1) Materials Requisition Note
   a) authorises and records the issue of materials for use
   b) records the return of unused materials
   c) records the transfer of materials from one store to another
   d) a classified record of materials, issues, returns and transfers

2) A document which is a classified record of material issues, returns and transfers
   a) Materials Requisition Note
   b) Materials Return Note
   c) Materials Transfer Note
   d) Materials Issue Analysis Sheet

3) This is debited with all purchases or materials for use stores and credited with all issues of materials
   a) General Ledger Adjustment Account
   b) Stores Ledger Control Account
   c) Work-in-Progress Ledger
   d) Finished Goods Control Account

4) T Company completed two jobs whose costs total to Rs 1,20,000. Which one of the following is one effect of this transaction?
   a) Manufacturing Overhead increases by Rs 1,20,000
   b) Cost of Goods Sold increases by Rs 1,20,000
   c) Work in Process decreases by Rs 1,20,000
   d) Finished Goods decreaseS by Rs 1,20,000

5) N Corporation incurred 8,000 indirect labour and 42,000 direct labour. Which one of the following is one effect to recording this transaction?
   a) Indirect labour increases by Rs 8,000
   b) Work in process increases by Rs 50,000
   c) Manufacturing costs increase by Rs 42,000
   d) Manufacturing overhead increases by Rs 8,000

6) In May, material requisitions were Rs 44,000 (Rs 39,000 of these were direct materials), and raw material purchases were Rs 57,700. The end of month balance in raw materials inventory a/c was Rs 24,300. What was the beginning raw materials inventory a/c balance?
   a) Rs 10,600  
   b) Rs 43,000
   c) Rs 72,400  
   d) Rs 25,300

7) Under which of the following situations is raw materials inventory credited and work in process inventory debited?
   a) We ship goods to the customer  
   b) Material is transferred to the factory
c) We transfer goods to the storeroom     d) we purchase goods on account

8) The cost of indirect labour used in the factory is recorded as a
   a) Credit to work in process    b) debit to manufacturing overhead
   c) Credit to wages payable      d) debit to wages expense

9) The journal entry to issue Rs 600 of direct materials and 40 of indirect materials involves a debit to
   a) manufacturing overhead for Rs640
   b) work in process for Rs 640
   c) work in process for Rs 600 and a credit to manufacturing overhead for Rs 40
   d) work in process for Rs600 and a debit to manufacturing overhead for Rs 40

10) The journal entry to record Rs300 of depreciation expense on factory equipment involves a
    a) debit to accumulated depreciation for Rs300
    b) debit to manufacturing overhead for Rs300
    c) debit to depreciation expense for Rs300
    d) credit to manufacturing overhead for Rs300

11) Contract costing is a variant of __________ Costing.
    a) Job        b) Process
    c) Unit       d) Batch

12) Contract costing usually applicable in
    a) Constructional Works    b) Textile Mills
    c) Cement Industries      d) Chemical Industries

13) Cost of material lost or destroyed
    a) is credited to the Contract Account
    b) is debited to the Contract Account
    c) is debited to the Costing Profit and Loss Account
    d) is credited to the Costing Profit and Loss Account

14) Value of Work Certified Less Profit =
    a) Work-in-progress       b) Cost of Work Certified
    c) Retention Money        d) Cost of uncertified work

15) The entire contract is complete. The transfer to P & L A/C will be
    a) 1/3 rd of Notional profits    b) NIL
    c) 2/3 rd of Notional profits   d) Entire profit

16) Value of work certified- 5,00,000
    Cost of work to date - R 4,00,000
    Cost of work not yet certified -R 1,00,000
    Notional Profit is
    a) Rs 1,00,000    b) Nil
    c) Loss Rs 1,00,000    d) Rs 2,00,000

17) The total profit on a contract for Rs 3,00,000 is Rs 60,000 and the contract is 60% complete
    and has been certified accordingly. The retention money is 20% of the certified value, then
    the amount of profit that can be prudently credited to Profit and Loss Account
18) Contract cost - Rs 2,80,000  
Contract value - Rs 5,00,000  
Cash received - Rs 2,70,000  
Uncertified work – Rs 30,000  
Deduction from bills by way of retention money is 10%.  
How much profit, if any, you would take to the profit and loss account?  
   a) Rs 50,000  
   b) Rs 33,333  
   c) Rs 30,000  
   d) Nil  

