

T.Y.B.Com: Semester – VI

Sample Questions for Financial Accounting and Auditing X - Cost Accounting

1. Selling and distribution overheads are absorbed on the basis of -
 - (a) Rate per unit
 - (b) Percentage on works cost
 - (c) Percentage on selling price of each unit
 - (d) Percentage on

2. Contract price is the cost of work done plus a percentage in case of -
 - a. Cost plus contract
 - b. Target costing
 - c. Fixed price contract
 - d. Fluctuating contract

3. The type of contract in which contract price varies with variation in price of materials and rate of labour is -
 - a. Fluctuating contract
 - b. Fixed price contract with escalation clause
 - c. Fixed contract
 - d. Cost plus contract

4. _____ refers to the part payment made by the contractee to the contractor on the basis of certificate issued by the architect to the contractor.
 - a. Work certified
 - b. Work in progress
 - c. Notional profit
 - d. Progress payment

5. The amount expended by the contractor on a contract not completed at the end of the accounting period is called _____.
 - a. Work certified
 - b. Work uncertified
 - c. Work in progress
 - d. Progress payment

6. Depending on the terms of contract, the contractee may pay only 80% to 90% of work certified to the contractor. This is referred to as _____.
 - a. Retention money

- b. Cash ratio
- c. Work in progress
- d. Notional profit

7. Notional profit is computed as _____.

- a. Work certified + Work uncertified
- b. Work in progress – Work uncertified
- c. Contract price – estimated total cost
- d. Work in progress – cost of work to date.

8. Which among the following is the equation of retention money?

- a. Work in progress - Cash received
- b. Work certified – Cash received
- c. Work certified x Cash ratio
- d. Work uncertified – Cash received

9. The excess of contract price over estimated total cost of the contract is called _____.

- a. Work certified
- b. Work in progress
- c. Notional profit
- d. Estimated profit

10. The portion of notional/ estimated profit transferred to P & L Account when work certified is 1/4 or less of contract price is _____.

- a. No profit transferred
- b. $\text{Notional Profit} \times \frac{1}{3} \times \frac{\text{Cash received}}{\text{Work certified}}$
- c. $\text{Notional Profit} \times \frac{2}{3} \times \frac{\text{Cash received}}{\text{Work certified}}$
- d. $\text{Estimated profit} \times \frac{\text{Work certified}}{\text{Contract price}}$

11. The portion of notional/ estimated profit transferred to P & L Account when work certified is more than 1/4 or less than 1/2 of contract price is _____.

- a. No profit transferred
- b. $\text{Notional Profit} \times \frac{1}{3} \times \frac{\text{Cash received}}{\text{Work certified}}$
- c. $\text{Notional Profit} \times \frac{2}{3} \times \frac{\text{Cash received}}{\text{Work certified}}$
- d. $\text{Estimated profit} \times \frac{\text{Work certified}}{\text{Contract price}}$

12. The portion of notional/ estimated profit transferred to P & L Account when work certified is more than 1/2 or less than 9/10 of contract price is _____ .

- a. No profit transferred
- b. $\text{Notional Profit} \times \frac{1}{3} \times \text{Cas received} / \text{Work certified}$
- c. $\text{Notional Profit} \times \frac{2}{3} \times \text{Cas received} / \text{Work certified}$
- d. $\text{Estimated profit} \times \text{Work certified} / \text{Contract price}$

13. The portion of notional/ estimated profit transferred to P & L Account when the contract is near completion is _____

- a. No profit transferred
- b. $\text{Notional Profit} \times \frac{1}{3} \times \text{Cas received} / \text{Work certified}$
- c. $\text{Notional Profit} \times \frac{2}{3} \times \text{Cas received} / \text{Work certified}$
- d. $\text{Estimated profit} \times \text{Work certified} / \text{Contract price}$

14. _____ is the method of costing used to ascertain the cost of a contract.

- a. Contract costing
- b. Job costing
- c. Marginal costing
- d. Process costing

15. A _____ is prepared to ascertain profit or loss on each contract.

- a. Profit or loss account
- b. Job cost sheet
- c. Contract account
- d. Process account

16. Sub contract cost is charged to _____.

- a. Contract account
- b. Work in progress
- c. Profit and loss account
- d. Contractor's account

17. Progress payment made by the contractee to the contractor is credited to _____ account.

- a. Contractor's
- b. Contract
- c. Contractee's
- d. Work in progress

18. Work certified is valued at _____ price.

- a. Cost
- b. Market
- c. Contract
- d. Standard

19. Loss on incomplete contract is transferred to _____ account.

- a. Work in progress
- b. Contract
- c. Profit and loss
- d. Contractee's

20. _____ is provided in contracts to cover any likely changes in price or utilization of materials and labour.

- a. Escalation clause
- b. Rule
- c. Extra price
- d. Sub contract

21. In cost plus contract, the contractee undertakes to reimburse the _____ of contract plus a stipulated profit.

- a. Estimated cost
- b. Actual cost
- c. Standard cost
- d. Direct cost

22. Cost of a contract is determined by preparing _____.

- a. Cost sheet
- b. Profit and loss account
- c. Balance sheet
- d. Contract account

23. When a contract work is completed to the extent of 20% of the contract price, profit to be credited to Profit and Loss account is _____.

