CS Executive Examination
Cost Accounting
Mock Test Paper
All Questions are compulsory and carry equal marks.
No Negative Marking for Incorrect Answers.

Full Marks 100. **Time Allowed: 3 hrs**

1. *Which one of the following items is not included in the annual carrying cost of inventory?*
   (a) Cost of capital
   (b) Insurance on inventory
   (c) Annual warehouse depreciation
   (d) Inventory breakage on stored inventory

2. *A management accountant is mainly not responsible for*
   (a) Collection of data
   (b) Clarification of decision problem
   (c) Selection of an alternative
   (d) Choice of a decision model
   (e) Identification of the alternatives.

3. *A skilled worker in ABC Ltd is paid a guaranteed wages rate of ₹30 per hour. The standard time per unit for a particular product is 4 hours. A, a machine man, has been paid wages under the Rowan incentive plan and he earned an effective hourly rate of ₹37.50 on the manufacture of that particular product. What could have been his total earnings and effective hourly rate, had he been put on Halsey Incentive Scheme (50%)?*
   (a) ₹120
   (b) ₹105
   (c) ₹115
   (d) ₹110

4. *The appropriate method for the disposition of under or over applied factory overhead*
   (a) Is to adjust is to cost of goods sold only
   (b) Is to adjust it to work-in-process only
   (c) Is to adjust it to finished goods inventory only

(d) Is to apportion to cost of goods sold and finished goods only

(e) Depends on the significance of the amount.

5. *The formula for calculating earning under Time rate System is :*

   (a) Earnings = Hours Worked × Rate per hour

   (b) Earnings = Hours Worked ÷ Rate per hour

   (c) Earnings = Hours Worked + Rate per hour

   (d) Earnings = Hours Worked – Rate per hour

6. *A truck capable of carrying 5 tonnes of goods normally carries 80% of the load on the onward journey and 40% of the load on inward journey. The journey is 300 kms for one side. It takes two days to complete the return trip. In a year of 300 days compute the tonnes-km :*

   (a) 2,70,000

   (b) 3,00,000

   (c) 3,30,000

   (d) 3,50,000

7. *The main difference between the weighted-average and FIFO cost-flow assumptions under a process costing system is that*

   (a) The weighted-average method mix the beginning WIP with current units started, while the FIFO method mixes the ending WIP with current units started.

   (b) The weighted-average method mixes the beginning WIP with current units started, while the FIFO method keeps these units and costs in distinct and separate layers.

   (c) The FIFO method mixes the beginning WIP with current units started, while the weighted-average method keeps these costs in district and separate layers.

   (d) The FIFO method mixes the beginning WIP with current units started, while the weighted-average method mixes the ending WIP with current units started.

   (e) Assumptions under FIFO and weighted average method rarely differ in each other.

8. *Two or more products may be produced simultaneously from a common set of inputs through a single manufacturing process known as :*

   (a) Main process

   (b) Joint process

   (c) Standard process

   (d) None of these

9. *The following is included in Financial Accounts, but not in Cost Accounts :*

   (a) Carriage & Freight

(b) Excise Duty

(c) Royalty

(d) Dividend paid

10. *XYZ Limited is preparing its sales budget for the coming 3 months. The sales department has given an estimate that sales will be 1,20,000 units, if the monsoon is good and 80,000 units if the monsoon is poor. The probability that the monsoon will be poor is 0.4. The expected sales volume for next quarter would be :*

    (a) 72,000 units

    (b) 32,000 units

    (c) 1,04,000 units

    (d) None of the above

11. *Assuming that the mark-up percentage and the quantity of production/Sales remain constant, which of the following pricing method/methods will give more profit as the fixed cost of production increases?*

    (a) Return on investment pricing

    (b) Full cost pricing

    (c) Contribution margin approach to pricing

    (d) Both (a) and (b) above

    (e) Both (b) and (c) above

12. *Cost Audit Comprise of –*

    (a) The verification of cost accounting records such as accuracy of the cost accountants, cost reports, cost statements, cost data, costing techniques.
    (b) Examining cost accounting records to ensure that they adhere to the cost accounting principles, plans, procedure and objectives.
    (c) Both (a) and (b)
    (d) None of the above

13. *Which of the following is/are pre-requisites of effective divisionalization?*

    (i) The organization must have two or more units

    (ii) The costs and revenues of each division can be measured separately

    (iii) Each division is sufficiently independent of other divisions

    (iv) Top management should not interfere too much in divisional matters.

    (a) Both (i) and (ii) above

    (b) Both (i) and (iii) above

(c) (i), (ii) and (iii) above

(d) (i), (ii) and (iv) above

(e) All (i), (ii), (iii) and (iv) above

14. Which of the following is true of target costing?

(a) It estimates the cost for a product and the designs of the product

(b) It is used to encourage the various departments involved in design and production to find less expensive ways of achieving similar or better product features or quality.

(c) The cost is to be decided on marketing factors

(d) Both (a) and (b) above.

(e) All of (a), (b) and (c) above.

15. Which of the following is not included in cost

(a) Donation

(b) Cash discount

(c) Transfer fee

(d) All of the above

16. A company has two options for purchase of materials:

Source I assures that defectives will not exceed 2 % of supplied quantity.

Source II does not give any assurance, but on the basis of past experience of supplies received from it, it is observed that defective percentage is 2.8%.

The material is supplied in lots of 1,000 units. Source II supplies the lot at a price, which is lower by ₹100 as compared to Source I. the defective units of material can be rectified for use at a cost of ₹5 per unit.

