



# **BUDDHA SERIES**

**(Unit Wise Solved Question & Answers)**

**Course – B.Com 3<sup>rd</sup> Sem**

**College – Buddha Degree College**

**(DDU Code-859)**

**Department: Commerce**

**Subject: Cost Accounting**

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# Unit -I

- 1) The main objective of cost accounting is:
  - a) Preparing financial statements
  - b) Tax calculation
  - c) Cost control and cost ascertainment
  - d) Marketing analysis
- 2) Cost accounting provides information primarily to:
  - a) Government
  - b) Investors
  - c) Management
  - d) Shareholders
- 3) Financial accounting is primarily concerned with:
  - a) Internal decision-making
  - b) Cost analysis
  - c) External reporting
  - d) Inventory control
- 4) Cost accounting deals with:
  - a) Profit allocation
  - b) Budget preparation
  - c) Determining the cost of products/services
  - d) Banking operations
- 5) One of the advantages of cost accounting is:
  - a) Ensuring tax compliance
  - b) Reducing advertisement expenses
  - c) Identifying and controlling inefficiencies
  - d) Preparing invoices
- 6) Cost accounting is not useful for:
  - a) Budgeting
  - b) Cost control
  - c) Stock valuation
  - d) Final account preparation for external use
- 7) The process of setting up cost accounting in an organization is called:
  - a) Cost budgeting
  - b) Cost finding
  - c) Installation of costing system
  - d) Cost analysis

- 8) A major step in installing a costing system is:
- Fixing selling price
  - Appointing an auditor
  - Determining cost centre
  - Preparing the balance sheet
- 9) Financial accounting records transactions:
- After they occur
  - Before they occur
  - As estimates only
  - Based on customer feedback
- 10) Cost accounting is useful for:
- Statutory compliance
  - Product pricing
  - Tax refunds
  - Customer grievance redressal
- 11) Classification of costs based on behavior includes:
- Fixed and Variable costs
  - Direct and Indirect costs
  - Functional costs
  - Standard and Budgeted costs
- 12) Direct costs can be traced to:
- Indirect departments
  - Individual cost centre
  - Advertising
  - General administration
- 13) Factory rent is an example of:
- Variable cost
  - Direct cost
  - Fixed cost
  - Semi-variable cost
- 14) Which one is a product cost?
- Selling commission
  - Delivery charges
  - Raw material
  - Office rent
- 15) Raw materials are classified as:
- Indirect expense

- b) Direct cost
- c) Variable cost
- d) Both b and c

16) Material control is essential for:

- a) Maintaining high profits
- b) Customer satisfaction
- c) Preventing theft and wastage
- d) Increasing salaries

17) Which document is used to request materials from the store?

- a) Invoice
- b) Delivery challan
- c) Material Requisition Note
- d) Stock Return Form

18) Minimum level of stock is calculated to avoid:

- a) Overstocking
- b) Production stoppage
- c) High cost
- d) EOQ deviation

19) EOQ helps to minimize:

- a) Selling price
- b) Total inventory cost
- c) Number of suppliers
- d) Discounts lost

20) Perpetual inventory system means:

- a) Checking inventory once a year
- b) Continuous updating of stock records
- c) Manual counting
- d) Stock record based on estimation

21) Bin Card is maintained by:

- a) Accountant
- b) Storekeeper
- c) Production manager
- d) Sales executive

22) ABC analysis is used for:

- a) Budget preparation
- b) Ranking of employees

c) Inventory control by value

d) Product costing

23) FIFO method assumes:

a) Costing based on average prices

b) Oldest inventory is issued first

c) Latest inventory is issued first

d) Cost is fixed

24) In LIFO, the closing stock comprises:

a) Oldest items

b) Newest items

c) Average-priced items

d) Fixed-price items

25) Weighted average method is most suitable when:

a) Price of material remains constant

b) Price fluctuates frequently

c) Only high-value items are used

d) Material is issued in bulk

Answers 1-25

1) **c) Cost control and cost ascertainment**

2) **c) Management**

3) **c) External reporting**

4) **c) Determining the cost of products/services**

5) **c) Identifying and controlling inefficiencies**

6) **d) Final account preparation for external use**

7) **c) Installation of costing system**

8) **c) Determining cost centre**

9) **a) After they occur**

10) **b) Product pricing**

11) **a) Fixed and Variable costs**

12) **b) Individual cost centre**

13) **c) Fixed cost**

14) **c) Raw material**

15) **d) Both b and c**

16) **c) Preventing theft and wastage**

17) **c) Material Requisition Note**

- 18) **b) Production stoppage**
- 19) **b) Total inventory cost**
- 20) **b) Continuous updating of stock records**
- 21) **b) Storekeeper**
- 22) **c) Inventory control by value**
- 23) **b) Oldest inventory is issued first**
- 24) **a) Oldest items**
- 25) **b) Price fluctuates frequently**