- a. Nil
- b. Full amount

- c. 1/3 of profit
- d. 2/3 of profit

24. In contract costing, contract account is prepared by the _____ .

- a. Contractor
- b. Both by contractor and contractee
- c. Contractee
- d. Government

25. When a contract is 40% complete, the amount of profit to be credited to Profit and Loss account is _____ .

- a. Amount of estimated profit
- b. 40% of the estimated profit
- c. 1/3 of estimated profit multiplied by cash ratio
- d. 2/3 of the estimated profit

26. _____ in a contract , provides that the contract price would be suitably enhanced on the happening of a specified contingency.

- a. Cost plus contract
- b. Estimated profit
- c. Escalation clause
- d. EOQ

27. _____ “is that form of operation costing which applies where standardized goods are produced.”

- a. Marginal costing
- b. Job costing
- c. Batch costing
- d. Process costing

28. Process costing is an example of _____ .

- a. Standard costing
- b. Specific order costing
- c. Operation costing
- d. Operating costing

29. Which is true about process costing?

- a. Production takes long duration
- b. Each output is customer specific
- c. Production is done in lots/ batches
- d. Production is continuous

30. Which is method of costing suitable for mass production industries?

- a. Marginal costing
- b. Process costing
- c. Standard costing
- d. Job costing

31. The provision in the contract for reduction in contract price in case the price of cost elements fall below a certain level is called _____.

- a. Escalation clause
- b. Rule
- c. De escalation clause
- d. Sub contract.

32. The quantity and the amount realized from the sale of normal loss are _____.

- a. Credited to process a/c
- b. Debited to process a/c
- c. Not transferred to process a/c
- d. Transferred to Costing P&L a/c

33. Cost of 75 units introduced–Rs. 1308, Additional expenses incurred–Rs. 202, Normal loss–15 units, Actual output-70 units and scrap value–Rs.4/ unit. Calculate value of abnormal gain.

- a. Rs. 1510
- b. Rs. 1450
- c. Rs. 241.67
- d. Rs. 251.67

34. When the actual loss is more than the estimated loss, the difference between the two is considered to be _____.

- a. Abnormal gain
- b. Abnormal loss
- c. Normal loss
- d. Normal gain

35. A process loss that does not affect cost per unit _____.

- a. Standard loss
- b. Normal loss
- c. Abnormal loss
- d. Seasonal loss

36. _____ is the method of costing used to ascertain the cost of a product at each stage of manufacture.

- a. Job costing
- b. Contract costing
- c. Process costing
- d. Batch costing

37. In process costing, costs are accumulated by _____.

- a. Process
- b. Job
- c. Batch
- d. Production order

38. Process costing is suitable for _____.

- a. Mass production industries
- b. Organizations rendering services
- c. Jobs of long duration
- d. Production is as per customer's requirements

39. State which of the following substantiate the statement "cost control is comparatively easier in process accounts compared to job costing".

- a. Production is as per specific customer orders
- b. Cost is computed at the end of cost period
- c. Cost is transferred from one process to another
- d. Production is standardized

40. Process loss that occurs under inefficient working conditions and is controllable is called _____.

- a. Abnormal loss
- b. Uncontrollable loss
- c. Normal loss
- d. Seasonal loss

41. Contract costing is similar to _____.

- a. Process costing
- b. Operation costing
- c. Operating costing
- d. Job costing

42. If the work certified of a contract is Rs. 2,00,000 and retention money is Rs. 30,000, compute the cash ratio _____.

- a. 85%
- b. 15%
- c. 87%
- d. 13%

43. Progress payments in contracts are based as a percentage of _____.

- a. Work in progress
- b. Contract price
- c. Work certified
- d. Work uncertified

44. The practice by which a portion of main contract is entrusted by the main contractor to the specialists in those works for getting them done is called _____.

- a. Leasing
- b. Outsourcing
- c. Sub contracting
- d. Progress payments

45. Which among the following can be related to co products?

- a. Milk, butter and ghee in diary industry
- b. Cars, jeeps & trucks in automobile industry
- c. Petrol & diesel from oil refinery
- d. Sugar and molasses in a sugar mill

46. Which is not a feature of joint products?

- a. Produced from the same raw materials
- b. Produced simultaneously from same process
- c. Can be sold without further processing
- d. Comparatively of equal importance

47. Which is an example of joint products?

- a. White flour and brown flour in flour mill
- b. Bread, cake and biscuits in bakery
- c. Sugar and molasses in sugar mill
- d. Sulphur and bitumen in oil refinery

48. Which is not a feature of co products?

- a. Obtained through different operations
- b. Produced from the same materials
- c. There is no split off point
- d. Proportion of production can be changed by management

49. Wood pieces left out in furniture industry should be treated as _____.

- a. Waste
- b. Scrap
- c. Joint products
- d. By-products

50. The method of by-product accounting adopted when the by-product is used in the undertaking as raw material for some other process _____.

