

Composed & Solved
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Spring 2009

MGT402- Cost & Management Accounting (Session - 2)

Solved By Zoya

Helper Honey G

Question No: 1 (Marks: 1) - Please choose one

D Corporation uses process costing to calculate the cost of manufacturing Crunchies. During the month 12,500 units were completed, 1,500 units remained in work in process at 25 percent completed. How many equivalent units are produced?

- ▶ 12,500 units
- ▶ **12,875 units**
- ▶ 14,250 units
- ▶ 12,125 units

1500 ka 25 %age loo that is 375.....2500+375=12875

Question No: 2 (Marks: 1) - Please choose one

Greenwood petroleum has the data for the year was as follow:

Opening WIP	26,000 barrels.
Introduced during the year	67,000 barrels
Closing WIP	15,000 barrels.

How many barrels were completed and transferred out of work-in-process this period?

- ▶ 67,000 barrels
- ▶ **78,000 barrels**
- ▶ 82,000 barrels
- ▶ 93,000 barrels

26000+67000-15000=78000

Question No: 3 (Marks: 1) - Please choose one

During the year 50,000 units put in to process. 30,000 units were completed. Closing WIP were 20,000 units, 70% completed. How much the equivalent units of output would be produced?

- ▶ 20,000 units
- ▶ 30,000 units
- ▶ 36,000 units
- ▶ **44,000 units**

30000+ (20000* 0.70) = 44000

Question No: 4 (Marks: 1) - Please choose one

Note: Solve these papers by yourself

This VU Group is not responsible for any solved content

What would be the effect on the cost of a department in case of normal Loss?

- ▶ Decreased
- ▶ **Increased**
- ▶ No effect
- ▶ Increase to the %age of loss

for reference
see the page no. 60 of handouts

Question No: 5 (Marks: 1) - Please choose one

When 10,000 ending units of work-in-process are 30% completed as to conversion, it means:

- ▶ **30% of the units are completed**
- ▶ 70% of the units are completed
- ▶ Each unit has been completed to 70% of its final stage
- ▶ Each of the units is 30% completed

The cost of charging raw material into finished and semi finished products .
Conversion cost including wages other direct production cost and the production overhead

Question No: 6 (Marks: 1) - Please choose one

In order to compute equivalent units of production, which of the following must be reasonably **estimated**?

- ▶ Units
- ▶ **The percentage of completion**
- ▶ Direct material cost
- ▶ Units started and completed

Question No: 7 (Marks: 1) - Please choose one

In a job order cost system, the use of direct materials would be recorded as a debit to:

- ▶ Finished Goods inventory
- ▶ Manufacturing Overhead
- ▶ Raw Materials inventory
- ▶ **Work in Process inventory**

The periodic grand total are debited to work in process and factory overhead -control accounts and
credited to materials control account. Hand out page no 126

Question No: 8 (Marks: 1) - Please choose one

If management predicts total direct labor costs of Rs. 100,000 and total overhead costs of Rs. 200,000, what is its predetermined overhead rate based on direct labor costs?

- ▶ 50%
- ▶ 100%
- ▶ **200%**
- ▶ Cannot be determined

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

$$200000/100000=2$$

multiply by 100...=200%

Question No: 9 (Marks: 1) - Please choose one

P Ltd applied overheads on the basis of direct labor hours. The overhead applied rate for the period has been based on budgeted overhead of Rs.150, 000 and 50,000 direct labor hours. During the period overhead of Rs. 180,000 were incurred and 60,000 direct labor hours were used.

Which of the following statement is correct?

- ▶ Overhead was Rs.30,000 over applied
- ▶ Overhead was Rs.30,000 under applied
- ▶ **No under or over applied occurred**
- ▶ None of the given

$$180000 / 60000 = 3$$

$$150000 / 50000 = 3 \text{ option}$$

Question No: 10 (Marks: 1) - Please choose one

Raymond Corporation estimates factory overhead of Rs. 345,000 for next fiscal year. It is estimated that 60,000 units will be produced at a material cost of Rs. 575,000. Conversion will require 34,500 direct labor hours at a cost of Rs. 10 per hour, with 25,875 machine hours.

FOH rate on the bases of Prime cost would be?

- ▶ **Rs. 37.5 per unit**
- ▶ Rs. 56.6 per unit
- ▶ Rs. 60 per unit
- ▶ Rs.1 per unit

prime cost = DMC+DLC+DExp...

$$DMC=575,000+ \text{ Conversion Cost } .34,5000=920000$$

$$345000/920000= 3.75 \text{ multiply by } 100=37.5$$

Question No: 11 (Marks: 1) - Please choose one

Nelson Company has following FOH detail.

	<u>Budgeted (Rs.)</u>	<u>Actual (Rs.)</u>
Production Fixed overheads	36,000	39,000
Production Variable overheads	9,000	12,000
Direct labor hours	18,000	20,000

What would be the amount of under/over applied FOH

- ▶ Under applied by Rs.1,000
- ▶ **Over applied by Rs.1,000**

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

▶ Under applied by Rs.11,000
▶ Over applied by Rs.38,000
 $36000/18000=2$ then multiply 2 with actual hours that is $20000*2=40000$
actual OHs 39000....budgeted bn rahe hain 40000
 $39000 - 40000 = - 1000$

Question No: 12 (Marks: 1) - Please choose one

Which of the following is **TRUE** regarding the use of blanket rate?

- ▶ The use of a single blanket rate makes the apportionment of overhead costs unnecessary
- ▶ The use of a single blanket rate makes the apportionment of overhead costs necessary
- ▶ The use of a single blanket rate makes the apportionment of overhead costs uniform
- ▶ None of the given options

Page no 104 hand out

Question No: 13 (Marks: 1) - Please choose one

A Blanket Rate is:

- ▶ A single rates which used throughout the organisation departments
- ▶ A double rates which used throughout the organisation departments
- ▶ A single rates which used in different departments of the organisation.
- ▶ None of the Given

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Question No: 14 (Marks: 1) - Please choose one

It is possible for an item of overhead expenditure to be shared amongst many departments. It is also possible that this same item may relate to just one specific department.

If the item was not charged specifically to a single department this would be an example of:

- ▶ Apportionment
- ▶ Allocation
- ▶ Re-apportionment
- ▶ Absorption

Question No: 15 (Marks: 1) - Please choose one

FOH absorption rate is calculated by the way of:

Note: Solve these papers by yourself
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- ▶ Estimated FOH Cost/Direct labor hours
- ▶ Estimated FOH Cost/Direct labor cost
- ▶ Estimated FOH Cost/Machine hours
- ▶ All of the given options

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- 1) Direct labor cost base
- (2) Direct labor hours base
- (3) Machine hours base
- (4) Direct materials cost base
- (5) Prime cost base in sab ki calculation hoo sakti hain

Question No: 16 (Marks: 1) - Please choose one

Which of the following is / are time based incentive wage plan?

- ▶ Hasley Premium Plan
- ▶ Hasley Weir Premium Plan
- ▶ Rowan Premium Plan
- ▶ All of the given options

Ref page no 83

<http://www.scribd.com/doc/2918527/PPT-of-Incentives-Plans>

Question No: 17 (Marks: 1) - Please choose one

Per Piece commi If, Basic Salary	Rs.10,000	ssion	Rs. 5
Unit sold	700 pieces		

What will be the total Salary?

- ▶ Rs. 3,500
- ▶ Rs. 13,500
- ▶ Rs. 10,000
- ▶ Rs. 6,500

$700 \times 5 = 3500$ $3500 + 10000 = 13500$

Question No: 18 (Marks: 1) - Please choose one

Payroll includes:

- ▶ Salaries & Wages of direct labor
- ▶ Salaries & Wages of Indirect labor
- ▶ Salaries & Wages of Administrative
- ▶ Salaries & Wages of direct labor, Indirect labor, and Administrative

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Question No: 19 (Marks: 1) - Please choose one

Which of the following document evidences the transaction of purchase of material?

- ▶ Material requisition
- ▶ Store requisition
- ▶ Purchase order

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

► Purchase invoice

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Question No: 20 (Marks: 1) - Please choose one

Which of the following is **NOT** an assumption of the basic economic-order quantity model?

- Annual demand is known
- Ordering cost is known
- Carrying cost is known
- Quantity discounts are available

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Question No: 21 (Marks: 1) - Please choose one

A store sells five cases of soda each day. Ordering costs are Rs. 8 per order, and soda costs Rs. 3 per case. Orders arrive four days from the time they are placed. Daily holding costs are equal to 5% of the cost of the soda. What is the EOQ for soda?

- 4 cases
- 8 cases
- 10 cases
- 23 cases

$$2 * (365 * 5) * 8 / 3 / 0.05$$

jo answer ae ga us ka underoot to 23 aya ga

Question No: 22 (Marks: 1) - Please choose one

All of the following are deducted from Gross Profit to calculate Operating income **EXCEPT**:

- Selling expenses
- Advertising expenses
- Administrative expenses
- Financial expenses

Question No: 23 (Marks: 1) - Please choose one

Which of the following is **CORRECT** to calculate cost of goods manufactured?

- Direct labor costs plus total manufacturing costs
- The beginning work in process inventory plus total manufacturing costs and subtract the ending work in process inventory
- Beginning raw materials inventory plus direct labor plus factory overhead
- Conversion costs and work in process inventory adjustments results in cost of goods manufactured

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Question No: 24 (Marks: 1) - Please choose one

Which of the following is a period cost?

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

- ▶ Direct materials
- ▶ Indirect materials
- ▶ Factory utilities
- ▶ Administrative expenses

Page no 7

Question No: 25 (Marks: 1) - Please choose one

The salary of factory clerk is treated as:

- ▶ Direct labor cost
- ▶ Indirect labor cost
- ▶ Conversion cost
- ▶ Prime cost

Question No: 26 (Marks: 1) - Please choose one

The components of the conversion cost are:

- ▶ Direct Material + Direct Labor + Other Direct Cost
- ▶ Direct Labor + FOH
- ▶ Prime Cost + FOH+ Other Direct Cost
- ▶ Prime Cost + FOH

Page no 2

Question No: 27 (Marks: 1) - Please choose one

The cost of Telephone bill of the factory is treated as:

- ▶ Fixed cost
- ▶ Variable cost
- ▶ Step cost
- ▶ Semi variable cost

Page no 4

Question No: 28 (Marks: 1) - Please choose one

Which of the following is a cost that changes in proportion to changes in volume?

- ▶ Fixed cost
- ▶ Sunk cost
- ▶ Opportunity cost
- ▶ None of the given options

Page no 5

Question No: 29 (Marks: 1) - Please choose one

Cost accounting concepts include all of the following EXCEPT:

- ▶ Planning
- ▶ Controlling

Note: Solve these papers by yourself
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► Sharing

► Costing

Page no 1 n page no 10

Question No: 30 (Marks: 1) - Please choose one

If a predetermined FOH rate is not applied and the volume of production is reduced from the planned capacity level, the cost per unit expected to:

- Remain unchanged for fixed cost and increased for variable cost
- **Increase for fixed cost and remain unchanged for variable cost**
- Increase for fixed cost and decreased for variable cost
- Decrease for both fixed and variable costs

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Question No: 31 (Marks: 1) - Please choose one

All of the following are characteristics of Group Bonus Scheme **EXCEPT**:

- A standard time is set for the completion of a job
- If the time taken is greater than the time allowed, the workers in the group receive time wages
- If the time taken is less than the time allowed, the group receives a bonus on time saved
- **If the time taken is greater than the time allowed, the workers in the group receive time deductions for extra hours**

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Question No: 32 (Marks: 1) - Please choose one

Which of the following is **TRUE** when piece rate system is used for wage determination?

