1). Fixed cost per unit decreases when:

   a. **Production volume increases.**
   b. Production volume decreases.
   c. Variable cost per unit decreases.
   d. Variable cost per unit increases.

2). Prime cost + Factory overhead cost is:

   a. Conversion cost.
   b. **Production cost.**
   c. Total cost.
   d. None of given option.

3). Find the value of purchases if Raw material consumed Rs. 90,000; Opening and closing stock of raw material is Rs. 50,000 and 30,000 respectively.

   a. Rs. 10,000
   b. Rs. 20,000
   c. **Rs. 70,000**
   d. Rs. 1,60,000

4). If Cost of goods sold = Rs. 40,000
   GP Margin = 20% of sales
   Calculate the Gross profit margin.

   a. Rs. 32,000
   b. Rs. 48,000
   c. Rs. 8,000
   d. **Rs. 10,000**

5). ____________ method assumes that the goods received most recently in the stores or produced recently are the first ones to be delivered to the requisitioning department.

   a. FIFO
   b. Weighted average method
   c. Most recent price method
   d. LIFO
Fill in the blanks: (5 x 1)

1). **Indirect** cost that is incurred in producing product or services but which can not traced in full.

2) **Sunk cost** is the cost that incurred or expended in the past which can not be retrieved.

3). Conversion cost = **Direct Labor + FOH**

4). If cost of goods sold Rs. 20,000 and Sales Rs. 50,000 then Gross Markup Rate is **150%**

5). Under **Perpetual** system, a complete and continuous record of movement of each inventory item is maintained.

1. Cost of production report is a ________________.
   a. Financial statement
   b. **Production process report**
   c. Order sheet
   d. None of given option.

2. There are __________ parts of cost of production report.
   a. 4
   b. 5
   c. 6 (6th is concerned with calculation of loss)
   d. 7

3. Which one of the organization follows the cost of production report ________________?
   a. **Textile unit**
   b. Chartered accountant firm
   c. Poultry forming
   d. None of the given option.
4. _________________ part of cost of production report explains the cost incurred during the process.

a. Quantity schedule
b. Cost accounted for as follow
c. **Cost charge to the department**
d. None of given option

**Solve the question 5 to 7.** If units put in the process 7,000, units completed and transfer out 5,000. Units still in process (100% Material, 50% Conversion cost). 500 units were lost. Cost incurred during the process Material and Labor Rs. 50,000 and 60,000.

5. Find the number of units that will appear in quantity schedule

a. 5,750  
b. **7,000**  
c. 5,000  
d. 6,500

6. Find the value of per unit cost of both material and conversion cost

a. **Material 7.69; Conversion cost 10.43**  
b. Material 7.14; Conversion cost 10.43  
c. Material 7.14; Conversion cost 9.23  
d. None of given option

7. Find the value of cost transferred to next department:

a. Rs. 57,500  
b. Rs. 50,000  
c. Rs. 70,000  
d. **None of given option.**

8. In case of second department find the increase of per unit cost in case of unit lost. Cost received from previous department is Rs. 1,40,000.

a. 1.43  
b. (2.13)  
c. **1.54**  
d. 1.67

9. Opening work in process inventory can be calculated under
a. **FIFO and Average costing**  
b. LIFO and Average costing  
c. FIFO and LIFO costing  
d. None of given option

10 ______________ needs further processing to improve its marketability.

a. **By product**  
b. Joint Product  
c. Augmented product  
d. None of the given option

**Choose one of the best choices.**

1. Jan 1; finished goods inventory of Manuel Company was $3, 00,000. During the year Manuel’s cost of goods sold was $19, 00,000, sales were $2, 000,000 with a 20% gross profit. Calculate cost assigned to the December 31; finished goods inventory.
   
   a. $ 4,00,000  
   b. $ 6,00,000  
   c. $ 16,00,000  
   **d. None of given options**

2. The main purpose of cost accounting is to:
   
   a. Maximize profits.  
   b. Help in inventory valuation  
   **c. Provide information to management for decision making**  
   d. Aid in the fixation of selling price

3. The combination of direct material and direct labor is
   
   a. Total production Cost  
   **b. Prime Cost**  
   c. Conversion Cost  
   d. Total manufacturing Cost

4. The cost expended in the past that cannot be retrieved on product or service
   
   a. Relevant Cost  
   **b. Sunk Cost**
c. Product Cost

d. Irrelevant Cost

5. When a manufacturing process requires mostly human labor and there are widely varying wage rates among workers, what is probably the most appropriate basis of applying factory costs to work in process?

a. Machine hours
b. Cost of materials used
c. **Direct labor hours**
d. Direct labor dollars

6. A typical factory overhead cost is:

a. distribution
b. internal audit
c. **compensation of plant manager**
d. design

7. An industry that would most likely use process costing procedures is:

a. **tires**
b. home construction
c. printing
d. aircraft
e.

8. Complete the following table

<table>
<thead>
<tr>
<th></th>
<th>Per unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed cost</strong></td>
<td>Increase</td>
<td>Constant</td>
</tr>
<tr>
<td><strong>Variable cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td>Increase</td>
<td>Decrease</td>
</tr>
</tbody>
</table>

a. **Constant, Decrease**
b. Decrease, Decrease
c. Increase, Increase
d. Increase, Decrease
9. The Kennedy Corporation uses Raw Material Z in a manufacturing process. Information as to balances on hand, purchases and requisitions of Raw Material Z is given below:

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Quantity</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 1</td>
<td>Balance:</td>
<td>200 lbs. @ $1.50</td>
<td></td>
</tr>
<tr>
<td>08</td>
<td>Received</td>
<td>500 lbs. @ $1.55</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Issued</td>
<td>100 lbs.</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Issued</td>
<td>260 lbs.</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Received</td>
<td>150 lbs. @ $1.60</td>
<td></td>
</tr>
</tbody>
</table>

If a perpetual inventory record of Raw Material Z is maintained on a FIFO basis, it will show a month end inventory of:

a. $240  
b. $784  
c. $759  
d. $767

10. A disadvantage of an hourly wage plan is that it:

a. Provides no incentive for employees to achieve and maintain a high level of production.  
b. Is hardly ever used and is difficult to apply.  
c. Establishes a definite rate per hour for each employee.  
d. Encourages employees to sacrifice quality in order to maximize earnings.