19) Value of work-in-progress is  
   a) Rs 65,000  
   b) Rs 41,000  
   c) Rs 23,000  
   d) Rs 14,000  

20) Reserve for contingencies is  
   a) Rs 60,000  
   b) Rs 24,000  
   c) Rs 36,000  
   d) Rs 1,000  

21) Which cost accumulation procedure is most applicable in continuous mass-production manufacturing environments?  
   a) Standard  
   b) Actual  
   c) Process  
   d) Job order  

22) Process Cost is based on the concept of  
   a) Average Cost  
   b) Marginal Cost  
   c) Standard Cost  
   d) Differential Cost  

23) Abnormal Loss is equal to  
   a) Input - Actual Output  
   b) Actual Output - Normal Output  
   c) Normal Output - Actual Output  
   d) Actual Output – input  

24) In process costing, each producing department is a  
   a) Cost Unit  
   b) Cost Centre  
   c) Investment centre  
   d) Sales centre  

25) When production is below standard specification or quality and cannot be rectified by incurring additional cost, it is called  
   a) Defective  
   b) Spoilage  
   c) Waste  
   d) Scrap  

26) 12,000 Kg of a material were input to a process in a period. The normal loss is 10% of input.  
There is no opening or closing work-in-progress. Output in the period was 10,920 Kg. What was the abnormal gain/loss in the period?  
   a) Abnormal gain of 120 Kg  
   b) Abnormal loss of 120 Kg  
   c) Abnormal gain of 1,080 Kg  
   d) abnormal loss of 1,080 kg  

27) Wastage of a raw material during a manufacturing process is 20% of input quantity. What input quantity of raw material is required per Kg of output?  
   a) 0.8 kg  
   b) 1.2 kg  
   c) 1.25 kg  
   d) 1.33 kg
28) 400 liters of a chemical were manufactured in a period. There is a normal loss of 25% of the material input into the process. An abnormal loss of 5% of material input occurred in the period. How many liters of material (to the nearest liter) were input into the process in the period?
   a) 500  
   b) 520  
   c) 560  
   d) 571

29) The cost of production of 40 units in Process consisting of materials Rs 1,500; Labour Rs 1,300 and Overhead Rs 164. The normal waste is 5% of input.
   a) 40 units are transferred to next process @ Rs 70 each  
   b) 40 units are transferred to next process @ Rs 74.10 each  
   c) 38 units are transferred to next process @ Rs 78 each  
   d) 40 units are transferred to next process @ Rs 78 each

30) A chemical process has normal wastage of 10% of input. In a period, 2,500 kg of material were input and there was abnormal loss of 5 Kg. What quantity of good production was achieved?
   a) 2,175 Kg  
   b) 2,250 Kg  
   c) 2,425 kg  
   d) 2,500 kg

31) CVP analysis requires costs to be categorized as
   a) Fixed or variable  
   b) direct or indirect  
   c) Product or period  
   d) standard or actual

32) Contribution equals:
   a) Sales minus cost of sales  
   b) Sales – variable cost  
   c) Sales minus variable costs  
   d) Sales minus fixed costs

33) P/V ratio is equal to
   a) Profit/volume  
   b) Contribution/sales  
   c) Profit/contribution  
   d) Profit/sales

34) At the break-even point, which equation will be true
   a) Variable cost – fixed cost = contribution  
   b) Sales = variable cost – fixed cost  
   c) Sales – fixed cost = contribution  
   d) Sales – contribution = variable cost

35) The break even points in units is equal to
   a) Fixed cost/PV ratio  
   b) Fixed cost x sales/total contribution  
   c) Fixed cost/contribution per unit  
   d) Fixed cost/total contribution

36) The contribution to sales ratio of a company is 20% and profit is Rs. 64,500. If the total sales of the company are Rs.7,80,000 the fixed cost is
   a) Rs 1,56,000  
   b) Rs. 1,21,500  
   c) Rs. 90,000  
   d) Rs. 91,500