- Under this method of remuneration a worker is paid on the basis of time taken by him to perform the work
- **Under this method of remuneration a worker is paid on the basis of production**
- The rate is expressed in terms of certain sum of money for total production
- The rate is not expressed in terms of certain sum of money for total production

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Question No: 33 (Marks: 1) - Please choose one

Under Halsey premium plan, if the employee completes his job in less than the standard time fixed for the job, he is given:

- Only wages for the actual hours taken
- **Wages for the actual hours taken plus bonus equal to one half of the wage of the time saved**
- Wages for the actual hours taken plus bonus equal to one third of the wage of the time saved
- Only the bonus equal to one half of the time saved

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Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Question No: 34 (Marks: 1) - Please choose one

Which of the following is **NOT** a reason for carrying inventory?

- ▶ To maintain independence of operations
- ▶ To take advantage of economic purchase-order size
- ▶ **To make the system less productive**
- ▶ To meet variation in product demand

Ref

<http://webcache.googleusercontent.com/search?q=cache:mN0ZYZVpU6UJ:mgtclass.mgt.unm.edu/Stewart/MGT%2520300/Lecture%2520Files/Chap017%2520Inventory%2520Control.ppt+Which+of+the+following+is+NOT+a+reason+for+carrying+inventory%3F+%E2%96%BA+To+maintain+independence+of+operations+%E2%96%BA+To+take+advantage+of+economic+purchase-order+size+%E2%96%BA+To+make+the+system+less+productive+%E2%96%BA+To+meet+variation+in+product+demand&cd=2&hl=en&ct=clnk&gl=us>

Question No: 35 (Marks: 1) - Please choose one

Restocking of stores, in order to ensure efficient functioning of the stores department and steady flow of materials to the production departments, is duty of:

- ▶ Managers
- ▶ **Storekeeper**
- ▶ Production In charge
- ▶ Sales supervisor

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Question No: 36 (Marks: 1) - Please choose one

You made Rs. 10,000 loan to your cousin's company. At the end of one year, the company returned to you Rs. 10,850. The Rs. 850 is called which one of the following?

- ▶ Increases in loan
- ▶ Increases in dividends
- ▶ **An 8.5% return on investment**
- ▶ All of the given options

$$10000 * 8.50 / 100 = 850$$

Question No: 37 (Marks: 1) - Please choose one

The net sales of the business totals Rs. 200,000 and the Cost of Goods Sold for the same period totals Rs.146,000. What is the gross margin ratio?

- ▶ 0.22
- ▶ 0.25
- ▶ **0.27**
- ▶ 0.33

$$\text{Gross Profit margin rate} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100 = \%$$

$$200000 - 146000 = 54000$$

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

gross profit margin rate = $54000 / 200000 * 100$
Honey G: $0.27 * 100$

Question No: 38 (Marks: 1) - Please choose one

If, Gross profit = Rs. 40,000

GP Margin = 25% of sales

What will be the value of cost of goods sold?

- ▶ Rs. 160,000
- ▶ **Rs. 120,000**
- ▶ Rs. 40,000
- ▶ Can not be determined

= given amount * required percentage / given percentage

$40000 * 75 / 25 = 120000$

Question No: 39 (Marks: 1) - Please choose one

Cost accountants are concerned about the ratios relating to the Profits and Manufacturing costs. These ratios might include:

- ▶ Gross Mark up rate
- ▶ Inventory turnover ratio
- ▶ Cost of goods sold to sales ratio
- ▶ **All of the given options**

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Question No: 40 (Marks: 1) - Please choose one

The total cost to produce one unit is Rs. 600. Direct materials are 20% of the total cost and direct labor is 1/3 of the combined total of direct labor and direct materials. What was the cost for direct materials, direct labor, and factory overhead?

- ▶ Rs. 420, Rs. 60 and Rs. 120, respectively
- ▶ Rs. 60, Rs. 120 and Rs. 420, respectively
- ▶ **Rs. 120, Rs. 60 and Rs. 420, respectively**
- ▶ Rs 60, Rs. 420 and Rs. 120, respectively

material = $600 * .25 = 120$

Question No: 41 (Marks: 10)

CK Products Limited purchased materials of Rs. 550,000 and incurred direct labor of Rs. 420,000 during the year ended June 30, 2006. Factory overheads for the year were Rs.380,000. The inventory balances are as follows:

	July 1, 2005	June 30, 2006
	Rupees	Rupees
Finished goods	90,000	105,000
Work in process	121,000	110,000
Materials	100,000	105,000

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Required:

- 1) Cost Of Goods Manufactured Statement.
- 2) Cost Of Goods Sold Statement.

ANSWER:

CK Products Limited
Cost of Goods sold statement
For the year ended June 30, 2006

	Rupees
Opening inventory	100,000
Add: purchases	550,000
Less: Closing inventory	<u>105,000</u>
Direct material used	545,000
Add: Direct labour	<u>420,000</u>
Prime Cost	965,000
Add: factory overhead cost	<u>380,000</u>
Total factory cost	1,345,000
Add: opening work in process	<u>121,000</u>
Cost of goods to be manufactured	1,466,000
Less: closing work in process	<u>110,000</u>
Cost of goods manufactured	1,356,000
Add: Opening finished goods	<u>90,000</u>
Cost of goods to be sold	1,446,000
Less: closing finished goods	<u>105,000</u>
Cost of goods sold	1,341,000

MIDTERM EXAMINATION

Spring 2009

MT402- Cost & Management Accounting (Session - 2)

Solved By

"ZOYA CH" zoya.chaudhary111@gmail.com

Question No: 1 (Marks: 1) - Please choose one

D Corporation uses process costing to calculate the cost of manufacturing Crunchies. During the month 12,500 units were completed, 1,500 units remained in work in process at 25 percent completed. How many equivalent units are produced?

- ▶ 12,500 units
- ▶ **12,875 units**
- ▶ 14,250 units
- ▶ 12,125 units

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Question No: 2 (Marks: 1) - Please choose one

During the year 60,000 units put in to process. 55,000 units were completed. Closing WIP were 25,000 units, 40% completed. How much the equivalent units of output would be produced?

- ▶ 25,000 units
- ▶ 10,000 units
- ▶ **65,000 units**
- ▶ 80,000 units

$$25000 \times 40 / 100 = 10000 + 55000 = 65000$$

Question No: 3 (Marks: 1) - Please choose one

FIFO is the abbreviation of:

- ▶ Final Interest-Free Option
- ▶ **First in First out Method**
- ▶ None of the given options
- ▶ Fixed income Financial Operations

Question No: 4 (Marks: 1) - Please choose one

The cost that is subject to actual payment or will be paid for in future is called:

- ▶ Fixed cost
- ▶ Step cost
- ▶ **Explicit cost**
- ▶ Imputed cost

Page no 7

Question No: 5 (Marks: 1) - Please choose one

A cost that has been incurred but cannot be changed by present or future decisions is called:

- ▶ **Sunk cost**
- ▶ Differential cost
- ▶ Opportunity cost
- ▶ Marginal cost

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Question No: 6 (Marks: 1) - Please choose one

In the process costing when material is issued for production to department no 1. what would be the journal entry Passed?

▶ **W.I.P (Dept-I)**
To Material a/c

- ▶ W.I.P (Dept-ii)

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

To Material a/c

▶ Material a/c
To W.I.P (Dept-ii)

▶ W.I.P (Dept-ii)
To FOH applied.

http://www.accountingformanagement.com/standard_cost_accounting_journal_entries.htm

Question No: 7 (Marks: 1) - Please choose one

Which of the following loss is not included as part of the cost of transferred or finished goods, but rather treated as a period cost?

- ▶ Operating loss
- ▶ Abnormal loss
- ▶ Normal loss
- ▶ **Non-operating loss**

<http://www.businessdictionary.com/definition/non-operating-loss.html>

non operating Loss incurred in activities that are not directly related to the main business of the firm, such as a strike.

that is a loss that is not associated with product but charged to p&l Account

Question No: 8 (Marks: 1) - Please choose one

In the process costing when labor is charged to production department no 1. What would be the journal entry Passed?

▶ Payroll a/c
To W.I.P (Dept-I)

▶ Payroll a/c
To W.I.P (Dept-II)

▶ **W.I.P (Dept-I)**
To Payroll a/c

▶ W.I.P (Dept-II)
To Payroll a/c

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Question No: 9 (Marks: 1) - Please choose one

In a process costing system, the journal entry used to record the transfer of units from Department A, a processing department, to Department B, the next processing department, includes a debit to:

- ▶ Work in Process Department A and a credit to Work in Process Department B
- ▶ Work in Process Department B and a credit to Work in Process Department A
- ▶ Work in Process Department B and a credit to Materials
- ▶ Finished Goods and a credit to Work in Process Department B

Question No: 10 (Marks: 1) - Please choose one

Which of the following is/are reported in production cost report?

- ▶ The costs charged to the department
- ▶ How the costs were assigned to the output?
- ▶ The equivalent units of production by the department
- ▶ All of the given options

Page no 13

Question No: 11 (Marks: 1) - Please choose one

All of the following are not characteristics of Process costing **EXCEPT**:

- ▶ High production volume and heterogeneous products
- ▶ High production volume and homogeneous products
- ▶ Low production volume and heterogeneous products
- ▶ Low production volume and homogeneous products

Page no 124 – 125

Question No: 12 (Marks: 1) - Please choose one

Which of the following is characteristic of a job order cost accounting system?

- ▶ It records manufacturing activities using a perpetual inventory system
- ▶ It tracks cost by job
- ▶ It is best suited for customized products
- ▶ All of the given options

Page no 13

Question No: 13 (Marks: 1) - Please choose one

Which of the following statements is **TRUE**?

- ▶ Companies that produce many different products or services are more likely to use job-order costing systems than process costing systems
- ▶ Costs are traced to departments and then allocated to units of product when job-order costing is used
- ▶ Job-order costing systems are used by service firms only and process costing systems are used by manufacturing concern only

► Companies that produce many different products or services are more likely to use process costing systems than Job order costing systems
Page no 124

Question No: 14 (Marks: 1) - Please choose one

A company applied overheads on machine hours which were budgeted at 11,250 with overhead of Rs.258, 750. Actual results were 10,980 hours with overheads of Rs.254, 692. Overhead were?

- Over applied by Rs.4, 058
- Under applied by Rs.2, 152
- Under applied by Rs.4, 058
- Over applied by Rs.2, 152

absorption rate = budgeted overheads divided by budgeted hours...

258750 divide 11250=23

then multiply actual hours worked into 23...

23 multiply 10980=252540

actual hamare pass 254, 692 hain par rate se 252540 ae...dono ka difference liya to actual zyada thay budgeted se under applied 2152

Question No: 15 (Marks: 1) - Please choose one

If a company uses a predetermined rate for the application of factory overhead, the idle capacity variance is the:

- Over or under applied fixed cost element of overheads
- Over or under applied variable cost element of overheads
- Difference in budgeted costs and actual costs of fixed overheads items
- Difference in budgeted cost and actual costs of variable overheads items

http://www.accountingformanagement.com/idle_capacity_variance.htm

Following formula/equation is used for the calculation of factory overhead idle capacity variance:

[Budgeted allowance based on actual hours worked* – (Actual hours worked × Standard overhead rate)]

Question No: 16 (Marks: 1) - Please choose one

Under applied FOH costs are:

- Fixed costs not allocated to units produced
- Factory overhead costs not allocated to units costs
- Excess variable factory overhead costs
- Costs that can not be controlled

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Question No: 17 (Marks: 1) - Please choose one

Nelson Company has following FOH detail.

<u>Budgeted (Rs.)</u>	<u>Actual (Rs.)</u>
-----------------------	---------------------

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Production Fixed overheads	36,000	39,000
Production Variable overheads	9,000	12,000
Direct labor hours	18,000	20,000

What would be the amount of under/over applied FOH

- ▶ Under applied by Rs.1,000
- ▶ Over applied by Rs.1,000
- ▶ Under applied by Rs.11,000
- ▶ Over applied by Rs.38,000

45000 divide 18000=2.5

2.5multiply by 20000=50000

actual FOH=39000+12000=51000

difference of 51000-50000=1000 underapplied

Question No: 18 (Marks: 1) - Please choose one

Which of the following statement is **TRUE** about FOH applied rates?