You are required to find out which of the two sources is more economical.

(a) Source I

(b) Source II

(c) Both

(d) None

17. The department responsible for recruiting and training workers and placing them to the jobs they are best fitted in Labour Cost Control is known as :

(a) Payroll Department

(b) Time Keeping Department

(c) Personnel Department

(d) Cost Accounting Department

18. *Factory cost can be expressed as*
    - (a) *Prime cost +opening raw materials-closing raw materials*
    - (b) *Prime cost +opening finished goods-closing finished goods*
    - (c) *Prime cost +opening work-in-process-closing work-in-process*
    - (d) *Prime cost +opening work-in-process –closing work-in-process +factory overheads*
    - (e) *Prime cost –opening work-in-process +closing work-in-process +factory overheads.*

19. *A television Company manufactures several component in batches. The following data relates to one component:*

    Annual demand : 32000 units; Set-up cost per branch : ₹120

    Annual rate of interest : 12%; Cost of production per unit : ₹16

    The Economic batch quantity is ______ units.
    - (a) *2500*
    - (b) *4000*
    - (c) *3000*
    - (d) *2000*

20. *The objective of process costing is to calculate the costs of units completed. To do this it is required to determine the cost per unit, but this can be completed when*
    - (a) *There is no beginning or ending inventory and all goods are started and completed*
    - (b) *Beginning inventory has incomplete units and its equivalent units must then be computed*
    - (c) *Ending inventory has incomplete units and its equivalent units must then be computed*
    - (d) *Costs change from period to period and the firm has not decided which cost flow assumption to use (Weighted-average, FIFO or LIFO)*
    - (e) *Only (b), (c) and (d) above.*

21. *In joint product costing and analysis, which of the following costs is relevant when deciding the point at which a product should be sold to maximize profits?*
    - (a) *Direct labour costs required for the joint products*
    - (b) *Salary of the Chief Executive officer*
    - (c) *Indirect material costs after the split-off point*
    - (d) *Purchase cost of the materials required for the joint product*
    - (e) *Sales manager's salary for the period when the joint-products are produced.*

22. *Presentation of reconciliation statement in cost audit report as an annexure is :*
    - (a) *Not mandatory*
    - (b) *Mandatory*

(c) On the choice of auditor

(d) On the choice of management

23. *Which of the following is true of the impact of 10% increase in fixed costs on break-even point?*

    (a) The break-even point in units would increase by 10% and break-even point in rupees would increase by more than 10%

    (b) The break-even point in units would increase by 10% and break-even point in rupees would increase by less than 10%

    (c) The break-even point in units would increase by less than 10% and break-even in rupees would increase by 10%

    (d) The break-even point in units would rise by less than 10% and break-even point is rupees would increase by more than 10%

    (e) The break-even point in units and also in rupees would increase by 10%.

24. *The information contained in cost of goods manufactured budget most directly relates to*

    (a) Materials used, direct labour, overhead applied, and ending WIP budget

    (b) Materials used, direct labour, overhead applied, and ending WIP inventories budgets

    (c) Materials used, direct labour, overhead applied, WIP inventories, and finished goods inventories budgets.

    (d) Materials used, direct labour, overhead applied, and finished goods inventories budgets

    (e) Materials used, direct labour, overhead applied, unit production, and raw materials inventories budgets.

25. *If overhead is applied on the basis of units of output, the variable overhead efficiency variance will be*

    (a) Zero

    (b) A function of direct labour efficiency variance

    (c) Favorable if output exceeds the budgeted level

    (d) Unfavourable if output exceeds the budgeted level

    (e) Both (b) and (c) above.

26. *Which of the following is not a disadvantage of shadow price?*

    (a) The use of shadow price is incompatible with the philosophy of decentralization through divisionalization.

    (b) To derive the shadow price, one has to obtain the dual solution to the mathematical programming model developed for solving the production planning problem of the buying division.

    (c) Assimilating the data and application of the model becomes a highly centralized affair.

(d) Operating managers often do not understand and appreciate the concept of shadow price.

(e) Shadow price can be used only when the resources are available in plenty.

27. *_______________ratio is an indicator of the efficiency of the use of investment in stock.*

    (a) Fixed assets turnover
    (b) Working capital turnover
    (c) Stock turnover
    (d) Debtors turnover

28. *In responsibility accounting, a center's performance is measured by controllable costs. Controllable costs are best described including*

    (a) Direct material and direct labour only

    (b) Only those costs that the manager can influence in the current time period

    (c) Only discretionary costs

    (d) Those costs about which the manger is knowledgeable and informed

    (e) Incremental and fixed costs

29. *The main disadvantage(s) of activity-based costing is/are that*

    (a) The managers are not responsible for the cost of activities with their responsibility center

    (b) It is costly

    (c) It fails to highlight interrelationships among overhead costs in different functional areas

    (d) It does not identify activities that do not add to the value of the product none of the above

    (e) None of the above.

30. *The variable cost per unit is:*

    (a) Variable in nature

    (b) Fixed in nature

    (c) Semi-variable in nature

    (d) None of the above

31. *Re-ordering level is equal to :*

    (a) Maximum consumption × Minimum re-order period

    (b) Maximum consumption × Maximum re-order period

    (c) Normal usage × Normal delivery period

    (d) Minimum consumption × Minimum re-order period

32. *A workers who does not work in the factory premises, but works at his home or at site of the factory is called :*

    (a) In worker

(b) Out worker

(c) Sub worker

(d) Worker

33. *In which of the following situations, is job costing ideal?*

    (a) Where two or more products are produced from the same process

    (b) Where the products are dissimilar and non-repetitive in nature

    (c) Where the products are homogeneous

    (d) Where the production is in continuous flow

    (e) Where the production is carried on in batches.