(Question 2-a)

From the following information calculate the Maximum stock level, Minimum stock level, Re-ordering level and Danger stock level:

- (a) Average consumption 300 units per day
- (b) Maximum consumption 400 units per day
- (c) Minimum consumption 200 units per day
- (d) Re-order quantity 3,600 units
- (e) Re-order period 10 to 15 days
- (f) Emergency Re-order period 13 days

Solution:
Order Level = Maximum Consumption x Lead Time (maximum)
= 400 x 15 = 6,000

Maximum level = Order level – (Minimum consumption x Lead time) + EOQ
= 6,000 – (200 x 10) + 3,600 = 7,600

Minimum Level = Order level – (Average consumption x lead time)
= 6,000 – (300 x 12.5) = 2,250

Danger Level = Average consumption x Emergency time
= 300 x 13 = 3,900

(Question 2-b)

Following data are available with respect to a certain material.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual requirement</td>
<td>1200 units</td>
</tr>
<tr>
<td>Cost to place an order</td>
<td>Rs 3.00</td>
</tr>
<tr>
<td>Annual interest rate</td>
<td>5%</td>
</tr>
<tr>
<td>Per unit cost</td>
<td>Rs 5.00</td>
</tr>
<tr>
<td>Annual carrying cost per unit</td>
<td>Rs 0.25</td>
</tr>
</tbody>
</table>

Required:

(1) Economic order quantity
(2) Number of orders per year
(3) Frequency of orders

\[(2 + 1.5 + 1.5 = 5)\]

Solution:

(1) \[\text{EOQ} = \left(\frac{2 \times 1200 \times 3}{0.25 + 5\% \text{ of } 5}\right)^{1/2}\]
    \[= 120 \text{ units}\]

(2) \[\text{No of order} = \frac{\text{Annual order}}{\text{order size}}\]
    \[= \frac{1200}{120}\]
    \[= 10\]
Frequency of orders = No of days in a year / No of order

= 360/10

= 36 days

Find out correct option from given MCQs & put your answer in above table:
1. A manufacturing company manufactures a product which passes through two departments. 10,000 units were put in process. 9,400 units were completed & transferred to department-II. 400 units (1/2 complete) were in process at the end of month. Remaining 200 units were lost during processing. Costs incurred by the department were as follows:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Materials</td>
<td>19,400</td>
</tr>
<tr>
<td>Direct Labor</td>
<td>24,250</td>
</tr>
<tr>
<td>Factory overhead</td>
<td>14,550</td>
</tr>
</tbody>
</table>

Apportionment of the Accumulated Cost/Total Cost accounted for, for the month in CPR

- a. Rs. 24,250 Approximately
- b. Rs. 56,987 Approximately
- c. Rs. 58,200 Approximately
- d. None of the given options

MCQ # 2 and 3 are based on the following data:
Allied chemical company reported the following production data for its department:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Received in from department –1</td>
<td>55,000</td>
</tr>
<tr>
<td>Transferred out department –3</td>
<td>39,500</td>
</tr>
<tr>
<td>In process (1/3 labor &amp; overhead)</td>
<td>10,500</td>
</tr>
</tbody>
</table>

All materials were put in process in Department No. 1. Costing department collected following figures for department No. 2:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit cost received in</td>
<td>1.80</td>
</tr>
<tr>
<td>Labor cost in department No.2</td>
<td>27,520</td>
</tr>
<tr>
<td>Applied overhead in Department No. 2</td>
<td>15,480</td>
</tr>
</tbody>
</table>

2. Equivalent units of labor & FOH are __________
- a. 3,500 units
- b. 39,500 units
- c. 43,000 units
- d. None of the given options

3. Unit cost of lost unit after adjustment (by using any method) __________

Cost & Management Accounting (mgt402) Quiz 02
Fall Semester 2007

a. Rs. 0.64
b. Rs. 0.36  
**c. Rs. 0.18**  
d. None of the given options

**MCQ # 4, 5 and 6 are based on the following data:**

In Department No. 315 normal production losses are discovered at the end of process. During January 2007 following costs were charged to Department 315:

**Particulars Rs.**
- Direct Materials 30,000
- Direct Labor 20,000
- Manufacturing overhead 10,000
- Cost from preceding department 96,000

Data of production quantities is as follows:

**Particulars Units**
- Received in 12,000
- Transferred out 7,000
- Normal Production Loss 1,000
- Partly processed units in Department No. 315 were completed 50%.

4. Cost of normal loss (where normal loss is discovered at the end of process)
   __________:
   a. Rs. 14,000
   b. Rs. 44,000
   c. Rs. 1, 12,000
   d. None of the given options

5. Equivalent units of material __________
   a. 2,000 units
   b. 7,000 units
   c. **10,000 units**
   d. None of the given options

6. Unit cost of Direct Labor __________
   a. Rs. 1
   b. **Rs. 2**
   c. Rs. 3
   d. None of the given options

**Cost & Management Accounting (mgt402) Quiz 02**

**Fall Semester 2007**

7. During January, Assembling department received 60,000 units from preceding department at a unit cost of Rs. 3.54. Costs added in the assembly department were:

**Particulars Rs.**
- Materials 41,650
- Labor 101,700
- Factory overheads 56,500

There was no work in process beginning inventory.
Particulars Units
Units from preceding department 60,000
Units transferred out 50,000
Units in process at the end of month
(all materials, 2/3 converted)
9,000
Units lost (1/2 completed as to materials & conversion cost) 1,000
The entire loss is considered abnormal & is to be charged to factory overhead.
Equivalent units of material __________
a. 9,000 units
b. 56,500 units
c. 59,500 units
d. None of the given options

8. For which one of the following industry would you recommend a Job Order Costing system?
a. Oil Refining
b. Grain dealing
c. Beverage production
d. Law Cases

9. For which one of the following industry would you recommend a Process Costing system?
a. Grain dealer
b. Television repair shop
c. Law office
d. Auditor

Cost & Management Accounting (mgt402) Quiz 02
Fall Semester 2007
10. The difference between total revenues and total variable costs is known as:
a. Contribution margin
b. Gross margin
c. Operating income
d. Fixed costs

11. 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 given options

12. Which of the following represents a CVP equation?
a. Sales = Contribution margin (Rs.) + Fixed expenses + Profits
b. Sales = Contribution margin ratio + Fixed expenses + Profits
c. Sales = Variable expenses + Fixed expenses + profits  
d. Sales = Variable expenses – Fixed expenses + profits

13. If 120 units produced, 100 units were sold @ Rs. 200 per unit. Variable cost related to production & selling is Rs. 150 per unit and fixed cost is Rs. 5,000. If the management wants to decrease sales price by 10%, what will be the effect of decreasing unit sales price on profitability of company? (Cost & volume profit analysis keep in your mind while solving it)

a. Remains constant  
b. Profits will increased  
c. Company will have to face losses  
d. None of the given options

14. If 120 units produced, 100 units were sold @ Rs. 200 per unit. Variable cost related to production & selling is Rs. 150 per unit and fixed cost is Rs. 5,000. If the management wants to increase sales price by 10%, what will be increasing sales profit of company by increasing unit sales price. (Cost & volume profit analysis keep in your mind while solving it)

a. Rs.2,000  
b. Rs. 5,000  
c. Rs. 7,000  
d. None of the given options

Cost & Management Accounting (mgt402) Quiz 02  
Fall Semester 2007
MCQ # 15, 16, 17 and 18 are based on the following data:
The following is the Corporation's Income Statement for last month:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Less: variable expenses</td>
<td>2,800,000</td>
</tr>
<tr>
<td>Contribution margin</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Less: fixed expenses</td>
<td>720,000</td>
</tr>
<tr>
<td>Net income</td>
<td>480,000</td>
</tr>
</tbody>
</table>

The company has no beginning or ending inventories. A total of 80,000 units were produced and sold last month.