37) The total cost of manufacturing 4,000 units of a product is Rs. 4,50,000 which includes fixed costs of Rs. 2,50,000 if the company desires to produce 5,000 units, then the total cost will be
   a) Rs. 5,27,778  
   b) Rs. 5,20,000  
   c) Rs. 5,00,000  
   d) Rs. 4,95,000  
   e) Rs. 4,83,500
38) P Limited incurs fixed costs of Rs. 1,00,000 per annum. The company manufactures a single product and sells it for Rs. 50 per unit. If the contribution to sales ratio is 40% the break-even sales in units are
a) 5,000  
b) 6,000  
c) 6,500  
d) 7,000  
e) 7,500.00

39) A company manufactures a single product with a variable cost per unit of Rs. 22. The contribution to sales ratio is 45%. Monthly fixed costs are Rs. 1,98,000. What is the break-even point in units?
a) 4,900  
b) 9,000  
c) 11,000  
d) 20,000

40) A Ltd. Manufactures and sells product ‘B’. The sale price per unit of the product is Rs. 35. The company will incur a loss of Rs. 5.00 per unit if it sells 4,000 units; but if the volume is raised to 12,000 units, the company will make a profit of Rs. 4.50 per unit. The break-even point in units is
a) 5,700  
b) 6,612  
c) 5,250  
d) 6,162

41) A standard which is established for use unaltered for an indefinite period is called
a) Current standard  
b) Ideal standard  
c) Basic standard  
d) Expected standard

42) Which of the following is not a type of standard, conceptually speaking ?
a) Ideal standards  
b) Negative standards  
c) Expected standards  
d) Current standards

43) The cost of product as determined under standard cost system is
a) Fixed cost  
b) Historical cost  
c) Direct cost  
d) predetermined cost

44) The amount of work achievable in an hour, at standard efficiency levels, is
a) an ideal standard  
b) the direct labour usage per hour  
c) a standard hour  
d) the direct labour efficiency variance

45) While computing variances from standard costs, the difference between the actual and the Standard prices multiplied by the actual quantity yields a
a) Yield variance  
b) Volume variance  
c) Mix variance  
d) Price variance

46) While evaluating deviations of actual cost from standard cost, the technique used is
a) Regression analysis  
b) Variance analysis  
c) Linear progression  
d) Trend analysis

47) If material cost variance is Rs. 9,400 (favourable) and material usage variance is Rs. 8,200 (adverse), then material price variance (MPV) is
a) Rs. 5,600 (favourable)  
b) Rs. 5,600 (adverse)  
c) Rs. 6,400 (favourable)  
d) Rs. 17,600 (favourable)  
e) Rs. 17,600 (favourable)
48) The actual materials price (AP) was Rs. 3.50; the actual quantity (AQ) of material was 5,100 Units, and the materials price variance (MPV) was Rs. 1,275 unfavourable. The standard Material price (SP) was:

a) Rs. 3.70  
b) Rs. 3.30  
c) Rs. 3.00  
d) Rs. 3.25

49) The standard units (SQ) were 5,200 the standard price (SP) was Rs. 3.25 and the materials quantity variance (MQV) was Rs. 325 favourable. The actual units (AQ) were:

a) 5,300  
b) 5,000  
c) 5,100  
d) 5,200

50) The standard hourly rate was Rs. 140. The actual rate was Rs. 130. The labour rate variance was Rs. 600, favourable. The actual labour hours (AH) were:

a) 6,000  
b) 6,400  
c) 1,000  
d) 1,500
Material Costing MCQ

Q.1 Which of the following inventory valuation methods shows higher profits during the period of rising prices?
   a. FIFO method.
   b. LIFO method.
   c. Weighted average method.
   d. Simple average method.

Q.2 Which of the following systems of inventory valuation computes cost of goods sold as a residual amount?
   a. Weighted Average.
   b. Last-in-First-out.
   c. Periodic Inventory System.
   d. Specific Identification.

