MULTIPLE CHOICE QUESTIONS

1. Which of the following cost is also known as overhead cost or on cost:
   a. Cost of direct labour
   b. Cost of indirect labour
   c. Direct expenses
   d. Indirect expenses

2. Which of the following calculate the actual cost of product:
   a. Cost estimation
   b. Costing
   c. Both a and b
   d. None of these

3. Costing is specialized branch of accounting which deals with:
   a. Classification, recording, allocation, and control of asset
   b. Classification, processing, allocation and directing
   c. Classification, recording, planning and control of asset
   d. Classification, recording, allocation and directing

4. In cinema halls, composite cost unit is ____________:
   a. A seat per show
   b. Cost of screening
   c. Salary of staff
   d. Rent of cinema hall

5. The stage of production at which separate products are identified is known as ____________:
   a. Process costing
   b. Reverse cost method
   c. Subsequent cost
   d. Equivalent production

6. ________________ in contracts entitles a contractor to suitably enhance the contract price if the cost rises beyond a given percentage:
   a. Notional price
   b. Indirect cost
   c. Estimate
   d. Escalation clause

7. Which factor that cause change in cost of activity:
   a. Activity cost
   b. Driver rates
   c. Cost pool
   d. Cost drivers
8. Over-absorption of factory overheads, due to inefficiency of management, should be disposed of by:
   a. Carry forward to next year
   b. Supplementary rate
   c. Transfer to costing P&L A/c
   d. Any of these

9. When absorbed overheads are rs.23,540 and actual overheads are rs.22,400, there is:
   a. Under absorption of rs.1,140
   b. Under absorption of rs.45,940
   c. Over absorption of rs.1,140
   d. Over absorption of rs.45940

10. Danger level = Normal consumption $\times$ _____________
    a. Reorder period
    b. Maximum Reorder period
    c. Maximum Reorder period in emergency
    d. Minimum Reorder period

Answers: 1. (d); 2. (b); 3. (a); 4. (a); 5. (c); 6. (d); 7. (d); 8. (c); 9. (b); 10. (c)

**SHORT ANSWER-TYPE QUESTIONS**

1. Write short note on out-of-pocket cost?

2. Mention the method of costing used by following organization:
   a. Brick works
   b. Textile production
   c. Goods transport
   d. Ship buildings
   e. Power generation

3. How labour turnover is measured? What are the effects of labour turnover on cost of production?

4. Give steps in applying Activity Based Costing in a manufacturing firm?

5. What is meant by control of overheads?

6. What is Equivalent production?

7. Write the objectives of service costing in a transport industry?

8. Write difference between fixed cost and variable cost?
9. Briefly explain how under-absorption and over-absorption is treated in cost of accounts?

10. What is the difference between bin cards and store ledgers?

**LONG ANSWER-TYPE QUESTIONS**

1. Distinguish between Controllable cost and Uncontrollable cost? Give examples.

2. Explain normal and abnormal losses. How do you treat this in cost accounts?

3. What do you mean by absorption of overheads? Discuss the different methods for the absorption of factory overheads?

4. Why there is a need to reconcile the profit disclosed in Financial and Cost account books? Discuss in details the causes of such differences.

5. What do you understand by ‘Cost plus contract’ and ‘Escalation clause’ in contract costing?

6. What are cost control accounts? Distinguish between integral and non-integral system of cost control accounts? Which system would you recommend for a big manufacturing organization.

7. Explain and illustrate how the Absolute TonnesKms. and Commercial TonnesKms. are calculated in case of goods transport service.

8. Distinguish between Activity based costing and Traditional based costing?

9. What is idle time? What is difference between idle time and idle capacity? How Idle Time is treated in cost accounts?

10. “Limitations of financial accounting have made the management to reduce the importance of cost accounting.” Comment.