- a. Reverse cost method
- b. Sales value method
- c. Opportunity cost method
- d. Other income method

51. The most important criteria for distinguishing between joint products and by-products _____.

- a. Cost
- b. Sales value
- c. Profit
- d. Demand

52. Trimmings of metal sheet should be treated as _____.

- a. By-products
- b. Joint products
- c. Scrap
- d. Waste

53. Products, each of significant sales value produced simultaneously from the same raw material for some other process _____.

- a. Joint products
- b. Co-products
- c. By-products
- d. Common products

54. Under physical unit method, joint cost is apportioned on the basis of _____.

- a. Number of units of all products produced
- b. Volume/ quantity at point of separation
- c. Predetermined standard cost
- d. Market value

55. Which among the following is a method for apportionment of joint costs among main products and by products?

- a. Physical unit method
- b. Average unit cost method
- c. Total sales less total cost
- d. Survey method

56. The portion of raw materials which has been spoiled or destroyed in the manufacturing process which can be used again in manufacture as raw materials or sold as second is _____.

- a. Scrap
- b. Spoilage
- c. Defectives
- d. Waste

57. Which is a feature of process costing?

- a. Production against customer orders
- b. Different types of products produced
- c. Production is for stock
- d. May or may not be work in progress

58. Which method of apportionment of joint costs is normally used in coke and pig iron industries?

- a. Physical unit method
- b. Average unit cost method
- c. Standard cost method
- d. Contribution margin method

60. Quantities produced of joint costs are as follows – A – 5000 kgs, B – 3000 kgs, C – 7000 kgs & D – 10000kgs. Cost of production is Rs. 5, 00,000. Compute the joint cost apportionment with respect to product D under average cost method.

- a. Rs. 1,25,000
- b. Rs. 2,50,000
- c. Rs. 2,00,000
- d. Rs. 1,00,000

61. Which method of apportionment divides joint costs to fixed and variable cost?

- a. Standard cost method
- b. Physical unit method
- c. Contribution margin method
- d. Survey method

62. Which method apportions joint costs on the basis of pre determined cost?

- a. Standard cost method
- b. Physical unit method
- c. Contribution margin method
- d. Survey method

63. The amount realised from the sale of by-product is treated as other income and credited to Profit & Loss account under _____ method.

- a. Miscellaneous income method
- b. Reverse cost method
- c. Standard cost method

d. Joint cost method

64. The estimated profit, selling and distribution cost and further processing cost of by-product are deducted from the sale value of by-product and the net amount is deducted from total cost of production. This method of accounting of by-product is _____.

a. Replacement cost method

b. Reverse cost method

c. Standard cost method

d. Joint cost method

65. The method under which further processing cost and selling and distribution cost of by-product is deducted from the sales value of by-product and the balance is deducted from total cost production is _____.

a. Total cost less net yield of by-product method

b. Total sales less total cost method

c. Reverse cost method

d. Total cost less sales value of by-product method

66. Which method is appropriate when value of by-product is very negligible?

a. Reverse cost method

b. Standard cost method

c. Joint cost method

d. Miscellaneous income method

67. Additional cost of producing additional unit is called _____.

a. Absorption cost

b. Prime cost

c. Marginal cost

d. Differential cost

68. Given, the cost of production of 100 units is Rs. 5000 and 101 units is Rs. 5030. The additional cost of Rs. 30 incurred can be termed as _____.

a. Marginal cost

b. Absorption cost

c. Prime cost

d. Works cost

69. Which is not a feature of marginal costing?

- a. Costs are classified into fixed and variable
- b. Total costs are charged to products
- c. Contribution is considered instead of profit
- d. Fixed costs are considered as period costs

70. According to CIMA, England, _____ is “the amount at any given volume of output by which aggregate costs are changed if the volume of output is increased or decreased by one unit.” _____.

- a. Marginal cost
- b. Absorption cost
- c. Prime cost
- d. Differential cost

71. The change in costs due to change in the level of activity or method of production is _____.

- a. Marginal cost
- b. Absorption cost
- c. Prime cost
- d. Differential cost

72. Incremental cost and decremental cost are classifications of _____.

- a. Marginal cost
- b. Abnormal cost
- c. Uncontrollable cost
- d. Differential cost

73. The incidental residue from certain types of manufacture usually of small amount and low recoverable value without further processing is called- _____.

- a. Scrap
- b. Spoilage
- c. Waste
- d. Defectives

74. State the treatment of abnormal spoilage in cost accounts _____.

- a. Credited to process a/c
- b. Sales value charged to costing P&L a/c
- c. Charged to production
- d. Cost less sales value charged to costing P&L a/c

75. Units of finished products which are not up to the standard is called _____.

- a. Waste
- b. Scrap
- c. Spoilage
- d. Defectives

XXXXXXXXXXXXXXXXXXXXXX