15. What is the company’s contribution margin ratio?

a. 30%  
b. 70%  
c. 150%  
d. None of given options

16. What is the company's break-even in units?

a. 48,000 units  
b. 72,000 units  
c. 80,000 units  
d. None of the given options

17. How many units would the company have to sell to attain target profits of Rs.
600,000?

a. **88,000 units**
b. 100,000 units
c. 106,668 units
d. None of given options

18. What is the company's margin of safety in Rs?
a. Rs. 480,000
b. **Rs. 1,600,000**
c. Rs. 2,400,000
d. None of given options

**Cost & Management Accounting (mgt402) Quiz 02**

**Fall Semester 2007**

19. Which of the following statement(s) is (are) true?
a. A manufacturer of ink cartridges would ordinarily use process costing rather than job-order costing
b. If a company uses a process costing system it accumulates costs by processing department rather than by job
c. The output of a processing department must be homogeneous in order to use process costing
e. **All of the given options**

20. Which of the following statements is (are) true?
a. **Companies that produce many different products or services are more likely to use job-order costing systems than process costing systems**
b. Job-order costing systems are used by manufactures only and process costing systems are used by service firms only
c. Job-order costing systems are used by service firms and process costing systems are used by manufacturers
e. **All of the given options**

21. Product cost is normally:
a. **Higher in Absorption costing than Marginal costing**
b. Higher in Marginal costing than Absorption costing
c. Equal in both Absorption and Marginal costing
d. None of the given options

22. Using absorption costing, unit cost of product includes which of the following combination of costs?
a. Direct materials, direct labor and fixed overhead
b. Direct materials, direct labor and variable overhead
c. **Direct materials, direct labor, variable overhead and fixed overhead**
d. Only direct materials and direct labor

23. Marginal costing is also known as:
a. Indirect costing
b. Direct costing  
c. Variable costing  
d. Both (b) and (c)  

Cost & Management Accounting (mgt402) Quiz 02  
Fall Semester 2007  

MCQ # 24 & 25 are based on the following data:  
The following data related to production of ABC Company:  
Units produced 1,000 units  
Direct materials Rs.6  
Direct labor Rs.10  
Fixed overhead Rs.6000  
Variable overhead Rs.6  
Fixed selling and administrative Rs.2000  
Variable selling and administrative Rs.2  

24. Using the data given above, what will be the unit product cost under absorption costing?  
a. Rs. 22  
b. Rs. 28  
c. Rs. 30  
d. None of the given options

25. 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. None of the given options

26. 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. Total sales revenue equals to variable expenses only  
d. Both a & b

27. The break-even point in units is calculated using________  
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

Cost & Management Accounting (mgt402) Quiz 02  
Fall Semester 2007  

28. The margin of safety can be defined as:  
a. The excess of budgeted or actual sales over budgeted or actual variable expenses  
b. The excess of budgeted or actual sales over budgeted or actual fixed expenses  
c. The excess of budgeted sales over the break-even volume of sales
d. The excess of budgeted net income over actual net income

29. The contribution margin ratio is calculated by using which one of the given formula?
   a. \((\text{Sales} - \text{Fixed Expenses})/\text{Sales}\)
   b. \((\text{Sales} - \text{Variable Expenses})/\text{Sales}\)
   c. \((\text{Sales} - \text{Total Expenses})/\text{Sales}\)
   d. None of the given options

30. Data of a company XYZ is given below
   **Particulars** **Rs.**
   Sales 15,00,000
   Variable cost 9,00,000
   Fixed Cost 4,00,000
   Break Even Sales in Rs. __________
   a. Rs. 1, 00,000
   b. Rs. 2, 00,000
   c. Rs. 13, 00,000
   d. **None of the given options**

1. Mr. Zahid received Rs. 100,000 at the time of retirement. He has invested in a profitable Avenue. From Company A, he received the dividend of 35% and from Company B he received the dividend of 25%. He has selected Company A for investment. His opportunity cost will be:
   a) 35,000  
   b) 25,000  
   c) 10,000  
   d) 55,000

2. In increasing production volume situation, the behavior of Fixed cost & Variable cost will be:
   a) Increases, constant  
   b) **Constant, increases**  
   c) Increases, decreases  
   d) Decreases, increases

3. While calculating the finished goods ending inventory, what would be the formula to calculate **per unit cost**?
   a) Cost of goods sold / number of units sold  
   b) Cost of goods to be manufactured / number of units manufactured  
   c) **Cost of goods manufactured / number of units manufactured**  
   d) Total manufacturing cost / number of units manufactured
4. If the direct labor is Rs. 42,000 and FOH is 40% of conversion cost. What will be the amount of FOH?

   a) 63,000  
   b) 30,000  
   c) **28,000**  
   d) 16,800

5. Which one of the following centers is responsible to earns sales revenue?

   a) Cost center  
   b) Investment center  
   c) **Revenue center**  
   d) Profit center

6. Which one of the following cost would not be termed as Product Costs?

   a) Indirect Material  
   b) Direct Labor  
   c) **Administrative Salaries**  
   d) Plant supervisor’s Salary

7. Which of the following ratios expressed that how many times the inventory is turning over towards the cost of goods sold?

   a) Inventory backup ratio  
   b) **Inventory turnover ratio**  
   c) Inventory holding period  
   d) Both A & B

8. When opening and closing inventories are compared, if ending inventory is more than opening inventory, it means that:

   a) **Increase in inventory**  
   b) Decrease in inventory  
   c) Both a and b  
   d) None of the given options
9. The total labor cost incurred by a manufacturing entity includes which one of the following elements?

a) Direct labor cost  
b) Indirect labor cost  
c) Abnormal labor cost  
d) All of the given options

10. If,
    
    | Particulars    | Units  |
    |----------------|--------|
    | Opening stock  | 1,000  |
    | Material Purchase | 7,000  |
    | Closing Stock  | 500    |
    | Material consumed | Rs. 7,500 |

What will be the inventory turnover ratio?

a) 10 Times  
b) 12 times  
c) 14.5 times  
d) 9.5 times

1. A manufacturing company manufactures a product which passes through two departments. 10,000 units were put in process. 9,400 units were completed & transferred to department-II. 400 units (1/2 complete) were in process at the end of month. Remaining 200 units were lost during processing. Costs incurred by the department were as follows:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Materials</td>
<td>19,400</td>
</tr>
<tr>
<td>Direct Labor</td>
<td>24,250</td>
</tr>
<tr>
<td>Factory overhead</td>
<td>14,550</td>
</tr>
</tbody>
</table>

Equivalent units of material, for the month in CPR 

a) 200 units  
b) 9400 units  
c) 9600 units  
d) None of the given options

MCQ # 2 and 3 are based on the following data:
Allied chemical company reported the following production data for its department:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Received in from department –1</td>
<td>55,000</td>
</tr>
<tr>
<td>Transferred out department –3</td>
<td>39,500</td>
</tr>
<tr>
<td>In process (1/3 labor &amp; overhead)</td>
<td>10,500</td>
</tr>
</tbody>
</table>

All materials were put in process in Department No. 1. Costing department collected following figures for department No. 2:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit cost received in</td>
<td>1.80</td>
</tr>
<tr>
<td>Labor cost in department No.2</td>
<td>27,520</td>
</tr>
<tr>
<td>Applied overhead in Department No. 2</td>
<td>15,480</td>
</tr>
</tbody>
</table>

