210. All of the following are the features of fixed costs **EXCEPT**:

- a) **Although fixed within a relevant range of activity level but are relevant to a decision making when it is avoidable.**
  - b) Although fixed within a relevant range of activity level but are relevant to a decision making when it is incremental.
  - c) Generally it is irrelevant
  - d) It is relevant to decision making under any circumstances
211. The total cost of the beginning inventory was Rs. 60,000. During the month, 50,000 units were transferred out. The equivalent unit cost was computed to be Rs. 4.00 for materials and Rs. 7.40 for conversion costs under the weighted average method. With the help of given information, what was the total cost of the units completed and transferred out during the month.
- a) Rs. 480,000
  - b) **Rs. 570,000**
  - c) Rs. 540,000
  - d) Rs. 510,000
212. Cost of incoming freight on merchandise to be sold to customers by a retail chain would be considered by that merchandiser to be:
- a) Prime costs
  - b) **Inventory costs**
  - c) Period costs
  - d) None of the given options
213. Which of the following is a cost that changes in proportion to changes in volume?
- a) Fixed cost
  - b) Sunk cost
  - c) Opportunity cost
  - d) **None of the given options**
214. The second name of explicit cost is?
- a) **Opportunity cost**

- b) Out of pocket cost
  - c) Implicit cost
  - d) None of the given options
215. Which of the following is deducted from purchases in order to get the value of Net purchases?
- a) **Purchases returns**
  - b) Carriage inward
  - c) Custom duty
  - d) All of the given options
216. When prices are rising over time, which of the following inventory costing methods will result in the lowest gross margin?
- a) **FIFO**
  - b) LIFO
  - c) Weighted Average
  - d) Cannot be determined
217. A store sells five cases of soda each day. Ordering costs are Rs. 8 per order, and soda costs Rs. 3 per case. Orders arrive four days from the time they are placed. Daily holding costs are equal to 5% of the cost of the soda. What is the EOQ for soda?
- a) 4 cases
  - b) 8 cases
  - c) 10 cases
  - d) **23 cases**
218. If, Basic Salary Rs.10,000 Per Piece commission Rs. 5, Unit sold 700 pieces, Amount of commission received will be:
- a) **Rs. 3,500**
  - b) Rs. 13,500
  - c) Rs. 10,000

- d) Rs. 6,500
219. Increased cost of production due to high labor turnover is a result of which of the following factor?
- Interruption of production**
  - Coordination between new and old employee to produce more
  - Increased production due to newly motivated employees
  - Decrease losses as new employees will be more concerned towards output
220. The Process of cost apportionment is carried out so that:
- Cost may be controlled
  - Cost unit gather overheads as they pass through cost centers
  - Whole items of cost can be charged to cost centers
  - Common costs are shared among cost centers**
221. Which of the following is **TRUE** regarding the use of blanket rate?
- The use of a single blanket rate makes the apportionment of overhead costs unnecessary**
  - The use of a single blanket rate makes the apportionment of overhead costs necessary
  - The use of a single blanket rate makes the apportionment of overhead costs uniform
  - None of the given options
222. Nelson Company has following FOH detail.

	<b>Budgeted (Rs.)</b>	<b>Actual (Rs.)</b>
Production Fixed overheads	36,000	39,000
Production Variable overheads	9,000	12,000
Direct labor hours	18,000	20,000

What would be the applied rate.

- a) **Rs.2.00 per labor hour**
  - b) Rs.2.50 per labor hour
  - c) Rs.2.55 per labor hour
  - d) Rs.0.50 per labor hour
223. Which of the following is the best define a by-product?
- a) A by-product is a product arising from a process where the wastage rate is higher than a defined level
  - b) **A by-product is a product arising from a process where the sales value is insignificant by comparison with that of the main product or products**
  - c) A by-product is a product arising from a process where the wastage rate is unpredictable
  - d) A by-product is a product arising from a process where the sales value is significant by comparison with that of the main product or products
224. Which of the following method of accounting for joint product cost will produce the same gross profit rate for all products?
- a) Actual costing method
  - b) Services received method
  - c) **Market value method**
  - d) Physical quantity method
225. Profit under absorption costing will be higher than under marginal costing if:
- a) **Produced units > Units sold**
  - b) Produced units < Units sold
  - c) Produced units =Units sold
  - d) Profit cannot be determined with given statement
226. Which of the following costs do **NOT** change when the activity base fluctuates?
- a) Variable costs
  - b) Discretionary costs

