<u>100 MCQs On COST ACCOUNTING AND MANAGEMENT ACCOUNTING</u>

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Q1. If fixed costs decrease while variable cost per unit remains constant, the new BEP in relation to the old BEP will be

(a) Lower
(b) Higher
(c) Unchanged
(d) Indeterminate

Q2. If fixed costs decrease while variable cost per unit remains constant, the new contribution in relation to the old contribution will be

(a) Lower
(b) Higher
(c) Unchanged
(d) Indeterminate

Q3. Which costing is suitable when there is more than one product?

(a) Absorption Costing
(b) Marginal Costing
(c) Direct Costing
(d) All of the above

Q4. Variable cost is such cost which

(a) Changes with the change in output
(b) Changes proportionately with the change in output
(c) Changes up to some level of output
(d) All of the above

Q5. In BEP Chart, Cost&Sales (in₹) and Production&Sales(in units) are taken on which axes:

(a) x-axis and y-axis
(b) y-axis and x-axis
(c) x-axis
(d) y-axis

Q6. In case of ______________ costing, a part of fixed cost from the preceding period is added to the current year's cost of goods sold in the form of opening stock.

(a)marginal

(b)absorption

(c)differential

(d) direct

Q7.When closing stock is more than the opening stock, that is, when sales is less than the production then absorption costing will have __________ profit than that by marginal costing.

(a)higher

(b)lower

(c)constant

(d)negative

Q8.When opening stock is more than the closing stock, that is, when production is less than the sales then absorption costing will have __________ profit than that by marginal costing.

(a)higher

(b)lower

(c)constant

(d)negative

Q9. In case of _________________ costing, a part of fixed overhead included in closing stock value is carried forward to next accounting period.

(a)marginal

(b)absorption

(c)both

(d)none

Q10. In _________________ costing, the profitability of a product is influenced by the apportionment of fixed costs.

(a)marginal **(c)absorption**

(b)direct (d)differential

Q11. In P/V Graph, vertical (y-axis) axis represents

(a) volume of sales

(b) contribution margin

(c) profit/loss

(d) none of the above

Q12. Fixed cost per unit varies with output while variable cost per unit remains same whether production increases or decreases in case of ___________ costing.

(a) Absorption

(b) Marginal

(c) Direct

(d) Differential

Q13. In _____________ costing, the difference in the magnitude of opening stock and closing stock affects the unit cost of production due to the impact of related fixed cost.

(a) Marginal

(b) Differential

(c) Absorption

(d) Direct

Q14. Charging to a cost center those overheads that result solely for the existence of that cost center is known as

(a) Allocation

(b) Apportionment

(c) Absorption

(d) Allotment

Q15. P/V ratio is an indicator of

(a) The rate at which goods are sold

(b) The volume of sales

(c) The volume of profit

(d) The rate of profit

Q16. Bill of Material is prepared by

(a) Purchase Department

(b) Costing Department

(c) Engineering Department

(d) None of the above

Q17. A flexible budget is one, which changes from year to year.
(a) True
(b) False
(c) Partially False
(d) Partially True

Q18. Management Accounting is the branch of accounting concerned with reporting to
(a) Operations Manager
(b) Shareholders
(c) The government
(d) Bankers

Q19. In a product mix decision, which is the most important factor to consider in order to try to maximize profit ?
(a) Contribution per unit of the product
(b) Variable cost per unit of the product
(c) Contribution per unit of a scarce resource used to make the product
(d) Product with selling price

Q20. Contribution Margin contributes to meet which one of the following options ?
(a) Variable Cost
(b) Fixed Cost
(c) Operating Cost
(d) Net Profit

Q21. In Reconciliation Statement, expenses shown only in financial accounts are
(a)added to financial profit
(b)added to costing profit
(c)ignored
(d)deducted from financial profit

Q22. Stores Ledger is kept and maintained in
(a) Planning or Engineering Department
(b) Cost Office/Costing Department/Cost Accounting Department
(c) Purchase Department
(d) All of the above

Q23. P/V ratio will increase if
(a)there is a decrease in fixed cost
(b)there is an increase in fixed cost
(c) there is a decrease in selling price per unit
(d)there is a decrease in variable cost per unit

Q24. Absorption means
(a)Charging of overheads to cost centers
(b)Charging of overheads to cost units
(c) Charging of overheads to cost centers or cost units
(d) None of the above