2. Equivalent units of Material are _________
   a. 3,500 units
   b. 39,500 units
   **c. 43,000 units**
   d. None of the given options

Cost & Management Accounting (mg402) Solution to Quiz 02 Special Semester 2007

3. Unit cost used for transferred out _________
   a. Rs. 0.64
   b. Rs. 0.36
   c. Rs. 0.18
   d. None of the given options

4. During January, Assembling department received 60,000 units from preceding department at a unit cost of Rs. 3.54. Costs added in the assembly department were:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>41,650</td>
</tr>
<tr>
<td>Labor</td>
<td>101,700</td>
</tr>
<tr>
<td>Factory overheads</td>
<td>56,500</td>
</tr>
</tbody>
</table>

There was no work in process beginning inventory.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units from preceding department</td>
<td>60,000</td>
</tr>
<tr>
<td>Units transferred out</td>
<td>50,000</td>
</tr>
<tr>
<td>Units in process at the end of month (all materials, 2/3converted)</td>
<td>9,000</td>
</tr>
<tr>
<td>Units lost (1/2 completed as to materials &amp; conversion cost)</td>
<td>1,000</td>
</tr>
</tbody>
</table>

The entire loss is considered abnormal & is to be charged to factory overhead.
Cost transferred to next department __________

a. Rs. 55,703.3 App.

b. Rs. 356,546.6 App.

c. Rs. 412,249.9 App.

d. None of the given options

**MCQ # 5, 6, 7 and 8 are based on the following data:**
The following is the Corporation's Income Statement for last month:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Less: variable expenses</td>
<td>1,800,000</td>
</tr>
<tr>
<td><strong>Contribution margin</strong></td>
<td><strong>2,200,000</strong></td>
</tr>
<tr>
<td>Less: fixed expenses</td>
<td>720,000</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>1480,000</td>
</tr>
</tbody>
</table>

Cost & Management Accounting (mgt402) Solution to Quiz 02 **Special Semester 2007**
The company has no beginning or ending inventories. A total of 80,000 units were produced and sold last month.

5. What is the company's contribution margin ratio?
   a. 30%
   b. **50%**
   c. 150%
   d. None of given options

6. What is the company's break-even in units?
   a. 48,000 units
   b. 72,000 units
   c. 80,000 units
   d. **None of the given options**

7. How many units would the company have to sell to attain target profits of Rs. 600,000?
   a. **48,000 units**
   b. 88,000 units
   c. 106,668 units
   d. None of given options

8. What is the company's margin of safety in Rs?
   a. Rs. 1,600,000
   b. Rs. 2,400,000
   c. **Rs. 25,60,000**
   d. None of given options

**MCQ # 9 & 10 are based on the following data:**
The following data related to production of ABC Company:

<table>
<thead>
<tr>
<th>Units produced</th>
<th>2,000 units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials</td>
<td>Rs.6</td>
</tr>
<tr>
<td>Particulars</td>
<td>Units</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>No. of units sold</td>
<td></td>
</tr>
<tr>
<td>Add Desired closing stock</td>
<td></td>
</tr>
<tr>
<td>Less Estimated opening stock</td>
<td></td>
</tr>
<tr>
<td>No. of units manufactured</td>
<td></td>
</tr>
</tbody>
</table>

(11-15) Write the names of given five budgets.

XYZ Ltd Production Budget For the month of Jan-March

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of units sold</td>
<td></td>
</tr>
<tr>
<td>Add Desired closing stock</td>
<td></td>
</tr>
<tr>
<td>Less Estimated opening stock</td>
<td></td>
</tr>
<tr>
<td>No. of units manufactured</td>
<td></td>
</tr>
</tbody>
</table>

XYZ Ltd Budgeted income Statement For the month of ____________

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td></td>
</tr>
<tr>
<td>Less Cost of goods sold</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td></td>
</tr>
<tr>
<td>Less Operating expenses</td>
<td></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td></td>
</tr>
<tr>
<td>Selling expenses</td>
<td></td>
</tr>
<tr>
<td>Profit from operation</td>
<td></td>
</tr>
<tr>
<td>Particulars</td>
<td>Jan</td>
</tr>
<tr>
<td>------------</td>
<td>-----</td>
</tr>
<tr>
<td>Opening balance</td>
<td></td>
</tr>
<tr>
<td>Add Receipts (Anticipated cash receipt from all sources)</td>
<td></td>
</tr>
<tr>
<td>Less Payments (Anticipated utilization of cash)</td>
<td></td>
</tr>
<tr>
<td>Excess / Deficit</td>
<td></td>
</tr>
<tr>
<td>Bank barrowing / Overdraft</td>
<td></td>
</tr>
<tr>
<td>Closing balance</td>
<td></td>
</tr>
</tbody>
</table>

**XYZ Ltd Direct Material Usage budget**
For the month of Jan-March

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Material (in units)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Material Unit cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Material usage cost</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**XYZ Ltd Direct Labor budget**
For the month of Jan-March

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Labor (in hours)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate per hour</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct labor cost</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1) The contribution margin increases when sales volume and price remain the same and:
   a) Variable cost per unit decreases
   b) Variable cost per unit increases
   c) Fixed costs per unit increase
   d) All of the given options

2) The main difference between the incremental and marginal cost is that:
   a) The marginal cost changes for every next unit of production
   b) Incremental cost does not show any change for any level of activity
   c) The marginal cost changes for a certain level of activity
   d) There is no difference between marginal cost and incremental cost

3) An example of an inventory cost would be:
   a) Shipping fees
   b) Advertising flyers
   c) Sales commissions
   d) Direct materials

4) Service entities provide services of ________ to their customers.
   a) Tangible products
   b) Intangible products
   c) Both tangible and intangible products
   d) Services can not be intangible

5) T Corp. had net income before taxes of Rs. 200,000 and sales of Rs. 2,000,000. If it is in the 50% tax bracket, its profit margin would be:
   a) 5%
   b) 12%
   c) 20%
   d) 25%

6) Direct materials cost is Rs. 80,000. Direct labor cost is Rs. 60,000. Factory overhead is Rs. 90,000. Beginning goods in process were Rs. 15,000. The cost of goods manufactured is Rs. 245,000. What is the cost assigned to the ending goods in process?
   a) Rs. 45,000
   b) Rs. 15,000
   c) Rs. 30,000
   d) There will be no ending inventory
7) A firm had Rs. 200,000 in sales, Rs. 120,000 of goods available for sale, an ending finished goods inventory of Rs. 20,000. Selling and Administrative expenses are Rs. 55,000. Which of the following is true?

a) Net income was 22.5% of sales
b) The cost of goods sold was Rs. 100,000
c) The gross profit was Rs. 100,000
d) All of the given options

8) A complete set of Financial Statements for Hanery Company, at December 31, 1999, would include each of the following, EXCEPT:

a) Balance sheet as of December 31, 1999
b) Income statement for the year ended December 31, 1999
c) Statement of projected cash flows for 2000
d) Notes containing additional information that is useful in interpreting the Financial Statements

9) The FIFO inventory costing method (when using under perpetual inventory system) assumes that the cost of the earliest units purchased is allocated in which of the following ways?