- c) **Fixed costs**
  - d) Mixed costs
227. In CVP analysis, when the number of units sold changes, which one of the following will remain the same?
- a) Total contribution margin
  - b) Total sales revenues
  - c) Total variable costs
  - d) **Total fixed costs**
228. Terrell, Inc. sells a single product at a selling price of Rs. 40 per unit. Variable costs are Rs. 22 per unit and fixed costs are Rs. 82,800. Terrell's break- even point is:
- a) **Rs. 184,000**
  - b) 3,764 units
  - c) Rs. 150,540
  - d) 2,070 units
229. The following detail is related to Bloch Company: Opening work-in process 2,000 litres,100% completed to material, 40% as to conversion cost Material put in process 24,000 liters Closing work-in process 3,000 litres,100% completed to material and 45% as to conversion cost **Required:** The numbers of equivalent units as to material, using FIFO method would be:
- a) **24,000 units**
  - b) 26,000 units
  - c) 28,000 units
  - d) 20,000 units
230. The by-product of flour is:
- a) Fats
  - b) **Bran**
  - c) Glycerin

- d) Meat Hides
231. The point at which the cost line intersects the sales line will be called:
- a) Budgeted sales
  - b) **Break Even sales**
  - c) Margin of safety
  - d) Contribution margin
232. All of the following are assumptions in constructing a Break even chart **EXCEPT**:
- a) There is no change of time value of money
  - b) Price of cost factors remains constant
  - c) Long term period will be considered
  - d) **Cost is affected by volume**
233. When using conventional cost-volume-profit analysis, some assumptions about costs and sales prices are made. Which one of the following is **NOT** one of those assumptions?
- a) The sales price will remain unchanged per unit
  - b) **The actual variable cost per unit must vary over the production range**
  - c) The costs can be expressed as straight lines in a break-even graph
  - d) The variable cost will remain unchanged per unit
234. Which one of the following is **NOT** a tool of financial forecasting?
- a) Cash budget
  - b) **Capital budget**
  - c) Pro forma balance sheet
  - d) Pro forma income statement
235. Which of the following factor/s should be considered while constructing an administrative selling expense budget?
- a) Fixed expenses

- b) Past experience
  - c) Variable expenses
  - d) **All of the given options**
236. The master budget usually begins with a:
- a) Production budget
  - b) Direct materials budget
  - c) Direct labor budget
  - d) **Sales budget**
237. Financial managers use which of the following to plan for monthly financing needs?
- a) Capital budget
  - b) **Cash budget**
  - c) Income Statement budget
  - d) Selling & administrative expenses budget
238. When using a flexible budget, a decrease in production levels within a relevant range:
- a) **Decreases variable cost per unit**
  - b) Decreases total costs
  - c) Increases total fixed costs
  - d) Increases variable cost per unit
239. The decision to drop a product line should be based on:
- a) **The fact that the product line shows a net loss over several periods**
  - b) The ability of the firm to eliminate some fixed costs as a result of dropping the product
  - c) Whether the fixed costs that can be avoided by dropping the product line are less than the contribution margin that will be lost



- d) Whether the fixed costs that can be avoided by dropping the product line are greater than the contribution margin lost
240. A cost that has been incurred but cannot be changed by present or future decisions is called:
- a) **Sunk cost**
  - b) Differential cost
  - c) Opportunity cost
  - d) Marginal cost
241. If sales is greater than cost, it means:
- a) **Profit**
  - b) Loss
  - c) Neither profit nor Loss
  - d) Cannot be determined
242. If, Total fixed cost Rs. 2,000, Variable manufacturing cost Rs. 3,000, Variable selling cost Rs. 1,000 and Sales Rs. 10,000 then what will be the profit under absorption costing?
- a) Rs.7,000
  - b) **Rs.5,000**
  - c) Rs.4,000
  - d) Rs.8,000
243. Which of the following cannot becomes a part of product cost under absorption costing?
- a) Fixed manufacturing overhead
  - b) **Selling cost**
  - c) Direct materials
  - d) Variable manufacturing overhead