Q25.Following is used as tool for Cost Control
(a)Marginal Cost
(b)Historical Cost
(c)Standard Cost
(d)All of the above

Q26. Net avoidable fixed cost divided by Contribution per unit is equal to
(a) P/V ratio
(b) Break-Even Point
(c) Contribution
(d) Shutdown Point

Q27. Contribution is also known as
(a) Share Capital
(b) Gross Profit
(c) **Gross Margin**
(d) Margin Of Safety

Q28. The difference between gross profit and gross margin is
(a)Fixed Cost
(b)Variable Cost
(c)Net Profit
(d)Net Loss

Q29. Increase in variable cost

(a)Increases P/V ratio (c)Increases MOS
(b)Decreases BEP **(d)None of the above**

Q30. Decrease in variable cost

(a)Increases P/V ratio (c)Increases MOS
(b)Decreases BEP **(d)All of the above**

Q31. An increase in the variable cost

(a)Increases P/V ratio **(c)Decreases P/V ratio**
(b)Increases Profit (d)Increases Contribution

Q32. A key factor is one which restricts

(a) the volume of production
(b) the volume of sales
(c) the volume of purchase
(d) all of the above

Q33. Management Accounting deals with

(a) Quantitative Information
(b) Qualitative Information
(c) Both (a) and (b)
(d) None of the above

Q34. All important informations are accumulated and stored in

(a) Management Accounting
(b) Financial Accounting
(c) Cost Accounting
(d) All of the above

Q35. Absorption costing differs from marginal costing is the

(a) fact that standard cost can be used with absorption costing but not with marginal costing
(b) amount of costs assigned to individual units of products
(c) kind of activities for which each can be used
(d) amount of fixed costs that will be incurred

Q36. There is ________ relationship between batch size and carrying costs.
(a)inverse
(b)direct
(c)both
(d)none

Q37. An increase in selling price
(a)increases the BEP
(b)decreases the BEP
(c)does not affect the BEP
(d)optimize the BEP

Q38. An increase in variable costs
(a)increases P/V ratio
(b)increases the profit
(c)reduces contribution
(d)increases margin of safety

Q39. In management accounting, decisions are taken, policies are framed and plans are prepared with the help of
(a) Financial Accounting
(b) Cost Accounting
(c) Stewardship Accounting
(d) Both (a) and (b)

Q40. In absorption costing, closing stock is valued at
(a)period cost
(b)product cost
(c)full cost
(d) none of the above

Q41. The origin of both cost accounting and management accounting is
(a)Financial Accounting
(b)Responsibility Accounting
(c)Stewardship Accounting
(d)All of the above

Q42. Cost Accounting Department
(a)make entries in Bin Card
(b)fills up rate, quantity column of Purchase Requisition
(c)fills up rate and amount column of Bill of Materials and Material Requisition document also and make entries in the Stores Ledger
(d)all of the above

Q43. Which of the following is considered as accounting record?
(a)Bin Card
(b)Bill of Material
(c)Stores Ledger
(d)None of these

Q44.Which of the following matter is relevant with cash receipts and disbursements method of preparing Cash Budget?
(a) While determining the cash payments, it is necessary to estimate the credit sales.
(b) While estimating the cash receipts, it is not necessary to estimate the figure of credit sales.
(c) Debtors Ratio is used to estimate the timings when cash collections would be obtained from credit sales
(d) While estimating the total amount of cash payment for purchases, it is necessary to decide from which suppliers materials are to be purchased.

Q45. For the purpose of proof, Material Cost variance is equal to:
(a)Material Usage Variance + Material Mix Variance
(b) Material Price Variance + Material Usage Variance
(c) Material Price Variance + Material Yield Variance
(d) Material Mix Variance + Material Yield Variance

Q47. Which of the following is/are not a technique(s) of costing?
(a)Contract Costing
(b)Marginal Costing
(c)Job Costing
(d)Batch Costing

Q48. Most of the expenses are direct in
(a)Process Costing
(b)Job Costing
(c)Contract Costing
(d)Batch Costing

Q49.Stores Control Card is maintained by
(a)Costing Department
(b)Production Department
(c)Planning or Engineering Department
(d)Storekeeper
Q50.When selling price decreases, then break even point
(a)increases
(b)decreases
(c)no effect
(d)none of the above