- ▶ They are used to control overhead costs
- ▶ They are based on actual data for each period
- ▶ They are predetermined in advance for each period
- ▶ None of the given options

Cost Accounting: Foundations and Evolutions - Google Books Result

Question No: 19 (Marks: 1) - Please choose one

A Blanket Rate is:

- ▶ A single rates which used throughout the organisation departments
- ▶ A double rates which used throughout the organisation departments
- ▶ A single rates which used in different departments of the organisation.
- ▶ None of the Given

Page no 104

Question No: 20 (Marks: 1) - Please choose one

Which of the following statement is true regarding Repeated distribution method?

- ▶ The re-allocation continues until the numbers being dealt with become very small
- ▶ The re-allocation continues until the numbers being dealt with become very Large
- ▶ The re-allocation continues until the numbers being dealt with become small
- ▶ None of the given options

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Question No: 21 (Marks: 1) - Please choose one

The Process of cost apportionment is carried out so that:

- ▶ Cost may be controlled

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

- ▶ Cost unit gather overheads as they pass through cost centers
- ▶ Whole items of cost can be charged to cost centers
- ▶ **Common costs are shared among cost centers**

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Question No: 22 (Marks: 1) - Please choose one

Where there is mass production of homogeneous units or where few products are produced in batches, which of the following cost driver would be regarded as best base for the determination of Factory overhead absorption rate?

- ▶ **Number of units produced**
- ▶ Labor hours
- ▶ Prime cost
- ▶ Machine hours

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Question No: 23 (Marks: 1) - Please choose one

The flux method of labor turnover denotes:

- ▶ Workers employed under the expansion schemes of the company
- ▶ The total change in the composition of labor force
- ▶ Workers appointed against the vacancy caused due to discharge or quitting of the organization
- ▶ **Workers appointed in replacement of existing employees**

(2) Flux method:

Labor turnover is measured by dividing the total number of separations and replacements by the average number of workers.

Labor turnover

$$\text{Labor turnover} = \frac{\text{Number of separations} + \text{number of replacement}}{\text{Average number of workers during the period}} \times 100$$

Question No: 24 (Marks: 1) - Please choose one

If, Basic Salary Rs.10,000
Per Piece commission Rs. 5
Unit sold 700 pieces
Amount of commission received will be:

- ▶ Rs. 3,500
- ▶ **Rs. 13,500**
- ▶ Rs. 10,000
- ▶ Rs. 6,500

basic salary hai Rs.10000/-

700 pieces into 5=3500

total salary = basic salary+commission

Rs10000+3500=13500

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Question No: 25 (Marks: 1) - Please choose one

Payslip contains all **EXCEPT**:

- ▶ Gross pay
- ▶ Statutory & non- statutory deductions
- ▶ Net pay
- ▶ Tax rebates

Page no 76

Question No: 26 (Marks: 1) - Please choose one

Payroll includes:

- ▶ Salaries & Wages of direct labor
- ▶ Salaries & Wages of Indirect labor
- ▶ Salaries & Wages of Administrative
- ▶ Salaries & Wages of direct labor, Indirect labor, and Administrative

Question No: 27 (Marks: 1) - Please choose one

Which of the following document evidences the transaction of purchase of material?

- ▶ Material requisition
- ▶ Store requisition
- ▶ Purchase order
- ▶ Purchase invoice

Question No: 28 (Marks: 1) - Please choose one

If EOQ = 360 units, order costs are Rs. 5 per order, and carrying costs are Rs. 0.20 per unit, what is the usage in units?

- ▶ 2,592 units
- ▶ 25,920 units
- ▶ 18,720 units
- ▶ 129,600 units

Question No: 29 (Marks: 1) - Please choose one

When purchases are added to raw material opening Inventory, we get the value of:

- ▶ Material consumed.
- ▶ Material available for use.
- ▶ Material needed.
- ▶ Raw material ending inventory.

Question No: 30 (Marks: 1) - Please choose one

Finished goods inventory costs represent the costs of goods that are:

- ▶ Currently being worked on
- ▶ Waiting to be worked on
- ▶ Waiting to be sold
- ▶ Already delivered to customers

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Question No: 31 (Marks: 1) - Please choose one

The salary of factory clerk is treated as:

- ▶ Direct labor cost
- ▶ Indirect labor cost
- ▶ Conversion cost
- ▶ Prime cost

Question No: 32 (Marks: 1) - Please choose one

The cost of Telephone bill of the factory is treated as:

- ▶ Fixed cost
- ▶ Variable cost
- ▶ Step cost
- ▶ Semi variable cost

Question No: 33 (Marks: 1) - Please choose one

Cost accounting concepts include all of the following EXCEPT:

- ▶ Planning
- ▶ Controlling
- ▶ Sharing
- ▶ Costing

Question No: 34 (Marks: 1) - Please choose one

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

- ▶ Piece rate plan
- ▶ Time rate plan
- ▶ Differential plan
- ▶ Group bonus system

Question No: 35 (Marks: 1) - Please choose one

All of the following are characteristics of Group Bonus Scheme **EXCEPT**:

- ▶ A standard time is set for the completion of a job
- ▶ If the time taken is greater than the time allowed, the workers in the group receive time wages
- ▶ If the time taken is less than the time allowed, the group receives a bonus on time saved
- ▶ If the time taken is greater than the time allowed, the workers in the group receive time deductions for extra hours

Question No: 36 (Marks: 1) - Please choose one

Which of the following is a mechanical device to record the exact time of the workers?

- ▶ Clock Card

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

- ▶ Bin Card
- ▶ Token System
- ▶ Attendance Register

Question No: 37 (Marks: 1) - Please choose one

Which of the following is calculated by a formula that uses net sales as denominator?

- ▶ Inventory turnover ratio
- ▶ Gross profit rate
- ▶ Return on Investment
- ▶ None of the given options

Question No: 38 (Marks: 1) - Please choose one

Which of the following formula is used to calculate the Number of units manufactured?

- ▶ Sold units - Units of closing finished goods inventory + Units of opening finished goods inventory
- ▶ Sold units + Average units of finished goods inventory
- ▶ Sold units - Average units of finished goods inventory
- ▶ Sold units + Units of closing finished goods inventory - Units of opening finished goods inventory

Page no 36

Question No: 39 (Marks: 1) - Please choose one

The net sales of the business totals Rs. 200,000 and the Cost of Goods Sold for the same period totals Rs.146,000. What is the gross margin ratio?

- ▶ 0.22
- ▶ 0.25
- ▶ 0.27
- ▶ 0.33

$200000 - 146000 = 54000$
 $54000 \text{ divide } 200000$
0.27

Question No: 40 (Marks: 1) - Please choose one

Consider the following data:

Particulars	Rs.
Raw material inventory beginning	14,000
Purchases of Raw materials	120,000
Raw material inventory Ending	10,000
Direct labor	200,000
Manufacturing Overhead (actual)	402,000
Manufacturing Overhead (applied)	404,000

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

What is the amount of under or over applied manufacturing overhead cost?

► Over applied Rs. 2,000

► Over applied Rs. 3,000

► Under applied Rs. 3,000

► Under applied Rs. 2,000

difference of Manufacturing Overhead (actual) 402,000
Manufacturing Overhead (applied) 404,000

Question No: 41 (Marks: 10)

Corporation submits the following data for September 1998:

Direct labor cost Rs. 30,000

Cost of goods sold Rs. 111,000 (Before adjusting for over or under applied overhead)

Factory overhead is applied at the rate of 150% of direct labor cost. Over or under applied factory overhead is charged to the cost of goods sold account. Inventory accounts showed these beginning and ending balances as follows:

	September 1	September 30
Finished goods	Rs. 15,000	Rs. 17,500
Work in process	9,600	13,000
Materials	7,000	7,000
Other data:		
Factory overhead (actual)		Rs. 48,200
Marketing expense		14,100
General and Administrative expenses		22,900
Sales for the month		1,82,000

Prepare an income statement with a schedule showing the cost of goods manufactured and sold.

MIDTERM EXAMINATION
Spring 2009
MGT402- Cost & Management Accounting (Session - 4)
Solved by

Note: Solve these papers by yourself
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Question No: 1 (Marks: 1) - Please choose one

D Corporation uses process costing to calculate the cost of manufacturing Crunchies. During the month 12,500 units were completed, 1,500 units remained in work in process at 25 percent completed. How many equivalent units are produced?

- ▶ 12,500 units
- ▶ **12,875 units**
- ▶ 14,250 units
- ▶ **12,125 units**

1500 into 25 divide by 100=375 then add 12500=12875units

Question No: 2 (Marks: 1) - Please choose one

Details of the process for the last period are as follows:

Materials	5,000 Kgs at 0.50 per Kg
Labor	Rs.700
Production overheads	200% of labor

Normal losses are 10% of input in the process. The out put for the period was 4,200Kg from the process. There was no opening and closing Work- in- process. What were the units of abnormal loss?

- ▶ **500 units**
- ▶ **300 units**
- ▶ 200 units
- ▶ 100 units

5000-500=4500

4500-4200=300

Question No: 3 (Marks: 1) - Please choose one

The following data is available for the Bricks Company:

Particulars	Rs.
Freight in	20,000
Purchases return and allowances	80,000
Marketing expenses	200,000

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Finished goods Inventory, ending	90,000
Cost of goods sold	700% of marketing expenses

Calculate the cost of goods available for sales if Gross Profit is 50% of cost of goods sold.

- ▶ Rs. 1,390,000
- ▶ **Rs. 1,490,000**
- ▶ **Rs. 1,500,000**
- ▶ Rs. 1,590,000

Cost of goods sold = 700% of Marketing exp
 $200,000 \times 700\% = 1,400,000$

Cost of goods sold	1,400,000
Add ending inventory of F.goods	90,000
Cost of goods available 4 sale	1,490,000

Question No: 4 (Marks: 1) - Please choose one

Which of the following is NOT an element of factory overhead?

- ▶ Depreciation of the maintenance on equipment
- ▶ Salary of the plant supervisor
- ▶ **Property taxes on the plant buildings**
- ▶ **Salary of a marketing manager**

Page no 99

Question No: 5 (Marks: 1) - Please choose one

Which of the following is NOT reason of abnormal loss?

- ▶ Defective material used
- ▶ Machine breakdown
- ▶ Poor workmanships
- ▶ **Natural disaster**

Question No: 6 (Marks: 1) - Please choose one

Which of the following loss is not included as part of the cost of transferred or finished goods, but rather treated as a period cost?

- ▶ Operating loss
- ▶ **Abnormal loss**
- ▶ Normal loss
- ▶ **Non-operating loss**

Question No: 7 (Marks: 1) - Please choose one

Which cost accumulation procedure is best suited to a continuous mass production

Note: Solve these papers by yourself
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process of similar units?

- ▶ Job order costing
- ▶ **Process costing**
- ▶ Standard costing
- ▶ Actual costing

Page no 124

Question No: 8 (Marks: 1) - Please choose one

In a job order cost system, the use of direct materials would be recorded as a debit to:

- ▶ Finished Goods inventory
- ▶ **Manufacturing Overhead**
- ▶ Raw Materials inventory
- ▶ **Work in Process inventory**

Job order costing. | Professional Services > Accounting
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www.allbusiness.com

Question No: 9 (Marks: 1) - Please choose one

P Ltd applied overheads on the basis of direct labor hours. The overhead applied rate for the period has been based on budgeted overhead of Rs.150, 000 and 50,000 direct labor hours. During the period overhead of Rs. 180,000 were incurred and 60,000 direct labor hours were used.

Which of the following statement is correct?