Q.3 Annual requirement is 7800 units; consumption per week is 150 units. Unit price ` 5, order cost ` 10 per order. Carrying cost ` 1 per unit and lead time is 3 week, The Economic order quantity would be.
   a. 395 units
   b. 300 units
   c. 250 units
   d. 150 units

Q.4 The term Maximum level represents:
   a. The maximum stock level indicates the maximum quantity of an item of material which can be held in stock at any time.
   b. The maximum stock level indicates the maximum quantity of an item of material which cannot be held in stock at any time.
c. The average stock level indicates the maximum quantity of an item of material which can be held in stock at any time.

d. The available stock level indicates the maximum quantity of an item of material which can be held in stock at any time.

Q.5 The FIFO inventory costing method (when using a 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

Q.6 Under Periodic Inventory system Purchase of inventory is treated as:

a. Assets
b. Expense
c. Income
d. Liability

Q.7 Which of the following is NOT an assumption of the basic economic-order quantity model?

a. Annual demand is known
b. Ordering cost is known
c. Carrying cost is known
d. Quantity discounts are available

Q.8 In order to ensure efficient functioning of the stores department and steady flow of materials to the production departments, the restocking of stores is duty of:

a. Managers
b. Storekeeper
c. Production In charge

d. Sales supervisor

Q. 9 Annual requirement is 7800 units; consumption per week is 150 units. Unit price ` 5, order cost ` 10 per order. Carrying cost ` 1 per unit and lead time is 3 week. The Economic order quantity would be:

a. 395 units
b. 300 units
c. 250 units
d. 150 units

Q. 10 A firm requires 16,000 nos. of a certain component, which is buys at ` 60 each. The cost of placing an order and following it up is ` 120 and the annual storage charges works out to 10% of The cost of the item. To get maximum benefit the firm should place order for ......................... Units at a time.

a. 1,000  b. 900  c. 800  d. 600

Cost sheet and cost classification MCQ

11. Cost of production – Administration overhead = __________

a) Prime cost
b) Cost of sale
c) Works cost
d) Work in progress

12. Wherever part of the manufacturing operation is subcontracted, the subcontractor charges related to material shall be ________.

a) Ignore
b) Treated as cost of materials
c) Treated as works overheads
d) Treated as direct expenses

13. Prime cost is ________.

a) All costs incurred in manufacturing a product
b) The total of direct cost
c) The material cost of a product
d) The cost of operating a Department

14. Which of the following is not a component of prime cost? ______

a) Direct material
b) Direct labor
c) Direct expenses
d) **Overhead**

15. Overheads consist of all the following except______.

a) Indirect materials  
b) factory utilities  
c) **Direct labor**  
d) Indirect labor

16. Recruitment cost ____________

a) Shall form part of prime cost  
b) Shall form part of works cost  
c) **Shall form part of overheads**

d) Shall be ignored

17. Cost of goods manufactured will include opening and closing stock for ________.

a) **raw material and work in progress only**  
b) Work in progress only  
c) Raw material only  
d) Raw material, work in progress and finished goods

18. In the cost sheet, income from sale of empty containers used for dispatch of the goods produced shall be _____.

a) Added to cost of production  
b) **Deducted from cost of production**

c) Added to sales  
d) Ignored

19. In the cast sheet, abnormal costs e.g. due to accident shall be _____.

a) Added to cost of production  
b) **Deducted from cost of production**

c) Deducted from sales  
d) **Ignored**

20. Direct materials + direct labor + direct expenses = ________.

a) Books cost  
b) **Cost of production**

c) Cost of sales  
d) **Prime cost**

**Reconciliation of cost and financial account**

Q21. Financial profit is Rs. 40000 over absorption of overheads Rs 15000 costing profit is ____

(a) **55000**  
(b) 25000  
(c) 30000
Q22. If overheads recovered in Costing is less than actually incurred. It’s called as _________.

(a) Over absorption of Overheads.
(b) Under absorption of overheads.
(c) Reconciliation.
(d) All the above.

Q23. Over absorption of overheads in Costing will effect on Profit as per ________.

(a) Less profit in Cost Account.
(b) More Profit in Financial Account.
(c) Less profit in Cost A/c and More profit in Financial A/c
(d) More profit in Cost Account.