a) First to be allocated to the ending inventory
b) Last to be allocated to the cost of goods sold
c) Last to be allocated to the ending inventory
d) First to be allocated to the cost of goods sold

10) Heavenly Interiors had beginning merchandise inventory of Rs. 75,000. It made purchases of Rs. 160,000 and recorded sales of Rs. 220,000 during November. Its estimated gross profit on sales was 30%. On November 30, the store was destroyed by fire. What was the value of the merchandise inventory loss?

a) Rs. 154,000
b) Rs. 160,000
c) Rs. 235,000
d) Rs. 81,000

11) Inventory control aims at:

a) Achieving optimization
b) Ensuring against market fluctuations
c) Acceptable customer service at low capital investment
d) Discounts allowed in bulk purchase
12) Which of the following is a factor that should be taken into account for fixing re-order level?

a) Average consumption  
b) Economic Order Quantity  
c) Emergency lead time  
d) Danger level

13) EOQ is a point where:

a) Ordering cost is equal to carrying cost  
b) Ordering cost is higher than carrying cost  
c) Ordering cost is lesser than the carrying cost  
d) Total cost should be maximum

14) Inventory of Rs. 96,000 was purchased during the year. The cost of goods sold was Rs. 90,000 and the ending inventory was Rs. 18,000. What was the inventory turnover ratio for the year?

a) 5.0  
b) 5.3  
c) 6.0  
n) 6.4

15) While deducting Income Tax from the gross pay of the employee, the employer acts as a (an) __________ for Income Tax Department.

a) Agent of his own Company  
b) Paid tax collection agent  
c) Unpaid tax collection agent  
d) None of the given options

16) A standard rate is paid to the employee when he completed his job:

a) In time less than the standard  
b) In standard time  
c) In time more than standard  
d) Both In standard time or more than the standard time

17) Reduction of labor turnover, accidents, spoilage, waste and absenteeism are the results of which of the following wage plan?

a) Piece rate plan  
b) Time rate plan  
c) Differential plan  
d) Group bonus system
18) Grumpy & Dopey Ltd estimated that during the year 75,000 machine hours would be used and it has been using an overhead absorption rate of Rs. 6.40 per machine hour in its machining department. During the year the overhead expenditure amounted to Rs. 472,560 and 72,600 machine hours were used. Which one of the following statements is correct?

   a) Overhead was under-absorbed by Rs. 7,440
   b) Overhead was under-absorbed by Rs. 7,920
   c) Overhead was over-absorbed by Rs. 7,440
   d) Overhead was over-absorbed by Rs. 7,920

19) When loss of time due to unavoidable interruptions is deducted from theoretical capacity the remainder is:

   a) Normal capacity
   b) Practical capacity
   c) Expected capacity
   d) All of the given options

20) A business always absorbs its overheads on labor hours. In the 8th period, 18,000 hours were worked, actual overheads were Rs. 279,000 and there was Rs. 36,000 over-absorption. The overhead absorption rate per hour was:

   a) Rs. 15.50
   b) Rs. 17.50
   c) Rs. 18.00
   d) Rs. 13.50

Anser above 20 mcqs

11. Mr. Zahid received Rs. 100,000 at the time of retirement. He has invested in a profitable Avenue. From Company A, he received the dividend of 35% and from Company B he received the dividend of 25%. He has selected Company A for investment. His opportunity cost will be:

   a) 35,000
12. In increasing production volume situation, the behavior of Fixed cost & Variable cost will be:

- e) Increases, constant
- f) **Constant, increases**
- g) Increases, decreases
- h) Decreases, increases

13. While calculating the finished goods ending inventory, what would be the formula to calculate **per unit cost**?

- e) Cost of goods sold / number of units sold
- f) Cost of goods to be manufactured / number of units manufactured
- g) **Cost of goods manufactured / number of units manufactured**
- h) Total manufacturing cost / number of units manufactured

14. If the direct labor is Rs. 42,000 and FOH is 40% of conversion cost. What will be the amount of FOH?

- e) 63,000
- f) 30,000
- g) **28,000**
- h) 16,800

15. Which one of the following centers is responsible to earns sales revenue?

- e) Cost center
- f) Investment center
- g) **Revenue center**
- h) Profit center

16. Which one of the following cost would not be termed as Product Costs?

- e) Indirect Material
- f) **Direct Labor**
g) Administrative Salaries
h) Plant supervisor’s Salary

17. Which of the following ratios expressed that how many times the inventory is turning over towards the cost of goods sold?

   e) Inventory backup ratio
   f) Inventory turnover ratio
   g) Inventory holding period
   h) Both A & B

18. When opening and closing inventories are compared, if ending inventory is more than opening inventory, it means that:

   e) Increase in inventory
   f) Decrease in inventory
   g) Both a and b
   h) None of the given options

19. The total labor cost incurred by a manufacturing entity includes which one of the following elements?

   e) Direct labor cost
   f) Indirect labor cost
   g) Abnormal labor cost
   h) All of the given options

20. If,

    Opening stock       1,000 units
    Material Purchase   7,000 units
    Closing Stock       500 units
    Material consumed   Rs. 7,500

What will be the inventory turnover ratio?

   e) 10 Times
   f) 12 times
   g) 14.5 times
h) 9.5 times

<table>
<thead>
<tr>
<th>Question #</th>
<th>Option</th>
<th>Question #</th>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>a</td>
<td>11</td>
<td>c</td>
</tr>
<tr>
<td>02</td>
<td>a</td>
<td>12</td>
<td>b</td>
</tr>
<tr>
<td>03</td>
<td>d</td>
<td>13</td>
<td>a</td>
</tr>
<tr>
<td>04</td>
<td>b</td>
<td>14</td>
<td>c</td>
</tr>
<tr>
<td>05</td>
<td>a</td>
<td>15</td>
<td>c</td>
</tr>
<tr>
<td>06</td>
<td>d</td>
<td>16</td>
<td>d</td>
</tr>
<tr>
<td>07</td>
<td>d</td>
<td>17</td>
<td>d</td>
</tr>
<tr>
<td>08</td>
<td>c</td>
<td>18</td>
<td>a</td>
</tr>
<tr>
<td>09</td>
<td>d</td>
<td>19</td>
<td>b</td>
</tr>
<tr>
<td>10</td>
<td>d</td>
<td>20</td>
<td>b</td>
</tr>
</tbody>
</table>
1) If computational and record-keeping costs are about the same under both FIFO and weighted average, which of the following method will generally be preferred?
   a) Weighted Average
   b) FIFO
   c) They offer the same degree of information
   d) Cannot be determined with so little information

2) Which of the following is the best definition of 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

3) When two products are manufactured during a common process, the factor that determine whether the products are joint product or one main product and one is by product is the:
   a) Potential marketability for each product
   b) Amount of work expended in the production of each product
   c) Relative total sales value of each product
   d) Management policy

4) 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 a 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
5) Hyde Park Company produces sprockets that are used in wheels. Each sprocket sells for Rs. 50 and the company sells approximately 400,000 sprockets each year. Unit cost data for the year follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct material</td>
<td>Rs. 15</td>
</tr>
<tr>
<td>Direct labor</td>
<td>Rs. 10</td>
</tr>
<tr>
<td><strong>Other costs:</strong></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Fixed</td>
</tr>
<tr>
<td></td>
<td>Rs. 5</td>
</tr>
<tr>
<td>Distribution</td>
<td>Rs. 4</td>
</tr>
</tbody>
</table>