34. *Which of the following activities correctly classifies the business application to the process costing system and job costing system respectively?*

    (a) Oil refinery; wallpaper manufacturer

    (b) Beverage drink manufacturer, print shop

    (c) Public accounting firm; Aircraft assembly

    (d) Retail banking; Paint manufacturer

    (e) Paint manufacturer; Wallpaper manufacturer

35. *Vayu Ltd had the following balances:*

Investments at the end of 2012	*₹40,000*
Investments at the end of 2013	*₹33,000*

    During the year, the company had sold 30% of its original investments at a profit of ₹10,000.

    Calculate the amount of purchase of investments.

    (a) ₹2,000
    (b) ₹3,000
    (c) ₹4,000
    (d) ₹5,000

36. *If a company manufactures two products from a common process, which of the following factors determines whether the output consists of joint products or, one principal product and a by-product?*

    (a) Management policy

    (b) Potential marketability for each product

    (c) Commercial value

    (d) Quantum of work expended in the production of each product

    (e) Average unit cost of the products.

37. *Depreciation charged in costing books is ₹12,500 and in financial books is ₹11,200. What will be the financial profit when costing profit is ₹5,000?*

(a) 5,000

(b) 3,700

(c) 6,300

(d) None of the above

38. *A company has budgeted break-even sales revenue of ₹8,00,000 and fixed costs of ₹3,20,000 for the next period. The sales revenue needed to achieve a profit of ₹50,000 in the period will be :*

(a) ₹8,50,000

(b) ₹9,25,000

(c) ₹11,20,000

(d) ₹12,00,000

39. *While preparing a performance report for a cost center using flexible budgeting techniques, the planned cost column should be based on*

(a) Cost incorporated in the master budget

(b) Budgeted amount in the original budget prepared before the beginning of the period

(c) Budget adjusted to the actual level of activity for the period being reported

(d) Actual amount for the same period in the preceding year

(e) Budget adjusted to the planned level of activity for the period being reported.

40. *If actual units produced are lower than the budgeted level of production, which of the following costs would you expect to be lower than the budget?*

(a) Total variable costs.

(b) Total fixed costs.

(c) Variable cost per unit

(d) Fixed cost per unit.

(e) Both (a) and (d) above.

41. *Sales of a company's product have suffered because of intense price competition. As a result, the company must lower the price of the product. The lower feasible short run price would just exceed the product's*

(a) Fixed cost per unit

(b) Variable cost per unit

(c) Fixed cost per unit plus variable cost per unit

(d) Variable cost per unit minus fixed cost per unit

(e) Direct material cost per unit plus direct labour cost per unit.

42. *The imputed interest rate used in the residual income approach to perform evaluation can be best described as the*
    (a) Average return on investments for the company over the last several years
    (b) Target return on investment set by the company's management
    (c) Average lending rate for the year being evaluated
    (d) Historical weighted-average cost of capital for the company
    (e) Marginal after-tax cost of capital on new equity capital.

43. *The price that one division of a company charges another division for goods or services provided is called.*
    (a) Market price
    (b) Transfer price
    (c) Outlay price
    (d) Distress price
    (e) Captive price

44. *Warranty repairs are an example of*
    (a) Prevention costs
    (b) Appraisal costs
    (c) Internal failure costs
    (d) External failure costs
    (e) None of the above

45. *In a broader sense, cost accounting can best be defined with the accounting system as*
    (a) Internal reporting to plan and control routine operations
    (b) Internal and external reporting for making non routine decisions and developing plans and policies.
    (c) Internal reporting for use in management planning and control and external reporting to the extent its product-costing function satisfies external reporting requirements
    (d) External reporting to Government, various outside parties etc.
    (e) Both (b) & (d) above.

46. *Annual consumption of a material of a company is 1,00,000 units at ₹2.40 per unit. Each order costs ₹90 and carrying cost is 15% of the annual inventory value. Company operates 250 days per year. The procurement time is 10 days and safety stock is 1,000 units. Calculate the maximum stock level.*

(a) 8071 units

(b) 7071 units

(c) 2349 units

(d) 2683 units

47. *The procedure in which jobs are ranked on the basis to measure their worth is known as :*

    (a) Job evaluation

    (b) Merit rating

    (c) Time booking

    (d) Time keeping

48. *Which of the following is false with regard to the supplementary rate method for accounting of under or over absorption of overheads?*

    (a) It facilitates the absorption of actual overhead for production

    (b) The value of stock is distorted under this method

    (c) The supplementary rate can be determined only after the end of the accounting period

    (d) It requires a lot of clerical work

    (e) Correction of costs through supplementary rates is necessary for maintaining data for comparison.