## UNIT-2

- 1) Labour cost includes:
  - a) Direct wages
  - b) Bonus
  - c) Fringe benefits
  - d) All of these**
- 2) Idle time means:
  - a) Extra work
  - b) Paid time with no production**
  - c) Time lost in meetings
  - d) Overtime
- 3) Idle time due to machine breakdown is:
  - a) Normal idle time
  - b) Abnormal idle time**
  - c) Productive time
  - d) Unpaid leave
- 4) Overtime is:
  - a) Work done after office hours**
  - b) Holiday
  - c) Leave
  - d) Bonus
- 5) Cost of normal idle time is charged to:
  - a) Costing Profit & Loss Account**
  - b) Product cost
  - c) Asset
  - d) Suspense account
- 6) Piece rate system pays based on:
  - a) Hours worked
  - b) Work done**
  - c) Number of workers
  - d) Days attended
- 7) Halsey Plan is:
  - a) Commission system
  - b) Time saved based incentive**
  - c) Shareholding scheme
  - d) Job rotation plan

- 8) Rowan Plan is used to calculate:
- a) Indirect costs
  - b) Bonus on time saved**
  - c) Total wages
  - d) Tax payable
- 9) Labour Turnover means:
- a) Number of holidays
  - b) Rate at which employees leave and join**
  - c) Wages given
  - d) Attendance level
- 10) Which is not a cause of labour turnover?
- a) Retirement
  - b) Resignation
  - c) Bonus announcement**
  - d) Dismissal
- 11) Overheads are:
- a) Direct costs
  - b) Indirect costs**
  - c) Only labour
  - d) Sales revenue
- 12) Overhead absorption means:
- a) Allocation of profit
  - b) Distribution of overheads to cost units**
  - c) Bonus payout
  - d) Waste control
- 13) Primary distribution of overheads refers to:
- a) Between departments**
  - b) Between products
  - c) Among customers
  - d) None
- 14) Secondary distribution is also called:
- a) Initial allocation
  - b) Redistribution of service dept. costs**
  - c) Marginal costing
  - d) Period costing
- 15) Basis for overhead absorption in machine-intensive units is:
- a) Direct labour hours



**b) Machine hours**

c) Material cost

d) Output units

16) Machine Hour Rate =

**a) Total machine overheads / Machine hours**

b) Labour cost / Hours

c) Direct cost / Machine

d) Electricity cost / Output

17) Factory rent is a:

a) Direct expense

**b) Fixed overhead**

c) Variable cost

d) Selling expense

18) Which of the following is a selling overhead?

**a) Salesman's salary**

b) Factory insurance

c) Manager's salary

d) Office electricity

19) Fixed overheads per unit:

a) Stay constant

b) Increase with output

**c) Decrease with output**

d) Fluctuate randomly

20) Variable overheads per unit:

a) Increase

b) Decrease

**c) Remain constant**

d) Randomly change

21) Office rent is classified under:

a) Factory overhead

**b) Administration overhead**

c) Selling overhead

d) Production cost

22) Advertisement cost is a:

a) Production cost

**b) Selling overhead**

- c) Direct labour
  - d) Office expense
- 23) Power used in machine is:
- a) Fixed cost
  - b) Variable overhead**
  - c) Selling cost
  - d) Labour cost
- 24) Telephone charges in admin office are:
- a) Production cost
  - b) Selling overhead
  - c) Administrative overhead**
  - d) Miscellaneous
- 25) Overhead absorption rate =
- a) Overheads / Labour hours**
  - b) Overheads / Sales
  - c) Direct cost / Output
  - d) Sales / Output

### **ANSWERS**

- 1. d) All of these
- 2. b) Paid time with no production
- 3. b) Abnormal idle time
- 4. a) Work done after office hours
- 5. a) Costing Profit & Loss Account
- 6. b) Work done
- 7. b) Time saved based incentive
- 8. b) Bonus on time saved
- 9. b) Rate at which employees leave and join
- 10. c) Bonus announcement
- 11. b) Indirect costs
- 12. b) Distribution of overheads to cost units
- 13. a) Between departments
- 14. b) Redistribution of service dept. costs
- 15. b) Machine hours
- 16. a) Total machine overheads / Machine hours
- 17. b) Fixed overhead
- 18. a) Salesman's salary

- 19. c) Decrease with output**
- 20. c) Remain constant**
- 21. b) Administration overhead**
- 22. b) Selling overhead**
- 23. b) Variable overhead**
- 24. c) Administrative overhead**
- 25. a) Overheads / Labour hours**