244. A company ABC has contribution to sales ratio of 35%, variable cost to sales ratio of 65% and a profit to sales ratio of 17%. What will be the margin of safety ratio?
- a) **48.6%**
  - b) 53.8%
  - c) 26.2%
  - d) It cannot be calculated from the given data
245. Which of the following is TRUE at Break even point?
- a) Profit is zero
  - b) Fixed cost + variable cost = sales
  - c) Fixed cost = contribution margin
  - d) **All of the given options**
246. Which one of the following factors would caused a budgeted revenue to be less than the expected demand?
- a) Excess capacity exists
  - b) Abundant resources are available
  - c) **Demand exceeds capacity**
  - d) Excess supply of labor exists
247. If Cost of goods available for sales Rs. 7,000, Cost of opening finished goods inventory is Rs. 1,000, Commercial expenses Rs. 2,000. Which of the following is the cost of goods to be produced?
- a) **Rs. 6,000**
  - b) Rs. 4,000
  - c) Rs. 8,000
  - d) Rs. 10,000
248. If Cost of opening finished goods Rs. 2,000, Cost of goods to be produced Rs. 6,000, Operating expenses Rs. 1,000. Which of the following is the cost of goods available for sale?

- a) **Rs. 8,000**
  - b) Rs. 4,000
  - c) Rs. 7,000
  - d) Rs. 9,000
249. All of the following are features of a relevant cost **EXCEPT**:
- a) They affect the future cost
  - b) They cause an increment in cost
  - c) **Relevant cost is a sunk cost**
  - d) They affect the future cash flows
250. Which of the following statement is **TRUE** about the relevant cost?
- a) It is a sunk cost
  - b) **It is an opportunity cost**
  - c) It do not affect the decision making process
  - d) All costs are relevant
251. A company produced a desired level of product 'A' in 5,500 Hours. The standard hours required to produce the same product are 5,000 Hours. What is the amount & nature of variance?
- a) 500 hours (Favorable)
  - b) **500 hours (Unfavorable)**
  - c) 5,000 hours (Favorable)
  - d) 5,000 hours (Unfavorable)
252. Which of the following cost would be increases with an increase in activity level?
- a) Incremental cost
  - b) **Avoidable cost**
  - c) Sunk cost
  - d) Opportunity cost

253. An ice factory has a contribution margin of Rs. 450,000 and fixed cost for the year amounts to Rs. 495,000. The fixed cost of Rs. 215,000 can be eliminated if the operations are to be closed during winter season. An extra sale of Rs. 25,000 is also expected during winter season. What would be the decision?
- a) **Operations would be closed during winter season**
  - b) Operations would be continued as we are having extra sales in winter season
  - c) Operations would be partially closed
  - d) None of the given options
254. A contract will be accepted in which of the following condition?
- a) If it reduces the contribution margin
  - b) **If it increases the contribution margin**
  - c) If it increases the fixed cost
  - d) If it decreases sales revenue
255. Which of the following statement is **TRUE** about opportunity cost?
- a) It is irrelevant to decision making
  - b) It is always a sunk cost
  - c) It is always a historical cost
  - d) **It is relevant to decision making**
256. All of the following are a part of Planning Process EXCEPT:
- a) Identifying the objectives
  - b) Search for alternative actions
  - c) Data gathering for alternatives
  - d) **Selection of a fixed action**
257. The chief financial officer is also known as the:
- a) Controller
  - b) Staff accountant