49. *The main purpose of ________ ratio is to determine the relative stake of outsiders and shareholders.*

    (a) Liquid

    (b) Long term solvency

    (c) Debt –Equity

    (d) Proprietary

50. *Process costing is based on*

    (a) Standard cost concept

    (b) Differential cost concept

    (c) Direct cost concept

    (d) Average cost concept

    (e) Uniform cost concept

51. *When the by-products are consumed by the organization itself as a raw material the costs can be allocated through*

    (a) Opportunity cost method

    (b) Standard cost method

(c) *Joint cost proration*

(d) *Reserve cost method*

(e) *None of the above.*

52. *Which of the following item is excluded from cost accounts?*

(a) *Income tax*

(b) *Interest on debenture*

(c) *Cash discount*

(d) *All of the above*

53. *Cost volume-profit analysis allows management to determine the relative profitability of a product by,*

(a) *Highlighting potential bottlenecks in the production process*

(b) *Keeping fixed costs to an obsolete minimum*

(c) *Determine contribution margin per unit and projected profits at various levels of production*

(d) *Assigning costs to a product in a manner that maximizes the contribution margin.*

54. *Top to bottom budget is also known as*

(a) *Participative budget*

(b) *Imposed budget*

(c) *Zero-Based budget*

(d) *Manpower budget*

(e) *Master budget*

55. *The budgeted fixed overheads for a budgeted production of 10,000 units of ₹ 20,000. For a certain period the actual production was 11,000 units and actual expenditure came ₹ 24,000. Then the volume variance is ₹_____*

(a) *4,000 (A)*

(b) *2,000 (B)*

(c) *2,000 (A)*

(d) *None of these*

56. *Which of the following statements is false in respect of full cost pricing and contribution margin pricing?*

(a) *Both can be considered complementary to each other but not competing*

(b) *In both the methods, the selling prices proposed must be only tentative and they are always subject to adjustments.*

(c) *Fixed costs are important in both the pricing models* *(d) In both the methods, a normal mark-up on total costs is made and the volume of production is taken into consideration.*

(e) Both represent to a certain degree, cost plus pricing.

57. Out of the following, examples of usual cash receipts and cash payment resulting from operating activities are –

(i) Cash sales of goods and services
(ii) Cash collected from debtors
(iii) Cash receipts of bad debt recovery
(iv) Cash receipts of royalties, fees, commission and other revenues
(v) Cash payment to suppliers
(vi) Cash payments for wages and salaries to employees

(a) (i), (ii),(iii),(iv)
(b) (ii),(iii),(iv),(v)
(c) (iii),(iv),(v),(vi)
(d) All of the above

58. Which of the following statements is/are true with respect to transfer pricing?

(a) It motivates divisional managers to make good economic decisions in the larger interest of organization

(b) It is useful for evaluating performance of the divisions

(c) It is a selling price established for goods or services sold by one division to another division under the same organization.

(d) It does not help in measuring divisional performance

(e) (a), (b) and (c) above.

59. The phase in product life cycle, where intensified marketing efforts may prolong the period of maturity, but only by increasing costs disproportionately is referred to as

(a) Introduction phase

(b) Growth phase

(c) Maturity phase

(d) Saturation phase

(e) Decline phase

60. "Conversion Cost" refers to :

(a) Manufacturing cost incurred to produce units of output.

(b) All cost associated with manufacturing other than direct labour costs

(c) The sum of direct material costs and all factory overhead cost

(d) The sum of raw material costs and overhead costs

61. A costing method which fixed overheads are included in the cost of inventory is :

(a) Variable costing

(b) Direct costing

(c) Absorption costing

(d) Process costing

62. Under which system a company strives to purchase only enough inventory to meet daily needs :

(a) ABC system

(b) Just in time inventory system

(c) Perpetual inventory system

(d) Periodic inventory system

63. When inter departmental transfer of material take place within the organisation, it is supported with :

(a) Credit note

(b) Debit note

(c) Material transfer note

(d) Stores requisition note

64. Work done by a worker beyond his normal working hours is known as :

(a) Over time

(b) Idle time

(c) Time rate

(d) Card time

65. Each unit of production or operation is treated as :

(a) Piece

(b) Work

(c) Time

(d) Production

66. The classification of cost as either direct or indirect depends upon

(a) The cost object to which the cost is being related

(b) The timing of the cash outlay for the cost

(c) The behaviour of the costing response to volume changes *(d) The controllability of costs*

(e) The avoidability of costs.

67. *Due to changes that are occurring in the basic operations of many firms, all of the following represents trends of allocation of indirect cost except*

(a) Treating direct labour as an indirect manufacturing cost in an automated factory

(b) Using throughput time as an application base to increase awareness of the costs associated with lengthened throughput time

(c) Preferring plant-wide application rates that are applied to machine hours rather than incurring the cost of detailed allocations

(d) Using several machine cost pools to measure product costs on the basis of time in a machine center

(e) Using cost drivers as application to increase the accuracy of reported product costs.

68. *Which of the following is/are true regarding job costing*

(a) It is cheaper to operate

(b) Efficiency of operations can be successfully controlled by job costing

(c) It is easy to identify the cost of the job accurately

(d) Profit or loss of a job can be easily calculated.

(e) All of the above.

69. *A company manufactures two products using common handling facility. The total budgeted material handling cost is ₹1,20,000. The other details are:*

Particulars	Product A	Product B
Number of units produced	60	60
Material moves per product unit	10	30
Direct labour hours per unit	400	400

Under the activity costing system, the material handling costs to be allocated to Product A (per unit) will be –

(a) ₹1,000

(b) ₹500

(c) ₹1,500

(d) ₹2,500

70. *When the company uses by-product as raw material in the production, the costs can be allocated through*

(a) Standard cost method

(b) Opportunity cost method

(c) Historical cost method

(d) Direct cost

(e) Joint cost proration method

71. *In non-integrated system of accounting, the main emphasis is on*

(a) Personal accounts

(b) Real Accounts

(c) Nominal accounts

(d) None of these.