- ▶ Overhead was Rs.30,000 over applied
- ▶ **Overhead was Rs.30,000 under applied**
- ▶ **No under or over applied occurred**
- ▶ None of the given

150000-180000

-30000

Question No: 10 (Marks: 1) - Please choose one

Under applied FOH costs are:

- ▶ **Fixed costs not allocated to units produced**
- ▶ **Factory overhead costs not allocated to units costs**
- ▶ Excess variable factory overhead costs
- ▶ Costs that can not be controlled

Page no 117

Question No: 11 (Marks: 1) - Please choose one

A spending variance for factory overhead is the difference between actual factory

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

overhead cost and factory overhead cost that should have been incurred for actual hours worked and results from:

- ▶ Price difference of FOH costs
- ▶ Quantity differences of FOH costs
- ▶ **Price and quantity differences for FOH costs**
- ▶ **Difference caused by production volume variations**

Page no 133

Question No: 12 (Marks: 1) - Please choose one

Capacity Variance / Volume Variance arises due to

- ▶ Difference between Absorbed factory overhead and budgeted factory for capacity attained
- ▶ Difference between Absorbed factory overhead and absorption rate
- ▶ **Difference between Budgeted factory overhead for capacity attained and FOH actually incurred**
- ▶ None of the given options

Question No: 13 (Marks: 1) - Please choose one

Budget/spending variance arises due to:

- ▶ Difference between absorbed factory overhead & capacity level attained
- ▶ **Difference between budgeted factory overhead for capacity attained and FOH actually incurred**
- ▶ Difference between absorbed factory overhead and FOH actually incurred
- ▶ None of the given options

Page no 120

Question No: 14 (Marks: 1) - Please choose one

Which of the following statement about overhead applied rates are **NOT** true?

- ▶ They are predetermined in advance for each period
- ▶ They are used to charge overheads to product
- ▶ They are based on actual data for each period
- ▶ **None of the given options**

Page no 23 25

Question No: 15 (Marks: 1) - Please choose one

Which of the following is **TRUE** regarding the use of blanket rate?

- ▶ **The use of a single blanket rate makes the apportionment of overhead costs unnecessary**
- ▶ The use of a single blanket rate makes the apportionment of overhead costs necessary
- ▶ The use of a single blanket rate makes the apportionment of overhead costs

Note: Solve these papers by yourself
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uniform

- ▶ None of the given options

Page no 104

Question No: 16 (Marks: 1) - Please choose one

A Blanket Rate is:

- ▶ **A single rates which used throughout the organisation departments**
- ▶ A double rates which used throughout the organisation departments
- ▶ A single rates which used in different departments of the organisation.
- ▶ None of the Given

104 page no

Question No: 17 (Marks: 1) - Please choose one

Which of the following is **NOT** included under the head of FOH cost?

- ▶ Indirect Material
- ▶ Indirect Labor
- ▶ Indirect Expense
- ▶ **Direct labor**

Question No: 18 (Marks: 1) - Please choose one

Which of the following is a point of differentiation between blanket rates and department rates?

- ▶ **Blanket rate is a single overhead rate established for the entire factory**
- ▶ Department rates are separate overhead rates for all departments of factory through which the products pass
- ▶ Department rate is a single overhead rate established for the entire factory
- ▶ Blanket rates are separate overhead rates for all departments of factory through which the product passes

Page no 104

Question No: 19 (Marks: 1) - Please choose one

Which of the following is **TRUE** for Merrick Differential System?

- ▶ Merrick Differential system is a slight modification of the Taylor's system
- ▶ **Merrick Differential system used two rates of wage determination instead of three**
- ▶ Normal piece rates are applicable at 75% of efficiency of worker
- ▶ Normal piece rates are applicable at 125% of efficiency of worker

Merrick Differential system is a slight modification of the Taylor's ... **Merrick Differential system** used two rates of wage determination instead of **three**
<http://search.yahoo.com/search?fr=ffds1&p=Merrick+Differential+System>

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Question No: 20 (Marks: 1) - Please choose one

A worker is paid Rs. 0.50 per unit and he produces 18 units in 7 hours. Keeping in view the piece rate system, the total wages of the worker would be:

▶ **18 x 0.50 = Rs. 9**

▶ 18 x 7 = Rs. 126

▶ 7 x 0.5 = Rs. 3.5

▶ 18 x 7 x 0.50 = Rs. 63

Untis * production

Question No: 21 (Marks: 1) - Please choose one

Which of the following is **NOT** time based incentive wage plan?

▶ Hasley Premium Plan

▶ Hasley Weir Premium Plan

▶ Rowan Premium Plan

▶ **Merrick Differential Piece Rates System**

Page no 83

Question No: 22 (Marks: 1) - Please choose one

Payroll includes:

▶ Salaries & Wages of direct labor

▶ Salaries & Wages of Indirect labor

▶ Salaries & Wages of Administrative

▶ **Salaries & Wages of direct labor, Indirect labor, and Administrative**

Page no 69

Question No: 23 (Marks: 1) - Please choose one

Material requisition is a document that supports the requirement of the material. This document is sent to store incharge and approved by:

▶ Store manager

▶ **Production manager**

▶ Supplier manager

▶ Purchase manager

Page no 65

Question No: 24 (Marks: 1) - Please choose one

In the basic EOQ model, if Units= 50 per month, Ordering cost =Rs. 10, and carrying cost =Rs. 10 per unit per month, EOQ is:

▶ **10**

▶ 12

▶ 25

▶ **30**

2 *50 * 10 = 1000

1000 / 10 = 100

BY TAKING JAZHER IT WILL BE 10

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Question No: 25 (Marks: 1) - Please choose one

Which of the following is important requirement of the effective material control?

- ▶ There are proper storage facilities
- ▶ There is a proper authority that will regulate the supply of material
- ▶ The accounts should provide a running balance of the value of the materials on hand

▶ **All of the given options**

Page no 50

Question No: 26 (Marks: 1) - Please choose one

Which of the following method of inventory valuation is not recommended under IAS 02?

▶ **LIFO**

- ▶ FIFO
- ▶ Weighted Average
- ▶ Both LIFO & FIFO

Question No: 27 (Marks: 1) - Please choose one

Average consumption x Emergency time is a formula for the calculation of:

- ▶ Lead time
- ▶ Re-order level
- ▶ Maximum consumption

▶ **Danger level**

Question No: 28 (Marks: 1) - Please choose one

Period costs are:

- ▶ Expensed when the product is sold
- ▶ Included in the cost of goods sold
- ▶ **Related to specific period**
- ▶ Not expensed

Page no 7

Question No: 29 (Marks: 1) - Please choose one

The components of the conversion cost are:

- ▶ Direct Material + Direct Labor + Other Direct Cost
- ▶ **Direct Labor + FOH**
- ▶ Prime Cost + FOH+ Other Direct Cost
- ▶ Prime Cost + FOH

Page no 8

Question No: 30 (Marks: 1) - Please choose one

The cost of Telephone bill of the factory is treated as:

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

- ▶ Fixed cost
- ▶ **Variable cost**
- ▶ Step cost
- ▶ **Semi variable cost**

Question No: 31 (Marks: 1) - Please choose one

Which of the following is indirect cost?

- ▶ The overtime premium incurred at the specific request of a customer
- ▶ The hire of tools for a specific job
- ▶ The repair of machinery
- ▶ **All of the given options**

Page no 2

Question No: 32 (Marks: 1) - Please choose one

Which of the following are basic inventories for a manufacturing concern?

- ▶ Indirect materials, goods in process, and raw materials
- ▶ Finished goods, raw materials, and direct materials
- ▶ **Raw materials, goods in process, and finished goods**
- ▶ Raw materials, factory overhead, and direct labor

Question No: 33 (Marks: 1) - Please choose one

Machine lubricant used on processing equipment in a manufacturing plant would be classified as a:

- ▶ Period cost (manufacturing overhead)
- ▶ Period cost (Selling, General & Admin)
- ▶ **Product cost (manufacturing overhead)**
- ▶ Product cost (Selling, General & Admin)

Question No: 34 (Marks: 1) - Please choose one

Cost accounting concepts include all of the following EXCEPT:

- ▶ Planning
- ▶ Controlling
- ▶ **Sharing**
- ▶ Costing

Question No: 35 (Marks: 1) - Please choose one

Under Halsey premium plan, if the employee completes his job in less than the standard time fixed for the job, he is given:

- ▶ Only wages for the actual hours taken
- ▶ **Wages for the actual hours taken plus bonus equal to one half of the wage of the time saved**

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

▶ Wages for the actual hours taken plus bonus equal to one third of the wage of the time saved

▶ Only the bonus equal to one half of the time saved

Page no 83

Question No: 36 (Marks: 1) - Please choose one

Which of the following is **NOT** a reason for carrying inventory?

- ▶ To maintain independence of operations
- ▶ To take advantage of economic purchase-order size
- ▶ **To make the system less productive**
- ▶ **To meet variation in product demand**

Question No: 37 (Marks: 1) - Please choose one

“Taking steps for the fresh purchase of those stocks which have been exhausted and for which requisitions are to be honored in future” is an easy explanation of:

- ▶ Over stocking
- ▶ Under stocking
- ▶ **Replenishment of stock**
- ▶ Acquisition of stock

Page no 50

Question No: 38 (Marks: 1) - Please choose one

Which of the following formula is used to calculate the Number of units manufactured?

- ▶ **Sold units - Units of closing finished goods inventory + Units of opening finished goods inventory**
- ▶ Sold units + Average units of finished goods inventory
- ▶ Sold units - Average units of finished goods inventory
- ▶ **Sold units + Units of closing finished goods inventory - Units of opening finished goods inventory**

Page no 50

Question No: 39 (Marks: 1) - Please choose one

The total cost to produce one unit is Rs. 600. Direct materials are 20% of the total cost and direct labor is 1/3 of the combined total of direct labor and direct materials. What was the cost for direct materials, direct labor, and factory overhead?

- ▶ Rs. 420, Rs. 60 and Rs. 120, respectively
- ▶ **Rs. 60, Rs. 120 and Rs. 420, respectively**
- ▶ **Rs. 120, Rs. 60 and Rs. 420, respectively**
- ▶ Rs 60, Rs. 420 and Rs. 120, respectively

Question No: 40 (Marks: 1) - Please choose one

Opportunity cost is the best example of:

- ▶ **Relevant Cost**
- ▶ Irrelevant Cost

Note: Solve these papers by yourself
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- ▶ Standard Cost
- ▶ Sunk Cost

Page no 226

Question No: 41 (Marks: 10)

Differentiate between process costing and job order costing.

Process costing

It is a method of cost accounting applied to production carried out by a series of operational, stages or processes. It is a continuous production process. In process costing all units produce are similar. The whole process is divided into several departments.

Job order costing.

The costing system that separately accumulates costs incurred to produce each job in a situation where each job is distinguishable from the other throughout the production process. The job may be a single unit or a multi unit batch, a contract or a project, program or a service. Job costing is employed by organizations possessing following characteristics.

1. Every order has its own manufacturing specifications. Therefore, every job is different from the other and requires different amounts materials, labor and overhead.
2. Each job is clearly distinguishable from the other at all stages production process which makes job wise accumulation of possible.
3. Each job is generally of high value.
4. Production is generally in response of customers' orders
5. Job wise accumulation of cost is desirable and/or necessary for and profit determination.

Job costing is more expensive as compared with process costing.

2nd solution

1:Job order costing system

Where different products having peculiar specifications are produced against customers' orders

Process costing system

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Where single standard product is produced or two or more standard products are produced in successive runs. Production is for stock and in anticipation of

2: Process costing

It is a method of cost accounting applied to production carried out by a series of operational

stages or processes.

Job order costing

Generally, it is the allocation of all time, material and expenses to an individual project or job.

3: Job costing and process costing are two basic types of costing systems and can be viewed

as two ends of a spectrum or range. In practice we find companies employing either one of

these two or some combination of features of the two both of these at the same time. For

example, a ready made garments manufacturer employs process costing to accumulate and

determine the cost of free size shirts produced by him in large quantity. At the same time he

uses job costing to accumulate the cost of waiters' uniforms supplied to a hotel under a

contract.