- c) Auditor
  - d) **Finance director**
258. When purchases are added to raw material opening Inventory, we get the value of:
- a) Material consumed.
  - b) **Material available for use.**
  - c) Material needed.
  - d) Raw material ending inventory.
259. For manufacturing entities inventories are classified into ----- categories?
- a) One
  - b) Two
  - c) **Three**
  - d) Four
260. When prices are rising over time, which of the following inventory costing methods will result in the lowest gross margin?
- a) FIFO
  - b) **LIFO**
  - c) Weighted Average
  - d) Cannot be determined
261. All of the following are unavoidable causes of labor turnover **EXCEPT**:
- a) Retirement and death leading to labor turnover
  - b) Domestic responsibilities—to look after old parents
  - c) Accident or illness rendering workers permanently incapable to work
  - d) **Unfair methods of promotion and lack of promotions avenues**
262. The term cost allocation is described as:
- a) **The costs that can be identified with specific cost centers.**

- b) The costs that can not be identified with specific cost centers.
- c) The total cost of factory overhead needs to be distributed among specific cost centers.
- d) None of the given options
263. Which of the following statement is true regarding repeated distribution method?
- a) **The re-allocation continues until the numbers being dealt with become very small**
- b) The re-allocation continues until the numbers being dealt with become very Large
- c) The re-allocation continues until the numbers being dealt with become small
- d) None of the given options
264. Which of the following is **TRUE** regarding the use of blanket rate?
- a) **The use of a single blanket rate makes the apportionment of overhead costs unnecessary**
- b) The use of a single blanket rate makes the apportionment of overhead costs necessary
- c) The use of a single blanket rate makes the apportionment of overhead costs uniform
- d) None of the given options
265. Which of the following is/are reported in production cost report?
- a) The costs charged to the department
- b) How the costs were assigned to the output?
- c) The equivalent units of production by the department
- d) **All of the given options**

266.	Materials Costs (Rs.)	Conversion Costs (Rs.)
Work-in-process, May 1	46,000	78,000
Current costs (May)	92,000	124,000

Total cost                                      138,000                                      202,000

If the equivalent units of production under weighted average costing were 40,000 and 50,000 for materials and conversion costs, respectively, what are the costs per equivalent unit?

- a) Rs. 1.15, Rs.1.56
- b) Rs.1.76, Rs.1.94
- c) Rs. 2.30, Rs. 2.48
- d) **Rs. 3.45, Rs. 4.04**

267. In comparing common cost and joint cost:

- a) The terms can be correctly used interchangeably
- b) Both have the same objective of assigning production cost to cost center
- c) **They differ since common cost products or services have been obtained separately**
- d) Common cost is sometime used as Joint cost

268. Which of the following concept is used in absorption costing?

- a) **Matching concept**
- b) Cost concept
- c) Cash concept
- d) None of the given options

269. Good Job Plc makes one product which sells for Rs. 80 per unit. Fixed costs are Rs. 28,000 per month and marginal costs are Rs. 42 per unit. What sales level in units will provide a profit of Rs. 10,000?

- a) 350 units
- b) 667 units
- c) **1,000 units**
- d) 1,350 units

270. Which of the following costs are treated as period costs under direct costing?

- a) Only direct cost

- b) Fixed selling and administrative expenses
- c) Fixed manufacturing overhead
- d) **Both fixed manufacturing overhead and fixed selling and administrative expenses**
271. Which of the following costs do **NOT** change when the activity base fluctuates?
- a) Variable costs
- b) Discretionary costs
- c) **Fixed costs**
- d) Mixed costs
272. The break-even point is the point where:
- a) Total sales revenue equals total expenses (variable and fixed)
- b) Total contribution margin equals total fixed expenses
- c) Fixed cost plus Profit is equal to contribution margin
- d) **All of the given options**
273. In process costing, a joint product is
- a) A product which is later divided in to many parts
- b) **A product which is produced simultaneously with other products and is of similar value to at least one of the other products**
- c) A product which is produced simultaneously with other products but which is of a greater value than any of the other products
- d) A product produced jointly with another organization
274. Eclair Ltd manufactured three products,JP,1,JP2,JP,3 with the following cost of raw material 10,000 kg,cost Rs,24,000 and conversion cost is Rs,28,000.