72. *With which of the following is the concept of a marginal cost closely related?*

(a) Variable cost

(b) Fixed cost

(c) Opportunity cost

(d) Economic cost

73. *If break even point is 60% of sales and profit is ₹4,80,000, then the amount of contribution is :*

(a) ₹7,20,000

(b) ₹12,00,000

(c) ₹2,88,000

(d) ₹1,92,000

74. *When a manager is concerned with monitoring total cost, total revenue and net profit conditioned upon the level of productivity, an accountant should normally recommend.*

(a) Flexible budgeting (Yes), Standard costing (Yes)

(b) Flexible budgeting (Yes), Standard costing (No)

(c) Flexible budgeting (No), Standard costing (Yes)

(d) Flexible budgeting (No), Standard costing (No)

75. *A factory operates a standard cost system, where 2,000 kgs of raw materials @ ₹12 per kg were used for a product, resulting in price variance of ₹6,000 (F) and usage variance ₹3,000 (A). then standard material cost of actual production was :*

(a) ₹20,000

(b) ₹30,000

(c) ₹25,000

(d) ₹27,000

76. *A firm earning profits can increase its return on investment by*

(a) Increasing sales revenue and operating expenses by the same rupee amount

(b) Decreasing sales revenues and operating expenses by the same percentage

(c) Increasing investment and operating expenses by the same rupee amount

(d) Increasing sales revenues and operating expenses by the same percentage

(e) Decreasing investment and sales by the same percentage

77. *The Cost Audit Report shall be sent to the central government and to the company within ____ days from the end of the financial year to which the Cost Audit Report relates*

(a) 30
(b) 60
(c) 90
(d) 180

78. *The net income of the company after preference dividend is ₹40,000 and the number of equity shares is 6,000 then EPS =*

(a) ₹0.15 per share
(b) ₹6.66 per share
(c) ₹1.5 per share
(d) ₹15 per share

79. *A set of concepts and tools applied for getting all the employees focused on continuous improvement in the eyes of the customers is popularly known as*

(a) Quality control

(b) Cost Control

(c) Customer orientation

(d) Self management

(e) Total quality management

80. *Cash Flow statement ignores the accrual accounting concept.*

(a) True
(b) False
(c) Partly True
(d) Partly False

81. *Replacement cost method is also known as :*

(a) LIFO method

(b) FIFO method

(c) Market price method

(d) Simple average method

82. *A price which is calculated by dividing the total of the prices of the materials in the stock from which the materials to be priced could be drown by the number of prices used that total is :*
    (a) Base stock price
    (b) Simple average price
    (c) Weighted average price
    (d) Specific price

83. *Avoidable causes includes :*
    (a) Seasonal nature of business
    (b) Change in the location of the plant or factory
    (c) Lack of proper training facilities and promotional avenues
    (d) Climatic condition

84. *Which of the following is not related to selling and distribution overhead cost?*
    (a) Showroom rent and rates.
    (b) Depreciation on goods delivery mini-truck.
    (c) Sample goods and other free gifts
    (d) Debt collection expenses
    (e) Charitable and political donations.

85. *In contract costing*
    (a) Work certified is valued at cost price and work uncertified at contract price
    (b) Work certified is valued at contract price and work uncertified at cost price
    (c) Both work certified and work uncertified are valued at contract price
    (d) Both work certified and work uncertified are valued at cost price
    (e) Work certified is valued at market price or cost price whichever is less and work uncertified is valued at contract price.

86. *Under Companies Act 2013, the rules of cost accounts have been abbreviated as –*
    (a) CAR
    (b) CRA
    (c) CRR
    (d) CAAR

87. *Incremental Revenue is calculated by the following formula :*
    (a) Incremental Value = Sales value after further processing + Sales value at the split off point
    (b) Incremental Value = Sales value after further processing – Sales value at the split off point

(c) Incremental Value = Sales value after further processing × Sales value at the split off point

(d) Incremental Value = Sales value after further processing ÷ Sales value at the split off point

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

(a) Overhead adjustment account

(b) Costing Profit and Loss A/c

(c) Cost ledger control account

(d) None of these.

89. *If current ratio is 2.45 and the ratio of inventories to current liabilities is 0.45, then calculate the quick ratio.*

(a) 2

(b) 2.45

(c) 2.08

(d) 2.10

90. *The P/V ratio of a product is 0.4 and the selling price is ₹40 per unit. The marginal cost of the product would be,*

(a) ₹8

(b) ₹24

(c) ₹20

(d) ₹25

91. *A budget manual, which enhances the operation of a budgeting system, is most likely to include*

(a) Employee training policies

(b) Distribution instructions for budget schedules

(c) Employee hiring policies

(d) Documentation of the accounting system

(e) Company policies regarding the authorization of transactions.

92. *If actual hours worked exceed the standard hours allowed, the variance which will occur is called as :*

(a) Favourable labour efficiency variance

(b) Adverse labour rate variance

(c) Adverse labour efficiency variance

(d) Favourable labour rate variance

93. *Which of the following would not be shown in a Cash Flow Statement?*

(i) Acquisition of assets by assuming directly related liabilities

(ii) Acquisition of an enterprise by means of issue of shares

(iii) Conversion of debt into equity

(a) (i), (ii)

(b) (ii),(iii)

(c) (i),(iii)

(d) All of the above

94. Which of the following does not lead to an increase in the return on investment?

(a) Increase in sales volume

(b) Increase in selling price

(c) Increase in operating assets

(d) Reduction in variable costs

(e) Reduction in fixed costs

95. A job cost sheet basically does not contain

(a) Direct material cost

(b) Indirect material cost

(c) Direct labour cost

(d) Production overhead cost

(e) Selling & distribution overhead cost

96. In Which of the following situations can cost based transfer prices be used?

(i) No market price exists

(ii) Difficulties in negotiating market-prices

(iii) Where the product contains a secret ingredient or production process which the top management do not wish to disclose to outside customers.