Q51. Q50.When selling price increases, then break even point
(a)increases
(b)decreases
(c)remains constant/no effect
(d)none of the above

Q52.Contract Costing is also known as
(a)variant of Batch Costing
(b)variant of job costing
(c)terminal costing
(d)both (b) and (c)

Q53. Margin Of Safety is expressed as
(a)Profit ÷ P/V ratio
(b)(Actual Sales-Sales at BEP)/Actual Sales
(c) Actual Sales-Sales at BEP
(d)All of the above

Q54. Marginal Costing technique follows the following basis of classification:
(a)Element wise
(a) Function-wise
(b)Behavior-wise
(d)Identifiability-wise

Q55. Percentage of Margin of Safety can be calculated in which one of the following ways?
(a)Based on Budgeted Sales
(b)Using Budget Profit
(c) Using Profit & Contribution Ratio
(d) All of the above given options

Q56. Standard costs and budgeted costs are
(a)inter-related and inter-dependent
(b)not inter-related and also not inter-dependent
(c)part of marginal cost
(d)none of the above

Q57. Absorption costing is also known as
(a)historical costing
(b)real costing
(c)marginal costing
(d)real costing

Q58. Cost Accounting restrict itself with_______________ transactions.
(a)Financial
(b)Spot
(c)Historical(post-mortem)
(d)Administrative

Q59. Fixed Budget is useless for comparison when the level of activity
(a)increases
(b)fluctuates both ways
(c)decreases
(d)remains constant

Q60. Fixed costs are also known as
(a)product cost
(b)period cost
(c)both (a) and (b)
(d)fluctuating cost

Q61. Variable costs are also known as
(a)product cost
(b)period cost
(c)both (a) and (b)
(d)fluctuating cost

Q62. Fixed cost per unit___________ with output.
(a)do not vary (c)partially vary
(b)varies (d)partially remains fixed

Q63. Fixed cost ___________ with output level.
(a)do not vary (c)partially vary
(b)varies (d)partially remains fixed

Q64. Variable cost per unit ___________ with output level.
(a)**do not vary/remains constant** (c)partially vary
(b)varies (d)partially remains fixed

Q65. Which variance is also known as gang composition variance ?
(a)Material Price Variance
(b)Labour Mix Variance
(c)Both (a) and (b)
(d)None of the above

Q66. Under high and low point method, the output at two different levels is compared with the amount of _________ costs incurred at these two points.
(a)fixed (b)variable
(c)marginal **(d)total**

Q67. A standard cost is
(a) the total amount that appears on the budget for product costs
(b) the total amount of units x the cost expected
(c) any amount that appears on the budget
(d) a pre-determined cost which is calculated from management's standards of efficient operation.

Q68. The key factor in a budget____________ every year.
(a)remains same
(b)does not remain same
(c)remains same up to some extent
(d)neither (a) or (c)

Q69. "Management Accounting is concerned with accounting information, which is useful to the management"-
This definition is given by
(a)Robert N. Anthony
(b)Brown and Howard
(c)CIMA
(d)The Institute of Chartered Accountants of England and Wales
Q70. The objective of standard costing is to
(a)Determine profitability of a product
(b) Determine Break-Even Production Level
(c)Control Costs
(d)Allocate costs with more accuracy

Q71. Fixed cost per unit____________ varies with the no. of units.
(a)do not
(b)directly
(c)inversely
(d)none of the above

Q72. A flexible budget is prepared for a
(a)one level of activity
(b)range of activity
(c)two level of activity
(d)three level of activity

Q73. Which of the following can improve break-even point?
(a)Increase in variable cost
(b)Increase in fixed cost
(c)Increase in sale price
(d)Increase in sales volume and production volume

Q74. Material is issued by storekeeper against
(a)material requisition
(b)material order
(c)GRN
(d)purchase requisition

Q75. Which costing is must for inter-firm comparison?
(a)Marginal Costing
(b)Uniform Costing
(c)Standard Costing
(d)Differential Costing

Q76. Standard cost is the base for
(a)Budgeting
(b)Marginal Costing
(c)Both (a) and (b)
(d)None

Q77. The basic purpose of standard costing is
(a)to determine efficiency or inefficiency in manufacturing a particular product
(b)to control costs
(c)Both (a) and (b)
(d)None of the above

Q78. Standard costing is a projection of
(a)financial accounts
(b)management accounts
(c)cost accounts
(d)both (a) and (c)