Job costing may be defined:

The costing system that separately accumulates costs incurred to produce each job in a situation where each job is

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

distinguishable from the other throughout the production process.

The job may be a single unit or a multi unit batch, a contract or a project, program or a service. Job

costing is employed by organisations possessing following characteristics:

1. Production is generally in response of customers' orders.
2. Every order has its own manufacturing specifications. Therefore, every job is different from the
3. other and requires different amounts materials, labor and overhead.
4. Each job is clearly distinguishable from the other at all stages production process which makes
5. job-wise accumulation of possible.
6. Job-wise accumulation of cost is desirable and/or necessary for and profit determination and
7. Each job is generally of high value.
8. Following are the examples of organisations employing job costing include:

MIDTERM EXAMINATION

Spring 2009

MGT402- Cost & Management Accounting (Session - 2)

Solved By

"ZOYA CH" <zoya.chaudhary111@gmail.com>

Question No: 1 (Marks: 1) - Please choose one

D Corporation uses process costing to calculate the cost of manufacturing Crunchies. During the month 12,500 units were completed, 1,500 units remained in work in process at 25 percent completed. How many equivalent units are produced?

- ▶ 12,500 units
- ▶ **12,875 units**
- ▶ 14,250 units
- ▶ 12,125 units

Question No: 2 (Marks: 1) - Please choose one

Greenwood petroleum has the data for the year was as follow:

Opening WIP	26,000 barrels.
-------------	-----------------

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Introduced during the year	67,000 barrels
Closing WIP	15,000 barrels.

How many barrels were completed and transferred out of work-in-process this period?

- ▶ 67,000 barrels
- ▶ **78,000 barrels**
- ▶ 82,000 barrels
- ▶ 93,000 barrels

Question No: 3 (Marks: 1) - Please choose one

During the year 50,000 units put in to process. 30,000 units were completed. Closing WIP were 20,000 units, 70% completed. How much the equivalent units of output would be produced?

- ▶ 20,000 units
- ▶ 30,000 units
- ▶ 36,000 units
- ▶ **44,000 units**

$$30000 + 14000$$

$$20000 \times 0.70 = 14000$$

Question No: 4 (Marks: 1) - Please choose one

What would be the effect on the cost of a department in case of normal Loss?

- ▶ Decreased
- ▶ **Increased**
- ▶ No effect
- ▶ Increase to the %age of loss

Page no 60

Question No: 5 (Marks: 1) - Please choose one

When 10,000 ending units of work-in-process are 30% completed as to conversion, it means:

- ▶ **30% of the units are completed**
- ▶ 70% of the units are completed
- ▶ Each unit has been completed to 70% of its final stage
- ▶ Each of the units is 30% completed

Question No: 6 (Marks: 1) - Please choose one

In order to compute equivalent units of production, which of the following must be reasonably **estimated**?

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

► Units

► **The percentage of completion**

► Direct material cost

► Units started and completed

Page no 134

Question No: 7 (Marks: 1) - Please choose one

In a job order cost system, the use of direct materials would be recorded as a debit to:

► Finished Goods inventory

► Manufacturing Overhead

► Raw Materials inventory

► **Work in Process inventory**

Question No: 8 (Marks: 1) - Please choose one

If management predicts total direct labor costs of Rs. 100,000 and total overhead costs of Rs. 200,000, what is its predetermined overhead rate based on direct labor costs?

► 50%

► 100%

► **200%**

► Cannot be determined

$200000 / 100000 * 100$
 $= 200\%$

Question No: 9 (Marks: 1) - Please choose one

P Ltd applied overheads on the basis of direct labor hours. The overhead applied rate for the period has been based on budgeted overhead of Rs.150, 000 and 50,000 direct labor hours. During the period overhead of Rs. 180,000 were incurred and 60,000 direct labor hours were used.

Which of the following statement is correct?

► Overhead was Rs.30,000 over applied

► Overhead was Rs.30,000 under applied

► No under or over applied occurred

► **None of the given**

Question No: 10 (Marks: 1) - Please choose one

Raymond Corporation estimates factory overhead of Rs. 345,000 for next fiscal year. It is estimated that 60,000 units will be produced at a material cost of Rs. 575,000. Conversion will require 34,500 direct labor hours at a cost of Rs. 10 per hour, with 25,875 machine hours.

FOH rate on the bases of Prime cost would be?

► Rs. 37.5 per unit

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

- ▶ **Rs. 56.6 per unit**
- ▶ Rs. 60 per unit
- ▶ Rs.1 per unit

Question No: 11 (Marks: 1) - Please choose one

Nelson Company has following FOH detail.

	Budgeted (Rs.)	Actual (Rs.)
Production Fixed overheads	36,000	39,000
Production Variable overheads	9,000	12,000
Direct labor hours	18,000	20,000

What would be the amount of under/over applied FOH

- ▶ Under applied by Rs.1,000
- ▶ **Over applied by Rs.1,000**
- ▶ Under applied by Rs.11,000
- ▶ Over applied by Rs.38,000

Question No: 12 (Marks: 1) - Please choose one

Which of the following is **TRUE** regarding the use of blanket rate?

- ▶ **The use of a single blanket rate makes the apportionment of overhead costs unnecessary**
- ▶ The use of a single blanket rate makes the apportionment of overhead costs necessary
- ▶ The use of a single blanket rate makes the apportionment of overhead costs uniform
- ▶ None of the given options

Question No: 13 (Marks: 1) - Please choose one

A Blanket Rate is:

- ▶ **A single rates which used throughout the organisation departments**
- ▶ A double rates which used throughout the organisation departments
- ▶ A single rates which used in different departments of the organisation.
- ▶ None of the Given

Question No: 14 (Marks: 1) - Please choose one

It is possible for an item of overhead expenditure to be shared amongst many departments. It is also possible that this same item may relate to just one specific department.

If the item was not charged specifically to a single department this would be an example of:

- ▶ **Apportionment**

- ▶ Allocation
- ▶ Re-apportionment
- ▶ Absorption

Question No: 15 (Marks: 1) - Please choose one

FOH absorption rate is calculated by the way of:

- ▶ Estimated FOH Cost/Direct labor hours
- ▶ Estimated FOH Cost/Direct labor cost
- ▶ Estimated FOH Cost/Machine hours
- ▶ **All of the given options**

Question No: 16 (Marks: 1) - Please choose one

Which of the following is / are time based incentive wage plan?

- ▶ Hasley Premium Plan
- ▶ Hasley Weir Premium Plan
- ▶ Rowan Premium Plan
- ▶ **All of the given options**

Question No: 17 (Marks: 1) - Please choose one

If, Basic Salary	Rs.10,000
Per Piece commission	Rs. 5
Unit sold	700 pieces

What will be the total Salary?

- ▶ Rs. 3,500
- ▶ **Rs. 13,500**
- ▶ Rs. 10,000
- ▶ Rs. 6,500

$$700 \times 5 = 3500$$

$$+10000 = 13500$$

Question No: 18 (Marks: 1) - Please choose one

Payroll includes:

- ▶ Salaries & Wages of direct labor
- ▶ Salaries & Wages of Indirect labor
- ▶ Salaries & Wages of Administrative
- ▶ **Salaries & Wages of direct labor, Indirect labor, and Administrative**

Question No: 19 (Marks: 1) - Please choose one

Which of the following document evidences the transaction of purchase of material?

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

- ▶ Material requisition
- ▶ Store requisition
- ▶ Purchase order
- ▶ **Purchase invoice**

Question No: 20 (Marks: 1) - Please choose one

Which of the following is **NOT** an assumption of the basic economic-order quantity model?

- ▶ Annual demand is known
- ▶ Ordering cost is known
- ▶ Carrying cost is known
- ▶ **Quantity discounts are available**

Question No: 21 (Marks: 1) - Please choose one

A store sells five cases of soda each day. Ordering costs are Rs. 8 per order, and soda costs Rs. 3 per case. Orders arrive four days from the time they are placed. Daily holding costs are equal to 5% of the cost of the soda. What is the EOQ for soda?

- ▶ 4 cases
- ▶ 8 cases
- ▶ 10 cases
- ▶ **23 cases**

Question No: 22 (Marks: 1) - Please choose one

All of the following are deducted from Gross Profit to calculate Operating income **EXCEPT**:

- ▶ Selling expenses
- ▶ **Advertising expenses**
- ▶ Administrative expenses
- ▶ **Financial expenses**

Question No: 23 (Marks: 1) - Please choose one

Which of the following is **CORRECT** to calculate cost of goods manufactured?

- ▶ Direct labor costs plus total manufacturing costs
- ▶ **The beginning work in process inventory plus total manufacturing costs and subtract the ending work in process inventory**
- ▶ Beginning raw materials inventory plus direct labor plus factory overhead
- ▶ Conversion costs and work in process inventory adjustments results in cost of goods manufactured

Question No: 24 (Marks: 1) - Please choose one

Which of the following is a period cost?

- ▶ Direct materials
- ▶ Indirect materials

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

- ▶ Factory utilities
- ▶ **Administrative expenses**

Page no 164 n n 165

Question No: 25 (Marks: 1) - Please choose one

The salary of factory clerk is treated as:

- ▶ Direct labor cost
- ▶ **Indirect labor cost**
- ▶ Conversion cost
- ▶ Prime cost

Question No: 26 (Marks: 1) - Please choose one

The components of the conversion cost are:

- ▶ Direct Material + Direct Labor + Other Direct Cost
- ▶ **Direct Labor + FOH**
- ▶ Prime Cost + FOH+ Other Direct Cost
- ▶ Prime Cost + FOH

Question No: 27 (Marks: 1) - Please choose one

The cost of Telephone bill of the factory is treated as:

- ▶ Fixed cost
- ▶ Variable cost
- ▶ Step cost
- ▶ **Semi variable cost**

Question No: 28 (Marks: 1) - Please choose one

Which of the following is a cost that changes in proportion to changes in volume?

- ▶ Fixed cost
- ▶ Sunk cost
- ▶ Opportunity cost
- ▶ **None of the given options**

Question No: 29 (Marks: 1) - Please choose one

Cost accounting concepts include all of the following EXCEPT:

- ▶ Planning
- ▶ Controlling
- ▶ **Sharing**
- ▶ Costing

Question No: 30 (Marks: 1) - Please choose one

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

If a predetermined FOH rate is not applied and the volume of production is reduced from the planned capacity level, the cost per unit expected to:

- ▶ Remain unchanged for fixed cost and increased for variable cost
- ▶ **Increase for fixed cost and remain unchanged for variable cost**
- ▶ Increase for fixed cost and decreased for variable cost
- ▶ Decrease for both fixed and variable costs

Question No: 31 (Marks: 1) - Please choose one

All of the following are characteristics of Group Bonus Scheme **EXCEPT**:

- ▶ A standard time is set for the completion of a job
- ▶ If the time taken is greater than the time allowed, the workers in the group receive time wages
- ▶ If the time taken is less than the time allowed, the group receives a bonus on time saved
- ▶ **If the time taken is greater than the time allowed, the workers in the group receive time deductions for extra hours**

Question No: 32 (Marks: 1) - Please choose one

Which of the following is **TRUE** when piece rate system is used for wage determination?

- ▶ Under this method of remuneration a worker is paid on the basis of time taken by him to perform the work
- ▶ **Under this method of remuneration a worker is paid on the basis of production**
- ▶ The rate is expressed in terms of certain sum of money for total production
- ▶ The rate is not expressed in terms of certain sum of money for total production

Question No: 33 (Marks: 1) - Please choose one

Under Halsey premium plan, if the employee completes his job in less than the standard time fixed for the job, he is given:

- ▶ Only wages for the actual hours taken
- ▶ **Wages for the actual hours taken plus bonus equal to one half of the wage of the time saved**
- ▶ Wages for the actual hours taken plus bonus equal to one third of the wage of the time saved
- ▶ Only the bonus equal to one half of the time saved

Page no 83

Question No: 34 (Marks: 1) - Please choose one

Which of the following is **NOT** a reason for carrying inventory?