(iv) The transferor division is constrained by capacity limitation.

(a) Both (i) and (ii) above

(b) Both (ii) and (iv) above

(c) Both (iii) and (iv) above

(d) (i), (ii) and (iii) above

(e) All (i), (ii), (iii) and (iv) above.

97. Apportionment of overheads of service departments to production departments is called as,

(a) Primary distribution of overheads.

(b) Secondary distribution of overheads.

(c) Allocation of overheads.

(d) *Absorption of overheads.*

98. *The cost proposed annually for the plant service for the grounds at corporate headquarters is an example of*

(a) *Prime cost*

(b) *Sunk cost*

(c) *Discretionary cost*

(d) *Imputed cost*

(e) *Relevant cost.*

99. *A system which ensures availability of the required quantity of materials proper quality at the proper time and at the same time avoidance of unnecessarily blocking up of capital in stores is :*

(a) *Management control*

(b) *Material control*

(c) *Budgetary control*

(d) *Financial control*

100. *The department which maintains a check on the attendance of the workers and the time recorded by the worker on various jobs etc in Labour Cost Control is known as :*

(a) *Time Keeping Department*

(b) *Payroll Department*

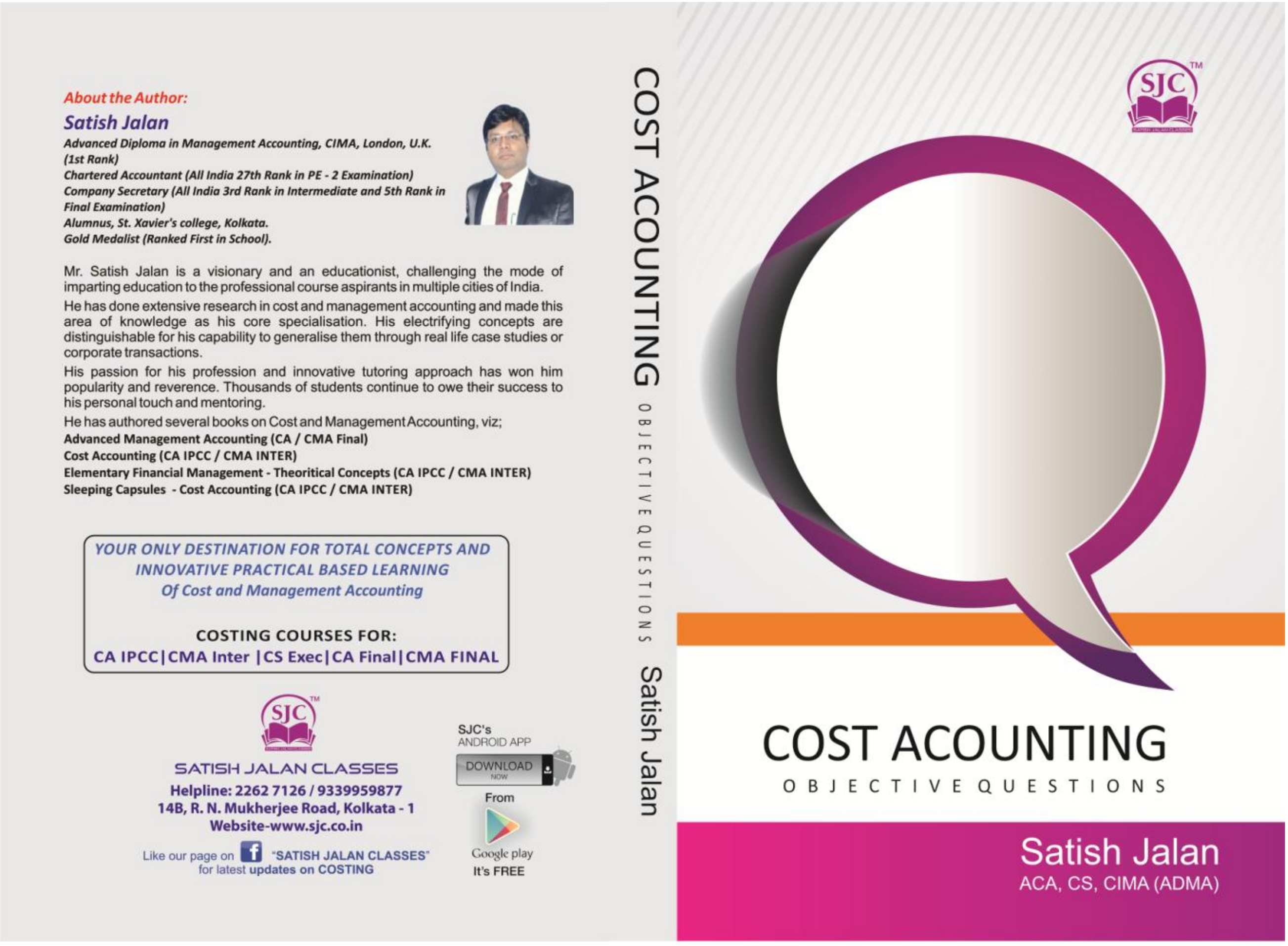
(c) *Personnel Department*

(d) *Cost Accounting Department*

■ *Best of Luck*

Answers of CS Exec Cost Accounting Mock

For more support, you can buy our Cost Accounting Objective Questions Book. (MRP ₹225, discounts available if contacted through ICSI)



1. Ans. (c) Annual warehouse depreciation
2. Ans. (a) Collection of data

   Explanatory notes: Collection of data is a function of the financial and cost accountants. Management accounts use the data collected by cost and financial accountants in decision-making
3. Ans. (b) ₹ 105
4. Ans. (e) Depends on the significance of the amount.