The unit cost of sprockets for direct cost inventory purposes is:

a. Rs. 44  
b. Rs. 37  
c. Rs. 32  
d. Rs. 35

6) Janet sells a product for Rs. 6.25. The variable costs are Rs. 3.75. Janet's break-even units are 35,000. What is the amount of fixed costs?

a) Rs. 87,500  
b) Rs. 35,000  
c) Rs. 131,250  
d) Rs. 104,750

7) A firm, which makes yachts, has fixed costs of Rs. 260,000 per month. The product sells for Rs. 35,000 per boat, and the variable costs of production are Rs. 15,000 per boat. The boatyard can manufacture 20 boats each month. What is the firms' margin of safety at the moment?

a) 20%  
b) 35%  
c) 54%  
d) 57%

8) Which of the following is not one of the requirements of the general principles of budgeting?

a. Responsibility for forecasting costs must be clearly defined  
b. Changes are not to be made just because more favorable results are foreseeable  
c. Accountability for actual results must be enforced  
d. Goals must be realistic and possible to attain
9) If B Limited shows required production of 120 cases of product for the month, direct labor per case is 3 hours at Rs. 12 per hour. Budgeted labor costs for the month should be:

a) 360 hours  
b) Rs. 1,440  
c) Rs. 4,320  
d) Rs. 5,346

10) Which of the following is not an explanation for rising profit levels at the same time as a cash shortage?

a) Rapid expansion sales and output  
b) Repayment of loan  
c) Purchase of new premises  
d) Disposal of fixed assets for profit

<table>
<thead>
<tr>
<th>Question #</th>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>b</td>
</tr>
<tr>
<td>02</td>
<td>b</td>
</tr>
<tr>
<td>03</td>
<td>c</td>
</tr>
<tr>
<td>04</td>
<td>c</td>
</tr>
<tr>
<td>05</td>
<td>c</td>
</tr>
<tr>
<td>06</td>
<td>a</td>
</tr>
<tr>
<td>07</td>
<td>b</td>
</tr>
<tr>
<td>08</td>
<td>b</td>
</tr>
<tr>
<td>09</td>
<td>c</td>
</tr>
<tr>
<td>10</td>
<td>d</td>
</tr>
</tbody>
</table>
1. A manufacturing company manufactures a product which passes through two departments. 10,000 units were put in process. 9,400 units were completed & transferred to department-II. 400 units (1/2 complete) were in process at the end of month. Remaining 200 units were lost during processing. Costs incurred by the department were as follows:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Materials</td>
<td>19,400</td>
</tr>
<tr>
<td>Direct Labor</td>
<td>24,250</td>
</tr>
<tr>
<td>Factory overhead</td>
<td>14,550</td>
</tr>
</tbody>
</table>

Equivalent units of material, for the month in CPR:  

a. 200 units  
b. 9400 units  
c. 9600 units  
d. None of the given options

**MCQ # 2 and 3 are based on the following data:**

Allied chemical company reported the following production data for its department:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Received in from department –1</td>
<td>55,000</td>
</tr>
<tr>
<td>Transferred out department –3</td>
<td>39,500</td>
</tr>
<tr>
<td>In process (1/3 labor &amp; overhead)</td>
<td>10,500</td>
</tr>
</tbody>
</table>

All materials were put in process in Department No. 1. Costing department collected following figures for department No. 2:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit cost received in</td>
<td>1.80</td>
</tr>
<tr>
<td>Labor cost in department No. 2</td>
<td>27,520</td>
</tr>
<tr>
<td>Applied overhead in Department No. 2</td>
<td>15,480</td>
</tr>
</tbody>
</table>

2. Equivalent units of Material are:  
a. 3,500 units  
b. 39,500 units  
c. 43,000 units  
d. None of the given options
3. Unit cost used for transferred out
   a. Rs. 0.64
   b. Rs. 0.36
   c. Rs. 0.18
   d. None of the given options

4. During January, Assembling department received 60,000 units from preceding department at a unit cost of Rs. 3.54. Costs added in the assembly department were:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>41,650</td>
</tr>
<tr>
<td>Labor</td>
<td>101,700</td>
</tr>
<tr>
<td>Factory overheads</td>
<td>56,500</td>
</tr>
</tbody>
</table>

   There was no work in process beginning inventory.

<table>
<thead>
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<td>Units lost (1/2 completed as to materials &amp; conversion cost)</td>
<td>1,000</td>
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   The entire loss is considered abnormal & is to be charged to factory overhead. Cost transferred to next department

   a. Rs. 55,703.3 App.
   b. Rs. 356,546.6 App.
   c. Rs. 412,249.9 App.
   d. None of the given options

MCQ # 5, 6, 7 and 8 are based on the following data:

The following is the Corporation's Income Statement for last month:

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<td><strong>1480,000</strong></td>
</tr>
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The company has no beginning or ending inventories. A total of 80,000 units were produced and sold last month.

5. What is the company's contribution margin ratio?
   a. 30%
   b. 50%
   c. 150%
   d. None of given options

6. What is the company's break-even in units?
   a. 48,000 units
   b. 72,000 units
   c. 80,000 units
   d. None of the given options

7. How many units would the company have to sell to attain target profits of Rs. 600,000?
   a. 48,000 units
   b. 88,000 units
   c. 106,668 units
   d. None of given options

8. What is the company's margin of safety in Rs?
   a. Rs. 1,600,000
   b. Rs. 2,400,000
   c. Rs. 25,60,000
   d. None of given options

MCQ # 9 & 10 are based on the following data:

The following data related to production of ABC Company:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Units produced</td>
<td>2,000 units</td>
</tr>
<tr>
<td>Direct materials</td>
<td>Rs. 6</td>
</tr>
<tr>
<td>Direct labor</td>
<td>Rs. 10</td>
</tr>
<tr>
<td>Fixed overhead</td>
<td>Rs. 20,000</td>
</tr>
<tr>
<td>Variable overhead</td>
<td>Rs. 6</td>
</tr>
</tbody>
</table>
**Special Semester 2007**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed selling and administrative</td>
<td>Rs.2000</td>
</tr>
<tr>
<td>Variable selling and administrative</td>
<td>Rs.2</td>
</tr>
</tbody>
</table>

9. Using the data given above, what will be the unit product cost under absorption costing?

   a. Rs. 32
   b. Rs. 30
   c. Rs. 25
   d. None of the given options

10. 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. None of the given options

(11-15) Write the names of given five budgets.