Out-Put	Production Kg	sales price per Kg
JP, 1	4,000	11



JP, 2	3,000	10
JP, 3	1,000	26

Process costs are apportioned on a sales value basis.

**Required:** What was the apportioned cost for JP3.

- a) Rs. 52,000
- b) Rs. 13,520
- c) Rs. 15,600
- d) **Rs. 22,880**

275. The little Rock Company shows fixed expenses of Rs. 12,150 and Margin of safety ratio is 25% and Break even sales is Rs. 40, 500. If contribution margin ratio is 30% what would be the actual sales?

- a) Rs. 40,500
- b) **Rs. 54,000**
- c) Rs. 12,150
- d) Rs. 4,050

276. All of the following are assumptions in constructing a Break even chart **EXCEPT:**

- a) There is no change of time value of money
- b) Price of cost factors remains constant
- c) Long term period will be considered
- d) **Cost is affected by volume**

277. If a firm is using activity-based budgeting, the firm would use this in place of which of the following budgets?

- a) Direct labor budget
- b) Direct materials budget
- c) Revenue budget
- d) **Manufacturing overhead budget**

278. Hogan Company plans to produce 5,000 wooden tables. Each table requires 10 bd. Ft. of lumber at a price of Rs. 2.50 per bd. Ft. The desired beginning and ending inventories of lumber are 10,000 and 20,000 board feet, respectively. The total direct materials purchase cost for lumber is:
- a) Rs. 100,000
  - b) Rs. 12,500
  - c) Rs. 175,000
  - d) **Rs. 150,000**
279. Which of the following budgets provide information for preparation of the owner's equity section of a budgeted balance sheet?
- a) Sales budget
  - b) Cash budget
  - c) **Capital expenditures budget**
  - d) Budgeted income statement
280. Which of the following is **NOT** example of a cash outflow?
- a) **Cash drawings**
  - b) Purchase of new equipment
  - c) Commission paid
  - d) Depreciation
281. When using a flexible budget, what will occur to variable costs (on a per unit basis) as production increases?
- a) Variable costs are not considered in flexible budgeting
  - b) **Variable costs per unit will decrease**
  - c) Variable costs per unit will remain unchanged
  - d) Variable costs per unit will increase

282. A relevant cost or benefit is one that will be affected by the decision. Which of the following should be regarded as relevant in the decision-making process?
- a) Fixed overheads
  - b) Notional costs
  - c) Sunk costs
  - d) **Opportunity costs**
283. Decision making should be based on all of the following relevant costs features EXCEPT:
- a) Relevant Costs are future costs
  - b) Relevant Costs are cash flows
  - c) Relevant Costs are incremental costs
  - d) **Relevant Costs are sunk costs**
284. In a make or buy situation with no limiting factors, which of the following would be the relevant costs for the decision?
- a) Opportunity costs
  - b) **Differential costs between the two options**
  - c) Sunk costs
  - d) Implied costs
285. In one off contracts, a contract will probably be accepted if:
- a) It increases contribution margin and decreases profit
  - b) **It increases both contribution margin and profit**
  - c) It reduces contribution margin and increases profit
  - d) It reduces both contribution margin and profits
286. The following monthly data are available for the Boarder, Inc. and its only product: Unit sales price = Rs. 36 Unit variable expenses = Rs. 28 Total fixed expenses = Rs. 50,000 Actual sales for the month of May = 7,000 units. The margin of safety for the company for May was:

- a) Rs. 6,000
  - b) **Rs. 27,000**
  - c) Rs. 56,000
  - d) Rs. 106,000
287. Under perpetual Inventory system at the end of the year:
- a) **No closing entry passed**
  - b) Closing entry passed
  - c) Closing value find through closing entry only
  - d) None of the above.
288. Details of the process for the last period are as follows:
- Materials 5,000 Kgs at 0.50 per Kg, Labor Rs.700, Production overheads 200% of labor, Normal losses are 10% of input in the process. The output for the period was 4,200Kg from the process. There was no opening and closing Work- in process. What were the units of abnormal loss?
- a) 500 units
  - b) **300 units**
  - c) 200 units
  - d) 100 units
289. A cost that has been incurred but cannot be changed by present or future decisions is called:
- a) **Sunk cost**
  - b) Differential cost
  - c) Opportunity cost
  - d) Marginal cost
290. If an item of overhead expenditure is charged specifically to a single department this would be an example of:
- a) Apportionment
  - b) **Allocation**

- c) Re-apportionment
  - d) Absorption
291. When By-product is to be recycled, which one of the following will be used for costing?
- a) Costing approach
  - b) Sale approach
  - c) **Expense approach**
  - d) Asset approach
292. All of the following describe forecasting EXCEPT:
- a) **It allows you to create budget amounts, and then track how well you are staying within those amounts**
  - b) It is a projected cash flow for the future, based on scheduled transactions and estimated amounts
  - c) A prediction of customer demand used to calculate future inventory levels
  - d) Predicting current and future market trends using existing data and facts
293. Which of the following is NOT considered as external factor while preparing the sales budget?
- a) Availability of materials or supplies
  - b) Governmental rules
  - c) Market fluctuations
  - d) **Competitor's success**
294. If estimated direct labour cost is Rs. 50,000 for producing 2,400 units then what is the amount of FOH cost if FOH cost is assumed as 50% of direct labor cost?
- a) **Rs. 25,000**
  - b) Rs. 1,200
  - c) Rs. 26,200
  - d) Cannot be calculated

295. Which of the following item is NOT included in FOH cost budget?
- a) Indirect material cost
  - b) Indirect labor cost
  - c) Power and fuel
  - d) **Direct material cost**
296. Which of the following is the best example of a fixed administrative expense?
- a) Rent of building used for office
  - b) Commission paid
  - c) **Repair and maintenance**
  - d) Stationery expense
297. Which of the following statement is **TRUE** about historical cost?
- a) **It is always relevant to decision making**
  - b) It is always irrelevant to decision making
  - c) It is always an opportunity cost
  - d) It is always realizable value
298. In activity based cost systems, the activity, unit of work or task with differentiated purpose is classified as
- a) Different Task
  - b) Purpose cost
  - c) **Activity**
  - d) Allocation cost
299. In the activity based costing implementation, the indirect costs are allocated by using the
- a) No cost pool
  - b) **One or two cost pools**
  - c) Sustained tracing

- d) Support tracing
300. The costing system in which individual activities are identified as the cost objects is considered as
- a) Manufactured Costing
  - b) Activity Based Costing**
  - c) Allocation Costing
  - d) Base Costing
301. The factors that accelerate the process of refining a costing system are
- a) Increase in product diversity
  - b) Increase in indirect costs
  - c) Product market competitions
  - d) All of above**
302. In activity based costing system, the description of activity is classified as
- a) Activity list
  - b) Activity dictionary
  - c) Active purpose
  - d) Both A & B**
303. The activity based costing hierarchy includes
- a) Batch level
  - b) Output unit level
  - c) Facility and product sustaining
  - d) All of the Above**
304. The unfavorable volume-production variance is used to measure the amount of
- a) Fixed setup cost**
  - b) Total setup cost

- c) Variable setup cost
  - d) Total overhead cost
305. The indirect support labor cost and cost of indirect energy is considered as
- a) Variable batch cost
  - b) Fixed batch cost
  - c) **Variable setup cost**
  - d) Fixed setup cost
306. The indirect setup labor, cost of setup and equipment maintenance and cost of indirect material is classified as
- a) Variable Batch cost
  - b) Fixed Batch cost
  - c) **Variable setup cost**
  - d) Fixed Setup cost
307. All the salaries paid to supervisors and engineers and cost of leasing equipment is classified as
- a) Variable Batch cost
  - b) Fixed Batch cost
  - c) Variable setup cost
  - d) **Fixed Setup cost**