Explanatory notes: Over applied or under applied factory overhead should be disposed of at the end of the accounting period by transferring the balance either to cost of goods sold (if the amount is not material) or to cost of goods sold, finished goods inventory and work-in-process inventory. Theoretically, the allocation is preferred, but, because the amount is usually immaterial, the entire balance is often transferred directly to cost of goods sold. Thus, the entry depends upon the significance of the amount. Other options are not correct.

5. Ans. (a) Earnings = Hours Worked x Rate per hour

6. Ans. (a) 2,70,000

7. Ans. (b)

   Explanatory notes: The Weighted average method mixes the beginning WIP with current units started, while the FIFO method keeps these units and costs in distinct and separate layers. Ending WIP is handled the same way under both methods.

   Hence correct answer is (b).

8. Ans. (b) Joint Process

9. Ans. (d) Dividend paid

10. Ans. (c) 1,04,000 units

11. Ans. (b) Full cost pricing

12. Ans. (c) Both (a) and (b)

13. Ans. (e) All (i), (ii), (iii) and (iv) above

14. Ans. (e) All of (a), (b) and (c) above

15. Ans. (d) All of the above

16. Ans. (b) Source II

17. Ans. (c) Personnel department

18. Ans. (d)

    Explanatory notes: Factory cost = Prime cost + Opening work-in-process-Closing WIP +Factory overhead. All other combination in (a), (b), (c) and (e) are incorrect.

19. Ans. (d) 2,000

20. Ans. (e)

    Explanatory notes: If there is no beginning and ending inventory then the units to account for would be equal to the units started and completed, and, therefore, there is no complexity at all in such a situation. Determining the cost per unit can be complicated when the condition of options (b), 9c) and (d) are fulfilled. Hence correct answer is (e).

21. Ans. (c)

Explanatory notes: Joint products are created from processing a common input. Common costs are incurred prior to the split-off point and cannot be identified with a particular joint product. As a result, common costs are irrelevant to the timing of sale. However, overhead costs incurred after the split-off point are relevant because, if incremental revenues exceed the separable costs, product should be processed further, not sold at the split-off point. Therefore (c) is correct. Other options are not correct.

22. Ans. (b) Mandatory

23. Ans. (e)

    Explanatory notes: Break even point (in units) = Fixed cost/unit contribution & break-even point (in rupees) = Break even units x unit selling price.

    Hence, with increase in fixed cost by 10% break even point (in units as well as in rupees) will increased by 10%.

24. Ans. (b) Materials used, direct labour, overhead applied, and ending WIP inventories budgets

25. Ans. (a) Zero

26. Ans. (e) Shadow price can be used only when the resources are available in plenty.

27. Ans. (c) Stock Turnover

28. Ans. (b) Only those costs that the manager can influence in the current time period

29. Ans. (b) It is costly

30. Ans. (b) fixed in nature

31. Ans. (b) Maximum consumption × Maximum re-order period

32. Ans. (b) Out worker

33. Ans. (b)

    Explanatory notes: Job costing is a type of specific order costing which applies where work in undertaken as an identifiable unit. Under job costing method, cost of an individual job or work order is ascertained separately. Hence, it is ideal where the products are dissimilar and non-repetitive in nature.

34. Ans. (b)

    Explanatory notes: A job costing system is used when products differ from one customer to the next, that is, when products are heterogeneous. A process costing system is used when similar products are mass produced on a continuous basis. A print shop would use a job casting system because each job will be unique. Each customer provides the specification for the product desired. A beverage manufacturer would use a process costing system because homogeneous units are produced continuously.

35. Ans. (d) ₹ 5,000

36. Ans. (c)

    Explanatory notes: Joint product and by-products arise in situations where the production of one product makes inevitable the production of other products. When a group of individual products is simultaneously produced and each product has a significant relative sales value, the output is called joint products. Products have a minor sales value in comparison to joint product is called by-products. Therefore, option (c) is correct.

37. Ans. (c) ₹ 6,300

    Hint : Profit = 5,000 + ₹ (12,500 – 11,200) = 5,000 + 1,300 = ₹ 6,300

38. Ans. (b) 9,25,000

39. Ans. (c) Budget adjusted to the actual level of activity for the period being reported

40. Ans. (a) Total variable costs

41. Ans. (b) Variable cost per unit

42. Ans. (b) Target return on investment set by the company's management

43. Ans. (b) Transfer price

44. Ans. (d) External failure costs

45. Ans. (a)

    Explanatory notes: Cost accounting is the internal reporting system for an organization's own management for decision-making. The major emphasis is on functions, activities, products, processes and on internal planning and control and information needs of the organization. Option (b), (c), (d) and (e) are incorrect as Cost accounting has nothing to do with external reporting.