Q24. Interest on overdraft is __________

(a) Add in net profit as per cost account.
(b) Less from net profit as per cost account
(c) Ignore
(d) None of above

Q25. Under absorption of Overheads in Costing will _______show.

(a) More profit in Cost Account.
(b) Less profit in Cost Account.
(c) Less profit in financial account.
(d) More profit in Cost A/c and Less profit in Financial A/c


(a) Add in net profit in as per cost account.
(b) Less from net profit as per cost account.
(c) Only a.
(d) None of the above.

Q27. Bank interest & Transfer fees (Financial Book).

(a) Add in net profit in as per cost account.
(b) Less from net profit as per cost account.
(c) Both a & b.
(d) None of the above.


(a) Costing.
(b) Financial
(c) Both a & b
Q29. Under absorption of overheads ____________ costing profit.

(a) Decreases
(b) Increases
(c) Constant
(d) None of above

Q30. Balancing figure on debit side of Memorandum Reconciliation Account is known as ________.

(a) To profit as per financial account.
(b) To profit as per Cost Account.
(c) To Costing P&L.
(d) None of the above.

Labour costing

31. Under the high wage plan, a worker is paid
(a) At a time rate higher than the usual rate
(b) According to it’s efficiency
(c) At a double rate for over time
(d) Normal Wages + Bonus

32. Cost of idle time arising due to non-availability of raw material is
(a) Charge to costing profit and loss a/c
(b) Charge to factory overhead
(c) Recovered by inflating the wage rate
(d) Ignore

33. When overtime is required for meeting urgent orders, overtime premium should be
(a) Charge to costing profit and loss a/c
(b) Charge to factory overhead
(C) Charge to respective jobs
(d) Ignore

34. Wage sheet is prepared by
(a) Time keeping department
(b) Personnel department
(c) Payroll department
(d) Cost accounting department

35. Time and motion study is conducted by the
(a) Time keeping department  
(b) Personnel department  
(c) Payroll department  
(d) Engineering department

36. Labour turnover is caused by ________  
(a) Low wages  
(b) Good working condition  
(c) High wages  
(d) Huge incentives

37. Labour turnover is  
(a) Turnover of labour  
(b) Turnover of material  
(c) Stock turnover  
(d) Debtors turnover

38. Labour turnover is  
(a) Productivity of labour  
(b) Efficiency of labour  
(c) Change in labour force  
(d) Total cost of the labour

39. Time study is for  
(a) Measurement of work  
(b) Fixation of standard time  
(c) Ascertainment of actual hours  
(d) Ascertainment of labour cost

40. Idle time is  
(a) Time spent by workers in factory  
(b) Time spent by workers in office  
(c) Time spent by workers off their work  
(d) Time spent by workers on their job

**Overheads**

41. Director’s remuneration and expenses form a part of ____________  
   a. Production Overheads  
   b. Administration Overheads
c. Selling Overheads
d. Distribution Overheads

42 Bad debt is an example of ______
a. Production Overheads
b. Administration Overheads
c. Selling Overheads
d. Distribution Overheads

43 Advertisement expenses allocated on the basis of ______ ratio.
a. Purchases
b. Cash
c. Time
d. Sales

44 Salary of a foreman should be classified as ______
a. Fixed Overheads
b. Variable Overheads
c. Semi variable overheads
d. None of the above

45 The allotment of whole items of cost to cost centres or cost units is called _____
a. Cost apportionment
b. Cost Allocation
c. Overhead absorption
d. None of the above

46 When the actual overheads are more than the absorbed overheads. It is called ______
a. Over absorption
b. Under absorption
c. Capacity cost
d. None of these

47 Warehouse expenses is an example of ______
a. Production Overheads
b. Selling Overheads
c. Distribution Overheads
d. None of the above

48 Carriage inward is allocated on the basis of ______
a. Sales
b. Cash
c. Time
d. Purchases

49 If an item of overhead expenditure s charged specifically to a single department this
would be an example of ______
   a. Allocation
   b. Apportionment
   c. Reapportionment
   d. Absorption

50 ______ is not included in the administrative cost.
   a. Salaries of office staff
   b. Telephone charges
   c. Office expenses
   d. Salaries of foreman