**XYZ Ltd**

**Production Budget**

**For the month of Jan-March**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of units sold</td>
<td></td>
</tr>
<tr>
<td>Add Desired closing stock</td>
<td></td>
</tr>
<tr>
<td>Less Estimated opening stock</td>
<td></td>
</tr>
<tr>
<td>No. of units manufactured</td>
<td></td>
</tr>
</tbody>
</table>

**XYZ Ltd**

**Budgeted income Statement**

**For the month of________**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td></td>
</tr>
<tr>
<td>Less Cost of goods sold</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td></td>
</tr>
<tr>
<td>Less Operating expenses</td>
<td></td>
</tr>
<tr>
<td>Administrative expenses</td>
<td></td>
</tr>
<tr>
<td>Selling expenses</td>
<td></td>
</tr>
<tr>
<td>Profit from operation</td>
<td></td>
</tr>
</tbody>
</table>
### Special Semester 2007

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Financial charges</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add Other income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### XYZ Ltd

**Cash Budget**

For the month of Jan-March

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add Receipts (Anticipated cash receipt from all sources)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Payments (Anticipated utilization of cash)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess / Deficit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank borrowing / Overdraft</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Closing balance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### XYZ Ltd

**Direct Material Usage budget**

For the month of Jan-March

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Material (in units)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Material Unit cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Material usage cost</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### XYZ Ltd

**Direct Labor budget**

For the month of Jan-March

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Labor (in hours)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rate per hour</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct labor cost</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1) The contribution margin increases when sales volume and price remain the same and:
   a) Variable cost per unit decreases
   b) Variable cost per unit increases
   c) Fixed costs per unit increase
   d) All of the given options

2) The main difference between the incremental and marginal cost is that:
   a) The marginal cost changes for every next unit of production
   b) Incremental cost does not show any change for any level of activity
   c) The marginal cost changes for a certain level of activity
   d) There is no difference between marginal cost and incremental cost

3) An example of an inventoriable cost would be:
   a) Shipping fees
   b) Advertising flyers
   c) Sales commissions
   d) Direct materials

4) Service entities provide services of _______ to their customers.
   a) Tangible products
   b) Intangible products
   c) Both tangible and intangible products
   d) Services can not be intangible

5) T Corp. had net income before taxes of Rs. 200,000 and sales of Rs. 2,000,000. If it is in the 50% tax bracket, its profit margin would be:
   a) 5%
   b) 12%
   c) 20%
   d) 25%

6) Direct materials cost is Rs. 80,000. Direct labor cost is Rs. 60,000. Factory overhead is Rs. 90,000. Beginning goods in process were Rs. 15,000. The cost of goods manufactured is Rs. 245,000. What is the cost assigned to the ending goods in process?
   a) Rs. 45,000
   b) Rs. 15,000
   c) Rs. 30,000
   d) There will be no ending Inventory

7) A firm had Rs. 200,000 in sales, Rs. 120,000 of goods available for sale, an ending finished goods inventory of Rs. 20,000. Selling and Administrative expenses are Rs. 55,000. Which of the following is true?
   a) Net income was 22.5% of sales
   b) The cost of goods sold was Rs. 100,000
   c) The gross profit was Rs. 100,000
   d) All of the given options

8) A complete set of Financial Statements for Hanery Company, at
December 31, 1999, would include each of the following, EXCEPT:
a) Balance sheet as of December 31, 1999
b) Income statement for the year ended December 31, 1999
c) Statement of projected cash flows for 2000
d) Notes containing additional information that is useful in interpreting the Financial Statements

9) The FIFO inventory costing method (when using under perpetual inventory system) assumes that the cost of the earliest units purchased is allocated in which of the following ways?
a) First to be allocated to the ending inventory
b) Last to be allocated to the cost of goods sold
c) Last to be allocated to the ending inventory
d) First to be allocated to the cost of goods sold

10) Heavenly Interiors had beginning merchandise inventory of Rs. 75,000. It made purchases of Rs. 160,000 and recorded sales of Rs. 220,000 during November. Its estimated gross profit on sales was 30%. On November 30, the store was destroyed by fire. What was the value of the merchandise inventory loss?
   a) Rs. 154,000
   b) Rs. 160,000
   c) Rs. 235,000
   d) Rs. 81,000

11) Inventory control aims at:
   a) Achieving optimization
   b) Ensuring against market fluctuations
   c) Acceptable customer service at low capital investment
   d) Discounts allowed in bulk purchase

12) Which of the following is a factor that should be taken into account for fixing re-order level?
   a) Average consumption
   b) Economic Order Quantity
   c) Emergency lead time
   d) Danger level

13) EOQ is a point where:
   a) Ordering cost is equal to carrying cost
   b) Ordering cost is higher than carrying cost
   c) Ordering cost is lesser than the carrying cost
   d) Total cost should be maximum

14) Inventory of Rs. 96,000 was purchased during the year. The cost of goods sold was Rs. 90,000 and the ending inventory was Rs. 18,000. What was the inventory turnover ratio for the year?
   a) 5.0
   b) 5.3
   c) 6.0
   d) 6.4

15) While deducting Income Tax from the gross pay of the employee, the
employer acts as a (an) _________________ for Income Tax Department.
a) Agent of his own Company  
b) Paid tax collection agent  
c) Unpaid tax collection agent  
d) None of the given options  
16) A standard rate is paid to the employee when he completed his job:  
a) In time less than the standard  
b) In standard time  
c) In time more than standard  
d) Both In standard time or more than the standard time  
17) Reduction of labor turnover, accidents, spoilage, waste and absenteeism are the results of which of the following wage plan?  
a) Piece rate plan  
b) Time rate plan  
c) Differential plan  
d) Group bonus system  
18) Grumpy & Dopey Ltd estimated that during the year 75,000 machine hours would be used and it has been using an overhead absorption rate of Rs. 6.40 per machine hour in its machining department. During the year the overhead expenditure amounted to Rs. 472,560 and 72,600 machine hours were used. Which one of the following statements is correct?  
a) Overhead was under-absorbed by Rs.7,440  
b) Overhead was under-absorbed by Rs.7,920  
c) Overhead was over-absorbed by Rs.7,440  
d) Overhead was over-absorbed by Rs.7,920  
19) When loss of time due to unavoidable interruptions is deducted from theoretical capacity the remainder is:  
a) Normal capacity  
b) Practical capacity  
c) Expected capacity  
d) All of the given options  
20) A business always absorbs its overheads on labor hours. In the 8th period, 18,000 hours were worked, actual overheads were Rs. 279,000 and there was Rs. 36,000 over-absorption. The overhead absorption rate per hours was:  
a) Rs. 15.50  
b) Rs. 17.50  
c) Rs. 18.00  
d) Rs. 13.50  
(Total marks: 1 x 20 = 20)
Answers above 20 mcqs
Next

1) If computational and record-keeping costs are about the same under both FIFO and weighted average, which of the following method will generally be preferred?
   a) Weighted Average
   b) FIFO
   c) They offer the same degree of information
   d) Cannot be determined with so little information

2) Which of the following is the best definition of 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

3) When two products are manufactured during a common process, the
factor that determine whether the products are joint product or one main product and one is by product is the:
a) Potential marketability for each product
b) Amount of work expended in the production of each product
c) Relative total sales value of each product
d) Management policy

4) 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 a 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

5) Hyde Park Company produces sprockets that are used in wheels. Each sprocket sells for Rs. 50 and the company sells approximately 400,000 sprockets each year. Unit cost data for the year follows:
Direct material Rs. 15
Direct labor Rs. 10
Other costs:
Manufacturing
Distribution
Fixed
Rs. 5
Rs. 4
Variable
Rs. 7
Rs. 3
The unit cost of sprockets for direct cost inventory purposes is:
a. Rs. 44
b. Rs. 37
c. Rs. 32
d. Rs. 35