46. Ans. (a) 8071 units

47. Ans. (a) Job Evaluation

48. Ans. (b)

    Explanatory notes: The value of stock is not distorted under this method. ;Hence, the answer is (b). The supplementary rate method facilitates the absorption of actual overhead incurred for production. The supplementary rate can be determined only after the end of the accounting period. It requires a lot of clerical work. Correction of costs through supplementary rates is necessary for maintaining data for comparison.

49. Ans. (c) Debt Equity Ratio

50. Ans. (d) Average Cost Concept

51. Ans. (a)

Explanatory notes: When the by-products are utilized by the same organisation then they are valued at opportunity costs or replacement costs, i.e. the cost which would have been incurred, had the by-product been purchased from outside.

52. Ans. (d) All of the above
53. Ans. (c) Determine contribution margin per unit and projected profits at various levels of production
54. Ans. (b) Imposed budget

    It is a budget developed by top management with little or no input from operating personnel.
55. Ans. (b) 2,000 (F)
56. Ans. (d) In both the methods, a normal mark-up on total costs is made and the volume of production is taken into consideration
57. Ans. (d) All of the above
58. Ans. (e) (a), (b) and (c) above
59. Ans. (d) Saturation phase
60. Ans. (a) Manufacturing costs incurred to produce units of output
61. Ans. (c) Absorption costing
62. Ans. (b) Just in time inventory system
63. Ans. (c) Material transfer system
64. Ans. (a) Over time
65. Ans. (a) Piece
66. Ans. (a)

    Explanatory notes: A direct cost can be specifically associated with a single cost object in an economically feasible way. An indirect cost cannot be specifically associated with a single cost object. Thus the specific cost object influences whether a cost is direct or indirect. For example, a cost might be directly associated with a single plant. The same cost however might not be directly associated with a particular department in the plant. Therefore (a) is correct.

    Option (b) is not correct because the tinning of the cash outlay has no effect on whether a cost is direct or indirect. Option (c) is not correct because the behaviour of cost in response to volume change is a factor only if the cost object is a product options 9d) and (e) are not correct because controllability and avoidability of costs have no effect on whether a cost is direct or indirect.
67. Ans. (c)

Explanatory notes: With the recent automation of factories and the corresponding emphasis on Activity-Based costing (ABC), companies are finding new ways of allocating indirect factory overhead. One change is that plant-wide application rates are being used less often because a closer matching of costs with cost drivers provides better information to management. ABC results in a more accurate application of indirect costs because it provides more refined data. Instead of a single cost goal for a process, a department or even an entire plant, an indirect cost pool is established for each.

68. Ans. (e)

Explanatory notes: Job costing refers to a costing system that determines the production cost of individual orders or jobs. It has all the advantages mentioned in the question.

69. Ans. (b) ₹ 500 (120000 x 600/ 2400 x 1/60)

70. Ans. (b)

Explanatory notes: When the by-products are utilized by the same organisation then they are valued at opportunity costs or replacement costs, i.e. the costs which would have been incurred, had the by-product been purchased from outside.

71. Ans. (c) Nominal Accounts

72. Ans. (a) Variable cost

73. Ans. (b) 12,00,000

74. Ans. (a) Flexible budgeting (Yes), Standard costing (Yes)

75. Ans. (d) ₹ 27,000

76. Ans. (d) Increasing sales revenues and operating expenses by the same percentage

77. Ans. (d) 180 days

78. Ans. (b) ₹ 6.66 per share

79. Ans. (e) Total quality management

80. Ans. (a)

81. Ans. (c) Market price method

82. Ans. (b) Simple average price

83. Ans. (c) Lack of proper training facilities and promotional avenues.

84. Ans. (e)

Explanatory notes: Charitable & political donations are not related to sales. It is the administrative expenses. Other expenses mentioned in (a), (b), (c) and (d) are related to selling & distribution overhead. Therefore (e) is correct.

85. Ans. (b)

Explanatory notes: The work certified represents the work approved by architect, engineer or surveyor, etc. of the contractee and it is valued at the contract price. That part of the work done which has not been approved by the surveyor or contractee is referred to as work uncertified. It is valued at cost and credited to the contract account and debited to WIP account, which will be transferred to debit of contract account next year.

86. Ans. (b) CRA
87. Ans. (b) Incremental Value = Sales value after further processing – Sales value at the split off point
88. Ans. (c) Cost Ledger Control account
89. Ans. (a) 2
90. Ans. (b) ₹ 24
91. Ans. (b) Distribution instructions for budget schedules
92. Ans. (c) Adverse labour efficiency variance
93. Ans. (d) All of the above
94. Ans. (c) Increase in operating assets
95. Ans. (e)

    Explanatory notes: The correct answer is (e). Job cost sheet is designed to record cost of materials, labour and factory overhead applicable to a particular job and it does not include selling & distribution cost. Hence, answer (a), (b), (c) and (d) are not correct.
96. Ans. (d) (i), (ii) and (iii) above
97. Ans. (b) Secondary distribution of overheads
98. Ans. (c)

    Explanatory notes: A discretionary cost is characterized by uncertainty about the relationship of input (the cost) to output. It also tends to the subject of a periodic decision regarding the outlay to be made. Research, advertisement and public relation are common examples. Thus the annual cost of plant service is discretionary because of the difficulty of valuing the output. Other options are not correct.
99. Ans. (b) Material control
100. Ans. (a) Time keeping department

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