Q79.Budgeting is done
(a)before the beginning of each accounting period
(b)after the end of each accounting period
(c)after the end of each quarter
(d)both (a) and (c)

Q80. Job order costing is suitable for
(a)automobile repair workshops
(b)where the company delivers a unique or custom job for its customers
(c)to measure the revenue gained against the expenses incurred during the production process
(d)all of the above

Q81. Standard Costing will be of less use in
(a)Job Costing System
(b)Batch Costing System
(c)Both (a) and (b)
(d)None of the above

Q82. Standard Costing
(a)can be operated in parts
(b) cannot be operated in parts
(c)none of the above
(d)is done before the beginning of each accounting period

Q83. Budgeting is a projection of
(a)**financial accounts**
(b)cost accounts
(c)management accounts
(d)all of the above

Q84. Standard costs emphasizes
(a)the cost levels which should not be exceeded
(b)the cost levels which should be reduced
(c)both (a) and (b)
(d)none of the above

Q85. Budgeting can be done
(a)either wholly or partly
(b)wholly
(c)partly
(d)neither wholly nor partly

Q86. In case tenders are to be submitted or prices are to be quoted in advance then____________ costing produces necessary data for price fixation
(a)marginal
(b)standard
(c)both (a) and (b)
(d)unit costing

Q87. Budgets are prepared/set
(a)while considering the effectiveness of expenditure and variances are revealed through accounts
(b)without considering the effectiveness of expenditure and variances are not revealed through accounts
(c)on the basis of present level of efficiency
(d)both (b) and (c)

Q88. In standard costing,
(a)no further analysis is required if costs are within the budget
(b)a detailed analysis is required in case of variances
(c)standards are set requiring functional coordination of sales, purchase, production, finance and personnel departments
(d)all of the above

Q89. Sales are ₹3,20,000, fixed costs are ₹80,000 and variable costs are ₹1,20,000. What is the safety margin ?
(a)₹20,000
(b)₹1,31,000
(c)₹1,92,000
(d)₹1,28,000

Q90. What is the primary benefit of a standard costing system?
(a)It records costs at what should have been incurred
(b)It allows for a comparison of differences between actual and standard costs
(c)it is easy to implement
(d)It is easy to use and inexpensive

Q91. The standards in ‘standard costing’ are set as per
(a)Guess Work in lieu of Cost Ascertainment
(b)existing conditions of work
(c)both (a) and (b)
(d)none of the above

Q92. Which of the following will be more useful for cost control purposes?
(a)division of standards in standard costing
(b) sub-division of standards in standard costing
(c)both (a) and (b)
(d) none

Q93. The standards in ‘standard costing’ may be divided according to the
(a)types of costing
(b)classification of costs
(c)elements of costs
(d)all of the above

Q94.Which of the following is the most important element of cost in manufacturing industries ?
(a)labour
(b)overheads
(c)material
(d)all of the above

Q95. Standard costs are______________ static than estimated costs because
(a)less; standard costs are revised with the change in conditions
(b)more; estimated costs are revised with the change in conditions whereas standard costs are not easily changed.
(c)more; the standards are set in such a way that small changes in conditions do not require a change in standards.
(d) either (b) or (c)

Q96. A budget key factor is a factor which
(a)will maximizes the activities of an undertaking and which is taken into account in preparing budgets.
(b)will limit the activities of an undertaking and which is taken into account in preparing budgets.
(c)which considers variance as an important factor
(d)all of the above

Q97. While computing profit in marginal costing
- (a) Fixed cost is added to contribution
- (b) Total marginal cost is added to total sales revenue
- **(c) Total marginal cost is excluded from total sales revenue**
- (d) All of the above

Q98. Costing methods enable the users
(a)to have generalized information of any cost object according to the need and suitability.
(b) to have specified information of any cost object according to the need and suitability.
(c) to have customized information of any cost object according to the need and suitability.
(d)all of the above

Q99. Though Batch Costing is a type of Job Costing but Batch Costing is similar to that under Job Costing except with the difference that a
(a) Job becomes a cost unit
(b) Batch becomes the cost unit instead of a job
(c) Process becomes a cost unit
(d) None of the above

Q100.Unit costing is applicable where
(a)Products produced are unique and no. 2 products are same
(b)Dissimilar articles are produced as per customer specification
(c)homogeneous articles are produced on large scale
(d)products made require different raw materials