6) Janet sells a product for Rs. 6.25. The variable costs are Rs. 3.75. Janet’s break-even units are 35,000. What is the amount of fixed costs?
a) Rs. 87,500
b) Rs. 35,000
c) Rs. 131,250
d) Rs. 104,750

7) A firm, which makes yachts, has fixed costs of Rs. 260,000 per month. The product sells for Rs. 35,000 per boat, and the variable costs of production are Rs. 15,000 per boat. The boatyard can manufacture 20 boats each month. What is the firms’ margin of safety at the moment?
a) 20%
b) 35%
c) 54%
d) 57%
8) Which of the following is not one of the requirements of the general principles of budgeting?
   a. Responsibility for forecasting costs must be clearly defined
   b. Changes are not to be made just because more favorable results are foreseeable
   c. Accountability for actual results must be enforced
   d. Goals must be realistic and possible to attain

9) If B Limited shows required production of 120 cases of product for the month, direct labor per case is 3 hours at Rs. 12 per hour. Budgeted labor costs for the month should be:
   a) 360 hours
   b) Rs. 1,440
   c) Rs. 4,320
   d) Rs. 5,346

10) Which of the following is not an explanation for rising profit levels at the same time as a cash shortage?
   a) Rapid expansion sales and output
   b) Repayment of loan
   c) Purchase of new premises
   d) Disposal of fixed assets for profit

(Total marks = 1 x 10 = 10)

Answer above 10 mcqs

<table>
<thead>
<tr>
<th>Question #</th>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>b</td>
</tr>
<tr>
<td>02</td>
<td>b</td>
</tr>
<tr>
<td>03</td>
<td>c</td>
</tr>
<tr>
<td>04</td>
<td>c</td>
</tr>
<tr>
<td>05</td>
<td>c</td>
</tr>
<tr>
<td>06</td>
<td>a</td>
</tr>
<tr>
<td>07</td>
<td>b</td>
</tr>
<tr>
<td>08</td>
<td>b</td>
</tr>
<tr>
<td>09</td>
<td>c</td>
</tr>
<tr>
<td>10</td>
<td>d</td>
</tr>
</tbody>
</table>

1. If Units sold = 10,000
   Closing finished goods = 2,000
   Opening finished goods = 1,500
   What will be the value of units manufactured?
2. Calculate the amount of direct labor if:
Direct material = 15,000
Direct labor = 70% of prime cost

a. 6,429  
b. 30,000  
c. 10,500  
d. 35,000

3. Material cost = 4.00 per unit  
Labor cost = 0.60 per unit  
Factory overhead cost = 1.00 per unit  
Administrative cost = 1.20 per unit  
Selling cost = 15% of sales  
Profit = 1.02 per unit  
What will be the sales price per unit?

a. 6.0  
b. 9.2  
c. 7.0  
d. None of the given option

4. ABC & Company has maintained the following data of inventory control Under the periodic inventory system:

<table>
<thead>
<tr>
<th>Date</th>
<th>Units</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 01</td>
<td>100 @ 10</td>
<td>1000</td>
</tr>
<tr>
<td>Jan 05</td>
<td>100 @ 11</td>
<td>1100</td>
</tr>
<tr>
<td>Jan 10</td>
<td>150 @ 12</td>
<td>1600</td>
</tr>
</tbody>
</table>

During the period 300 units were sold. Calculate the cost of ending inventory under FIFO method.

a. 600  
b. 500  
c. 400  
d. 300
5. National chains of tyre fitters stock a popular tyre for which the following information is available:

   Average usage = 140 tyres per day
   Minimum usage = 90 tyres per day
   Maximum usage = 175 tyres per day
   Lead time = 10 to 16 days
   Re-order quantity = 3000 tyres
   Based on the above data calculate the maximum level of stock possible:

   a. 2800  
   b. 3000  
   c. 4900  
   d. 5800

**Fill in the blanks:**

1. **Irrelevant costs** are those costs that would not affect the current management decision.

2. Increase in inventory means closing inventory is **greater** than the opening inventory.

3. Weighted average cost is used to determine the value of cost of consumption and **ending inventory**.

4. The total amount earned in a week or month by an employee is called **gross pay**.

5. The method of remuneration in which a worker is paid on the basis of production and not time taken by him to perform the work is called **piece rate wage**.

1. A cost that remains unchanged across the relevant range of units produced is what kind of cost?
   
   a) **Fixed cost**  
   b) Product cost  
   c) Mixed cost  
   d) Period cost

2. A company has the following cost data for the month:
   Conversion cost: Rs. 78,900
Prime Cost: Rs. 115,700
Beginning Work in Process Inventory: Rs. 4,700
Ending Work in Process Inventory: Rs. 2,800
Beginning Finished Goods Inventory: Rs. 27,600
Ending Finished Goods Inventory: Rs. 29,200
Manufacturing Overhead Costs: Rs. 14,500

What is the Cost of Goods Sold for the month?

a) Rs. 132,100
b) Rs. 116,000
c) Rs. 130,200
d) Rs. 130,500

3. _________________ is a part of cost of production report that explains the cost incurred during the process.

a) Quantity schedule
b) Cost accounted for as follow
c) Cost charged to the department
d) None of the given options

4. Under Absorption Costing, Fixed Manufacturing Overheads are:

a) Absorbed into Cost units
b) Charged to the Profit and Loss account
c) Treated as period cost
d) All of the given options

5. A company makes one product, which has variable manufacturing costs of Rs.3.25 per unit and variable selling and administrative costs of Rs. 1.17 per unit. Fixed manufacturing costs are Rs. 42,300 per month and fixed selling and administrative costs are Rs. 29,900 per month. The company wants to earn an average monthly profit of Rs. 15,000 and they expect to produce and sell an average of 40,000 units of the product per month. What is the minimum selling price management can be expected to set to meet their profitability goals?

a) Rs. 4.69
b) Rs. 4.42
c) Rs. 6.60
d) Rs. 6.23

Question 6 to 8 will be based on the data given below:
Units put in the process 7,000  
Units completed and transferred out 5,000  
Units still in process (100% Material, 50% Conversion cost)  
500 units were lost during process  
Cost incurred during the process Material and Labor Rs. 50,000 and Rs. 60,000.

6. By using the above information, find out the number of units that will appear in quantity schedule.
   a) 5,750  
   b) 7,000  
   c) 5,000  
   d) 6,500

7. Find out the value of per unit cost of both material and conversion cost.
   a) Material 7.69; Conversion cost 10.43  
   b) Material 7.14; Conversion cost 10.43  
   c) Material 7.14; Conversion cost 9.23  
   d) None of the given options

8. Find the value of cost transferred to next department:
   a) Rs. 5750  
   b) Rs. 5000  
   c) Rs. 7000  
   d) Rs. 6500 or None of the given options

9. Opening work in process inventory can be calculated under which of the following method?
   a) FIFO and Average costing  
   b) LIFO and Average costing  
   c) FIFO and LIFO costing  
   d) None of given options

10. ________________ needs further processing to improve its marketability.
    a) By product  
    b) Joint Product  
    c) Augmented product
d) None of the given options