- ▶ To maintain independence of operations
- ▶ To take advantage of economic purchase-order size
- ▶ **To make the system less productive**
- ▶ To meet variation in product demand

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Question No: 35 (Marks: 1) - Please choose one

Restocking of stores, in order to ensure efficient functioning of the stores department and steady flow of materials to the production departments, is duty of:

- ▶ Managers
- ▶ **Storekeeper**
- ▶ Production In charge
- ▶ Sales supervisor

Question No: 36 (Marks: 1) - Please choose one

You made Rs. 10,000 loan to your cousin's company. At the end of one year, the company returned to you Rs. 10,850. The Rs. 850 is called which one of the following?

- ▶ Increases in loan
- ▶ Increases in dividends
- ▶ **An 8.5% return on investment**
- ▶ All of the given options

Question No: 37 (Marks: 1) - Please choose one

The net sales of the business totals Rs. 200,000 and the Cost of Goods Sold for the same period totals Rs.146,000. What is the gross margin ratio?

- ▶ 0.22
- ▶ 0.25
- ▶ **0.27**
- ▶ 0.33

Question No: 38 (Marks: 1) - Please choose one

If, Gross profit = Rs. 40,000

GP Margin = 25% of sales

What will be the value of cost of goods sold?

- ▶ Rs. 160,000
- ▶ **Rs. 120,000**
- ▶ Rs. 40,000
- ▶ Can not be determined

$40000 \times 75/25$

Question No: 39 (Marks: 1) - Please choose one

Cost accountants are concerned about the ratios relating to the Profits and Manufacturing costs. These ratios might include:

- ▶ Gross Mark up rate
- ▶ Inventory turnover ratio
- ▶ Cost of goods sold to sales ratio
- ▶ **All of the given options**

Question No: 40 (Marks: 1) - Please choose one

Note: Solve these papers by yourself
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Composed & Solved
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The total cost to produce one unit is Rs. 600. Direct materials are 20% of the total cost and direct labor is 1/3 of the combined total of direct labor and direct materials. What was the cost for direct materials, direct labor, and factory overhead?

- ▶ Rs. 420, Rs. 60 and Rs. 120, respectively
- ▶ Rs. 60, Rs. 120 and Rs. 420, respectively
- ▶ **Rs. 120, Rs. 60 and Rs. 420, respectively**
- ▶ Rs 60, Rs. 420 and Rs. 120, respectively

Question No: 41 (Marks: 10)

CK Products Limited purchased materials of Rs. 550,000 and incurred direct labor of Rs. 420,000 during the year ended June 30, 2006. Factory overheads for the year were Rs.380,000. The inventory balances are as follows:

	July 1, 2005	June 30, 2006
	Rupees	Rupees
Finished goods	90,000	105,000
Work in process	121,000	110,000
Materials	100,000	105,000

Required:

- 2) Cost Of Goods Manufactured Statement.
- 3) Cost Of Goods Sold Statement.

ANSWER:

CK Products Limited
Cost of Goods sold statement
For the year ended June 30, 2006

	Rupees
Opening inventory	100,000
Add: purchases	550,000
Less: Closing inventory	<u>105,000</u>
Direct material used	545,000
Add: Direct labour	<u>420,000</u>
Prime Cost	965,000
Add: factory overhead cost	<u>380,000</u>
Total factory cost	1,345,000
Add: opening work in process	<u>121,000</u>
Cost of goods to be manufactured	1,466,000
Less: closing work in process	<u>110,000</u>
Cost of goods manufactured	1,356,000
Add: Opening finished goods	<u>90,000</u>
Cost of goods to be sold	1,446,000
Less: closing finished goods	<u>105,000</u>
Cost of goods sold	1,341,000

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

MIDTERM EXAMINATION

Fall 2009

MGT402- Cost & Management Accounting

Solved By

"ZOYA CH" zoya.chaudhary111@gmail.com

Question No: 1 (Marks: 1) - Please choose one

Opportunity cost is the best example of:

- ▶ **Relevant Cost**
- ▶ Irrelevant Cost
- ▶ Standard Cost
- ▶ Sunk Cost

Question No: 2 (Marks: 1) - Please choose one

_____ is the cost that is incurred at the time of making transaction.

- ▶ Product Cost
- ▶ Period Cost
- ▶ Sunk Cost
- ▶ **Historical Cost**

Question No: 3 (Marks: 1) - Please choose one

Which of the following is calculated by a formula that uses net sales as denominator?

- ▶ Inventory turnover ratio
- ▶ Gross profit rate
- ▶ Return on Investment
- ▶ **None of the given options**

Question No: 4 (Marks: 1) - Please choose one

While transporting petrol, a little quantity will be evaporated; such kind of loss is termed as:

- ▶ **Normal Loss.**
- ▶ Abnormal Loss.
- ▶ Incremental Loss.
- ▶ Incremental abnormal loss.

Question No: 5 (Marks: 1) - Please choose one

A typical factory overhead cost is:

- ▶ Distribution
- ▶ Internal audit
- ▶ **Compensation of plant manager**
- ▶ Design

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Question No: 6 (Marks: 1) - Please choose one

An average cost is also known as:

- ▶ Variable cost
- ▶ **Unit cost**
- ▶ Total cost
- ▶ Fixed cost

Question No: 7 (Marks: 1) - Please choose one

Period costs are:

- ▶ Expensed when the product is sold
- ▶ Included in the cost of goods sold
- ▶ **Related to specific period**
- ▶ Not expensed

Question No: 8 (Marks: 1) - Please choose one

Costs that change in response to alternative courses of action are called:

- ▶ Relevant costs
- ▶ **Differential costs**
- ▶ Target costs
- ▶ Sunk costs

Question No: 9 (Marks: 1) - Please choose one

Which of the following is a period cost?

- ▶ Direct materials
- ▶ Indirect materials
- ▶ Factory utilities
- ▶ **Administrative expenses**

Question No: 10 (Marks: 1) - Please choose one

When purchases are added to raw material opening Inventory, we get the value of:

- ▶ Material consumed.
- ▶ **Material available for use.**
- ▶ Material needed.
- ▶ Raw material ending inventory.

Question No: 11 (Marks: 1) - Please choose one

Which of the following is deducted from purchases in order to get the value of Net purchases?

- ▶ **Purchases returns**
- ▶ Carriage inward
- ▶ Custom duty
- ▶ All of the given options

Question No: 12 (Marks: 1) - Please choose one

Which of the following cost is used in the calculation of cost per unit?

- ▶ Total production cost
- ▶ Cost of goods available for sales
- ▶ **Cost of goods manufactured**
- ▶ Cost of goods Sold

Question No: 13 (Marks: 1) - Please choose one

When prices are rising over time, which of the following inventory costing methods will result in the lowest gross margin?

- ▶ FIFO
- ▶ **LIFO**
- ▶ Weighted Average
- ▶ Cannot be determined

Question No: 14 (Marks: 1) - Please choose one

Counting items to ensure an order is correct, is an activity relates to:

- ▶ **Ordering cost**
- ▶ Carrying cost
- ▶ Stock out cost
- ▶ Holding cost

Question No: 15 (Marks: 1) - Please choose one

In cost Accounting, normal loss is/are charged to:

- ▶ Factory overhead control account
- ▶ **Work in process account**
- ▶ Income Statement
- ▶ All of the given options

Question No: 16 (Marks: 1) - Please choose one

Direct Labor is an element of:

- ▶ Prime cost
- ▶ Conversion cost
- ▶ Total production cost
- ▶ **All of the given options**

Question No: 17 (Marks: 1) - Please choose one

Which of the following is/are the basic object/s of job analysis?

- ▶ Determination of wage rates
- ▶ **Ascertain the relative worth of each job**
- ▶ Breaking up job into its basic elements
- ▶ All of the given options

Question No: 18 (Marks: 1) - Please choose one

According to Rowan premium plan, which of the following formula is used to calculate the bonus rate?

- ▶ **(Time saved/time allowed) x 100**
- ▶ (Time allowed/time saved) x 100
- ▶ (Actual time taken/time allowed) x 100
- ▶ (Time allowed/actual time taken) x 100

Question No: 19 (Marks: 1) - Please choose one

Under Piece Rate System wages are paid to employees on the basis of:

- ▶ **Units produced**
- ▶ Time saved
- ▶ Over time
- ▶ Competencies

Question No: 20 (Marks: 1) - Please choose one

All of the following are cases of labor turnover **EXCEPT**:

- ▶ Workers appointed against the vacancy caused due to discharge or quitting of the organization
- ▶ Workers employed under the expansion schemes of the company
- ▶ The total change in the composition of labor force
- ▶ **Workers retrenched**

Question No: 21 (Marks: 1) - Please choose one

Where there is mass production of homogeneous units or where few products are produced in batches, which of the following cost driver would be regarded as best base for the determination of Factory overhead absorption rate?

- ▶ **Number of units produced**
- ▶ Labor hours
- ▶ Prime cost
- ▶ Machine hours

Question No: 22 (Marks: 1) - Please choose one

The term cost allocation is described as:

- ▶ **The costs that can be identified with specific cost centers.**
- ▶ The costs that can not be identified with specific cost centers.
- ▶ The total cost of factory overhead needs to be distributed among specific cost centers.
- ▶ None of the given options

Question No: 23 (Marks: 1) - Please choose one

Budget/spending variance arises due to:

▶ Difference between absorbed factory overhead & capacity level attained

▶ **Difference between budgeted factory overhead for capacity attained and FOH actually incurred**

- ▶ Difference between absorbed factory overhead and FOH actually incurred
▶ None of the given options

Question No: 24 (Marks: 1) - Please choose one

Capacity Variance / Volume Variance arises due to

▶ **Difference between Absorbed factory overhead and budgeted factory for capacity attained**

- ▶ Difference between Absorbed factory overhead and absorption rate
▶ Difference between Budgeted factory overhead for capacity attained and FOH actually incurred
▶ None of the given options

Question No: 25 (Marks: 1) - Please choose one

Which of the following would be considered a major aim of a job order costing system?

- ▶ **To determine the costs of producing each job**
▶ To compute the cost per unit
▶ To include separate records for each job to track the costs
▶ All of the given options

Question No: 26 (Marks: 1) - Please choose one

In a job-order cost system, indirect labor costs would be recorded as a debit to:

- ▶ Finished Goods
▶ Manufacturing Overhead
▶ Raw Materials
▶ **Work in Process**

Question No: 27 (Marks: 1) - Please choose one

Which cost accumulation procedure is best suited to a continuous mass production process of similar units?

- ▶ Job order costing
▶ **Process costing**
▶ Standard costing
▶ Actual costing

Question No: 28 (Marks: 1) - Please choose one

In a process costing system, the journal entry used to record the transfer of units from Department A, a processing department, to Department B, the next processing department, includes a debit to:

- ▶ Work in Process Department A and a credit to Work in Process Department B
▶ **Work in Process Department B and a credit to Work in Process Department**

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

A

- ▶ Work in Process Department B and a credit to Materials
- ▶ Finished Goods and a credit to Work in Process Department B

Question No: 29 (Marks: 1) - Please choose one

A chemical process has no normal wastage of input. In a period, 3,500 Kg of material were in put and there was abnormal loss of 15% of in put. What quantity of good production was achieved?

- ▶ 2,175 Kg
- ▶ **2,975 Kg**
- ▶ 3,325 Kg
- ▶ 4,425 Kg

☐ ☐ 1 ☐ 1
☐ ☐ ☐ ☐
☐ ☐ ☐ ☐ ☐ ☐
☐ ☐ ☐ ☐

Question No: 30 (Marks: 1) - Please choose one

In the process costing when material is issued for production to department no 1.what would be the journal entry Passed?

▶ **W.I.P (Dept-I)**

To Material a/c

▶ W.I.P (Dept-ii)

To Material a/c

▶ Material a/c

To W.I.P (Dept-ii)

▶ W.I.P (Dept-ii)

To FOH applied.

Question No: 31 (Marks: 1) - Please choose one

Which of the following is NOT an element of factory overhead?

- ▶ Depreciation of the maintenance on equipment
- ▶ Salary of the plant supervisor
- ▶ Property taxes on the plant buildings
- ▶ **Salary of a marketing manager**

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Question No: 32 (Marks: 1) - Please choose one

Under perpetual Inventory system the Inventory is treated as:

- ▶ **Assets**
- ▶ Liability
- ▶ Income
- ▶ Expense

Question No: 33 (Marks: 1) - Please choose one

Information concerning the materials used in the Mixing department in June follows:

Detail	Units
WIP June 01	12000
Units put in process	54000
Units completed	58000

Material is charged to production at 0.53 per unit. What are the materials cost of the work in process at June 30?

- ▶ Rs. 4,000
- ▶ **Rs. 4,240**
- ▶ Rs. 5,333
- ▶ Rs. 34,980

Question No: 34 (Marks: 1) - Please choose one

Opening WIP Jan 01	0 units
Units received from preceding department	13,500 units, @4.50 per unit cost
Units completed in this department	11,750 units, @3.75 per unit cost

What was the Value of closing work in process?

- ▶ Rs.16,875
- ▶ **Rs.14,437.50**
- ▶ Rs.14,437
- ▶ Rs.33,750

Question No: 35 (Marks: 1) - Please choose one

Raymond Corporation estimates factory overhead of Rs. 345,000 for next fiscal year. It is estimated that 60,000 units will be produced at a material cost of Rs. 575,000.

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Conversion will require 34,500 direct labor hours at a cost of Rs. 10 per hour, with 25,875 machine hours.

FOH rate on the bases on Budgeted Production would be?

- ▶ **Rs. 5.75 per unit**
- ▶ Rs. 6.65 per unit
- ▶ Rs. 6.0 per unit
- ▶ Rs.1 per unit

Question No: 36 (Marks: 1) - Please choose one

The components of total factory cost are:

- ▶ Direct Material + Direct Labor
- ▶ Direct Labor + FOH
- ▶ Prime Cost only
- ▶ **Prime Cost + FOH**

Question No: 37 (Marks: 1) - Please choose one

If sales is greater than cost, it means:

- ▶ **Profit**
- ▶ Loss
- ▶ Neither profit nor Loss
- ▶ Can not be determined

Question No: 38 (Marks: 1) - Please choose one

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

- ▶ Piece rate plan
- ▶ Time rate plan
- ▶ Differential plan
- ▶ **Group bonus system**

Question No: 39 (Marks: 1) - Please choose one

If an item of overhead expenditure is charged specifically to a single department this would be an example of:

- ▶ Apportionment
- ▶ **Allocation**
- ▶ Re-apportionment
- ▶ Absorption

Question No: 40 (Marks: 1) - Please choose one

Cost apportionment is:

- ▶ The charging of discrete identifiable items of cost to cost centers or cost unit
- ▶ The collection of costs attributable to cost center and cost unit using the costing method, principles and techniques prescribed for a particular business entity
- ▶ The process of establishing the costs of cost centers or cost units
- ▶ **The division of costs among two or more cost centers in proportion to the estimated benefit received.**

Question No: 41 (Marks: 10)

Define the following term with examples

- 1- Sunk cost
- 2- Implicit cost
- 3- Explicit cost
- 4- Opportunity cost
- 5- Historic cost

Answer :

- 1- **Sunk cost :** Sunk cost refers to the cost that has been spent in the past and that cannot be retrieved on product or service in the current period. This cost should not be taken into account while making the decisions by management.

Example

Stationary bought in bulk last month. In this case the cost has been incurred and will not be important to management decisions being made for the future..

2-Implicit cost : Implicit cost is the cost imposed on a firm for foregoing an alternative but where the actual payment for the alternative taken is not involved

Example :

Use of company's capital for investment
Use of the owner's time
Use of the owner's land for investment

3-Explicit cost : This is subject to actual payment or will be paid in the future.

Example : 1) Actual payment made to buy land for expansion of the company instead of using the owner's land.

2) Payment made for wage, rent or material etc.

4-Opportunity cost : Opportunity cost is the cost of sacrificing a benefit by choosing some other alternative. This is the cost of foregoing an alternative in favour of some other alternative.

Example : 1) If the owner of a company further invests money in his business instead of

keeping it in the bank in a savings account then the opportunity cost in this case will be the yearly interest that the bank would have paid to him had he chosen the alternative of keeping the money in the savings account. The investment made in the business should give him more return than the opportunity cost if it is to be deemed a better investment.

Particulars	Rs.
Cost of goods sold	30,000
Inventory, January 1	9,000
Inventory, December 31	7,800

2) Instead of investing in his hotel for increasing profits, if an owner invests in some other investment then the loss of the increase in profits in the hotel is an opportunity cost for the owner.

5-Historic cost : Historic cost is the cost that is incurred at the time of making transaction and can be verified through purchase agreement or invoice. It is used in financial accounting for valuing assets of the company as opposed to market value which is used in financial management. The

Examples : 1) Cost paid to acquire a land for investment purpose.
2) Cost incurred to buy Machinery as capital expenditure for manufacturing business.

MIDTERM EXAMINATION

Fall 2009

MGT402- Cost Management Accounting (Session - 3)

Solved By

"ZOYA CH" zoya.chaudhary111@gmail.com

Time: 60 min

Marks: 50

Question No: 1 (Marks: 1) - Please choose one

Selected information for a company for the year 2005 follows:

What was the inventory turnover ratio?

▶ 3.57 times

▶ 3.67 times

▶ 3.85 times

Note: Solve these papers by yourself

This VU Group is not responsible for any solved content

- ▶ 5.36 times

Sales / inventories yeh formula hai is ka but sale given ni hain I think wrong ques

Question No: 2 (Marks: 1) - Please choose one

The chief financial officer is also known as the:

- ▶ Controller
- ▶ Staff accountant
- ▶ Auditor
- ▶ Finance director

Question No: 3 (Marks: 1) - Please choose one

A typical factory overhead cost is:

- ▶ Distribution
- ▶ Internal audit
- ▶ Compensation of plant manager
- ▶ Design

Question No: 4 (Marks: 1) - Please choose one

Which of the following is a period cost?

- ▶ Direct materials
- ▶ Indirect materials
- ▶ Factory utilities
- ▶ Administrative expenses

Question No: 5 (Marks: 1) - Please choose one

Which of the following is deducted from purchases in order to get the value of Net purchases?

- ▶ Purchases returns
- ▶ Carriage inward
- ▶ Custom duty
- ▶ All of the given options

Question No: 6 (Marks: 1) - Please choose one

Given data that:

Work in Process Opening Inventory	Rs. 20,000
Work in Process Closing Inventory	10,000
Finished goods Opening Inventory	30,000
Finished goods Closing Inventory	50,000
Cost of goods sold	190,000

What will be the value of total manufactured cost?

- ▶ Rs. 200,000
- ▶ Rs. 210,000

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

- ▶ Rs. 220,000
- ▶ Rs. 240,000

Question No: 7 (Marks: 1) - Please choose one

If, Sales = Rs. 1200,000

Markup = 20% of cost

What would be the value of Gross profit?

- ▶ Rs. 200,000

- ▶ Rs. 100,000
- ▶ Rs. 580,000
- ▶ Rs. 740,000

190000 + 50000 - 30000 + 10000 - 20000

Question No: 8 (Marks: 1) - Please choose one

Weighted average rate per unit is calculated by which of the following formula?

- ▶ Cost of goods issued/number of units issued
- ▶ Total cost/total units
- ▶ Cost of goods manufactured/closing units
- ▶ Cost of goods sold/total units

Question No: 9 (Marks: 1) - Please choose one

Average consumption x Emergency time is a formula for the calculation of:

- ▶ Lead time
- ▶ Re-order level
- ▶ Maximum consumption
- ▶ Danger level

Question No: 10 (Marks: 1) - Please choose one

If EOQ = 360 units, order costs are Rs. 5 per order, and carrying costs are Rs. 0.20 per unit, what is the usage in units?

- ▶ 2,592 units
- ▶ 25,920 units
- ▶ 18,720 units
- ▶ 129,600 units

Question No: 11 (Marks: 1) - Please choose one

Material requisition is a document that supports the requirement of the material. This document is sent to store incharge and approved by:

- ▶ Store manager
- ▶ Production manager
- ▶ Supplier manager
- ▶ Purchase manager

Question No: 12 (Marks: 1) - Please choose one

Direct Labor is an element of:

- ▶ Prime cost
- ▶ Conversion cost
- ▶ Total production cost
- ▶ All of the given options

Question No: 13 (Marks: 1) - Please choose one

Basic pay + bonus pay + overtime payment is called:

- ▶ Net pay
- ▶ Gross pay
- ▶ Take home pay
- ▶ All of the given options

Question No: 14 (Marks: 1) - Please choose one

Payslip contains all EXCEPT:

- ▶ Gross pay
- ▶ Statutory & non- statutory deductions
- ▶ Net pay
- ▶ Tax rebates

Question No: 15 (Marks: 1) - Please choose one

Which of the following is/are the basic object/s of job analysis?

- ▶ Determination of wage rates
- ▶ Ascertain the relative worth of each job correct
- ▶ Breaking up job into its basic elements
- ▶ All of the given options

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Question No: 16 (Marks: 1) - Please choose one

If, Basic Salary Rs.10,000
Per Piece commission Rs. 5
Unit sold 700 pieces

What will be the total Salary?

- ▶ Rs. 3,500
- ▶ Rs. 13,500
- ▶ Rs. 10,000
- ▶ Rs. 6,500

Question No: 17 (Marks: 1) - Please choose one

According to Rowan premium plan, which of the following formula is used to calculate the bonus rate?

- ▶ $(\text{Time saved}/\text{time allowed}) \times 100$

Note: Solve these papers by yourself

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- ▶ (Time allowed/time saved) x 100
- ▶ (Actual time taken/time allowed) x 100
- ▶ (Time allowed/actual time taken) x 100

Question No: 18 (Marks: 1) - Please choose one

All of the following are cases of labor turnover **EXCEPT**:

- ▶ Workers appointed against the vacancy caused due to discharge or quitting of the organization
- ▶ Workers employed under the expansion schemes of the company
- ▶ The total change in the composition of labor force
- ▶ **Workers retrenched**

Question No: 19 (Marks: 1) - Please choose one

All of the following are terms used to denote Factory Overheads **EXCEPT**:

- ▶ Factory burden
- ▶ Factory expenses
- ▶ Supplementary costs
- ▶ **Conversion costs**

Question No: 20 (Marks: 1) - Please choose one

The term cost allocation is described as:

- ▶ **The costs that can be identified with specific cost centers.**
- ▶ The costs that can not be identified with specific cost centers.
- ▶ The total cost of factory overhead needs to be distributed among specific cost centers.
- ▶ None of the given options

Question No: 21 (Marks: 1) - Please choose one

The term Cost apportionment is referred to:

- ▶ The costs that can not be identified with specific cost centers.
- ▶ The total cost of factory overhead needs to be distributed among specific cost centers but must be divided among the concerned department/cost centers.
- ▶ **The total cost of factory overhead needs to be distributed among specific cost centers.**
- ▶ None of the given options

Question No: 22 (Marks: 1) - Please choose one

Which of the following statement is true regarding Repeated distribution method?

- ▶ **The re-allocation continues until the numbers being dealt with become very small**
- ▶ The re-allocation continues until the numbers being dealt with become very Large
- ▶ The re-allocation continues until the numbers being dealt with become small
- ▶ None of the given options

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Question No: 23 (Marks: 1) - Please choose one

Which of the following statement is **TRUE** about FOH applied rates?

- ▶ They are used to control overhead costs
- ▶ They are based on actual data for each period
- ▶ They are predetermined in advance for each period
- ▶ None of the given options

Question No: 24 (Marks: 1) - Please choose one

Nelson Company has following FOH detail.

	<u>Budgeted (Rs.)</u>	<u>Actual (Rs.)</u>
Production Fixed overheads	36,000	39,000
Production Variable overheads	9,000	12,000
Direct labor hours	18,000	20,000

What would be the applied rate.

- ▶ Rs.2.00 per labor hour
- ▶ Rs.2.50 per labor hour
- ▶ Rs.2.55 per labor hour
- ▶ Rs.0.50 per labor hour

Question No: 25 (Marks: 1) - Please choose one

Nelson Company has following FOH detail.

	<u>Budgeted (Rs.)</u>	<u>Actual (Rs.)</u>
Production Fixed overheads	36,000	39,000
Production Variable overheads	9,000	12,000
Direct labor hours	18,000	20,000

What would be the amount of under/over applied FOH

- ▶ Under applied by Rs.1,000
- ▶ Over applied by Rs.1,000 correct ans
- ▶ Under applied by Rs.11,000
- ▶ Over applied by Rs.38,000

Question No: 26 (Marks: 1) - Please choose one

Capacity Variance / Volume Variance arises due to

- ▶ Difference between Absorbed factory overhead and budgeted factory for capacity attained
- ▶ Difference between Absorbed factory overhead and absorption rate
- ▶ Difference between Budgeted factory overhead for capacity attained and FOH actually incurred

- ▶ None of the given options

Question No: 27 (Marks: 1) - Please choose one

Which of the following statements is **TRUE**?

- ▶ Companies that produce many different products or services are more likely to use job-order costing systems than process costing systems
- ▶ Costs are traced to departments and then allocated to units of product when job-order costing is used
- ▶ Job-order costing systems are used by service firms only and process costing systems are used by manufacturing concern only
- ▶ Companies that produce many different products or services are more likely to use process costing systems than Job order costing systems

Question No: 28 (Marks: 1) - Please choose one

Which of the following would be considered a major aim of a job order costing system?

- ▶ To determine the costs of producing each job
- ▶ To compute the cost per unit
- ▶ To include separate records for each job to track the costs
- ▶ All of the given options

Question No: 29 (Marks: 1) - Please choose one

Examples of industries that would use process costing include all of the following **EXCEPT**:

- ▶ Beverages
- ▶ Food
- ▶ Hospitality
- ▶ Petroleum

Question No: 30 (Marks: 1) - Please choose one

At the end of the accounting period, a production department manager submits a production report that shows all of the following **EXCEPT**:

- ▶ Number of units in the beginning work in process
- ▶ Number of units sold
- ▶ Number of units in the ending work in process and their estimated stage of completion
- ▶ Number of units completed

Question No: 31 (Marks: 1) - Please choose one

Which cost accumulation procedure is best suited to a continuous mass production process of similar units?

- ▶ Job order costing
- ▶ Process costing

- ▶ Standard costing
- ▶ Actual costing

Question No: 32 (Marks: 1) - Please choose one

LG has incurred cost of Rs. 60,000 for material. Further it incurred Rs. 35,000 for labor and Rs. 70,000 for factory overhead. There was no beginning and ending work in process. 7,500 units were completed and transferred out. What would be the unit cost for material?

- ▶ Rs. 22
 - ▶ Rs. 16
 - ▶ Rs. 14
 - ▶ Rs. 8
- ☐☐☐☐☐1☐☐
1☐☐☐☐☐☐☐☐

Question No: 33 (Marks: 1) - Please choose one

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?

- ▶ 5.0 times
- ▶ 5.3 times
- ▶ 6.0 times
- ▶ 6.4 times not sure

Question No: 34 (Marks: 1) - Please choose one

During the year 60,000 units put in to process. 55,000 units were completed. Closing WIP were 25,000 units, 40% completed. How much the equivalent units of output would be produced?

- ▶ 25,000 units
- ▶ 10,000 units
- ▶ 65,000 units
- ▶ 80,000 units

Not sure

Question No: 35 (Marks: 1) - Please choose one

If the cost per equivalent unit is Rs. 1.60. The equivalent units of output are 50,000. The WIP closing stock is 10,000 units, 40% completed. What will be the value of closing stock?

- ▶ Rs. 9,600
- ▶ Rs. 80,000
- ▶ Rs. 16,000
- ▶ Rs. 6,400 not sure

Note: Solve these papers by yourself
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Question No: 36 (Marks: 1) - Please choose one

Information concerning the materials used in the Mixing department in June follows:

Detail	Units
WIP June 01	12000
Units put in process	54000
Units completed	58000

Material is charged to production at 0.53 per unit. What are the materials cost of the work in process at June 30?

- ▶ Rs. 4,000
- ▶ **Rs. 4,240**
- ▶ Rs. 5,333
- ▶ Rs. 34,980

Not sure

Question No: 37 (Marks: 1) - Please choose one

EOQ is the order quantity that _____ over our planning horizon.

- ▶ **Minimizes total ordering costs**
- ▶ Minimizes total carrying costs
- ▶ Minimizes total inventory costs
- ▶ Minimize the required safety stock

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Question No: 38 (Marks: 1) - Please choose one

Which of the following is **NOT** an assumption of the basic economic-order quantity model?

- ▶ Annual demand is known
- ▶ Ordering cost is known
- ▶ Carrying cost is known
- ▶ **Quantity discounts are available**

Question No: 39 (Marks: 1) - Please choose one

If the cost of an item of overhead expenditure is shared amongst many departments this would be an example of:

- ▶ Apportionment
- ▶ **Allocation**
- ▶ Re-apportionment
- ▶ Absorption

Question No: 40 (Marks: 1) - Please choose one

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

A company has calculated that volume variance for a given month was favourable. This could have been caused by which of the following factors?

- ▶ The number of rejects were lower than normal
- ▶ Machine breakdowns were lower than normal
- ▶ No delays were experienced in the issuing of material to production
- ▶ All of the given options

Question No: 41 (Marks: 10)

The Mars Company applies factory overheads to production by means of pre-determined rate based on expected actual capacity. Factory overhead at expected actual capacity of 120,000 hours is Rs. 240,000 of which Rs. 60,000 is fixed and Rs. 180,000 is variable. Normal capacity of the company is 150,000 hours. The actual capacity attained during the year was 100,000 hours and actual factory overhead was Rs. 180,000.

Calculate: Pre-determined overhead rate based on expected actual capacity and normal capacity.

1. Over-applied or under-applied factory overhead based on rate used by the company.
2. Budget variance and volume variance.

Pre-determined overhead rate based on expected actual capacity

Fixed FOH rate = fixed FOH cost/ expected actual capacity = $60000/120000 = 0.50$

Add variable FOH rate =

Variable FOH cost for expected actual capacity/ expected actual capacity
 $= 180000/120000 = 1.50$

FOH applied rate based on expected actual capacity 2.00

Pre-determined overhead rate based on normal capacity

Fixed FOH rate = fixed FOH cost/ normal capacity $= 60000/150000 = 0.40$

Add variable FOH rate = 1.50

Pre-determined overhead rate based on normal capacity = 1.90

- 1) . Over-applied or under-applied factory overhead based on expected actual capacity

Actual FOH cost = 180000

Applied FOH cost

= actual capacity * FOH rate

= $100000 * 2.00 = 200000$

Note: Solve these papers by yourself
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Note: Solve these papers by yourself
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- ▶ Rs 60, Rs. 420 and Rs. 120, respectively

Question No: 3 (Marks: 1) - Please choose one

Net sales = Sales less:

- ▶ Sales returns
- ▶ **Sales discounts wrong**
- ▶ Sales returns & allowances
- ▶ **Sales returns & allowances and sales discounts** 100 % sure correct ans

Question No: 4 (Marks: 1) - Please choose one

Assuming no returns outwards or carriage inwards, the cost of goods sold will be equal to:

- ▶ Opening stock Less purchases plus closing stock
- ▶ Closing stock plus purchases plus opening stock
- ▶ **Sales less gross profit**
- ▶ **Purchases plus closing stock plus opening stock plus direct labor**

Question No: 5 (Marks: 1) - Please choose one

If a predetermined FOH rate is not applied and the volume of production is reduced from the planned capacity level, the cost per unit expected to:

- ▶ Remain unchanged for fixed cost and increased for variable cost
- ▶ **Increase for fixed cost and remain unchanged for variable cost**
- ▶ Increase for fixed cost and decreased for variable cost
- ▶ Decrease for both fixed and variable costs

not sure

Question No: 6 (Marks: 1) - Please choose one

An average cost is also known as:

- ▶ **Variable cost**
- ▶ **Unit cost**
- ▶ Total cost
- ▶ Fixed cost

total cost for all units bought (or produced) divided by the number of units

Question No: 7 (Marks: 1) - Please choose one

According to IASB framework, Financial statements exhibit its users the:

- ▶ Financial position
- ▶ Financial performance
- ▶ Cash inflow and outflow analysis
- ▶ **All of the given options**

Question No: 8 (Marks: 1) - Please choose one

The net profit or loss for a particular period of time is reported on which of the following?

Note: Solve these papers by yourself
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- ▶ Statement of cash flows
- ▶ Statement of changes in owner's equity
- ▶ **Income statement**
- ▶ Balance sheet

Question No: 9 (Marks: 1) - Please choose one

Which of the following is deducted from purchases in order to get the value of Net purchases?

- ▶ **Purchases returns**
- ▶ Carriage inward
- ▶ Custom duty
- ▶ All of the given options

Question No: 10 (Marks: 1) - Please choose one

If, Sales = Rs. 1200,000

Markup = 20% of cost

What would be the value of Gross profit?

- ▶ **Rs. 200,000**
- ▶ Rs. 100,000
- ▶ Rs. 580,000
- ▶ Rs. 740,000

$$\begin{aligned} &= (1200,000/120) * 20 \\ &= 200,000 \end{aligned}$$

Question No: 11 (Marks: 1) - Please choose one

Which of the following cost is used in the calculation of cost per unit?

- ▶ Total production cost
- ▶ Cost of goods available for sales
- ▶ **Cost of goods manufactured**
- ▶ Cost of goods Sold

Question No: 12 (Marks: 1) - Please choose one

Which of the following is correct?

▶ **Units sold= Opening finished goods units + Units produced – Closing finished goods units**

- ▶ Units Sold = Units produced + Closing finished goods units - Opening finished goods units
- ▶ Units sold = Sales + Average units of finished goods inventory
- ▶ Units sold = Sales - Average units of finished goods inventory

Question No: 13 (Marks: 1) - Please choose one

Which of the following method of inventory valuation is not recommended under IAS 02?

Note: Solve these papers by yourself
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▶ LIFO

▶ FIFO

▶ Weighted Average

▶ Both LIFO & FIFO

Question No: 14 (Marks: 1) - Please choose one

In cost Accounting, normal loss is/are charged to:

▶ **Factory overhead control account**

▶ Work in process account

▶ Income Statement

▶ All of the given options

Question No: 15 (Marks: 1) - Please choose one

Basic pay + bonus pay + overtime payment is called:

▶ Net pay

▶ **Gross pay**

▶ Take home pay

▶ All of the given options

Question No: 16 (Marks: 1) - Please choose one

Deduction of Income Tax from gross pay of an employee is an example of:

▶ **Statutory deductions**

▶ Non statutory deductions

▶ Employer contribution towards provident fund

▶ Employee contribution towards provident fund

Question No: 17 (Marks: 1) - Please choose one

A worker is paid Rs. 0.50 per unit and he produces 18 units in 7 hours. Keeping in view the piece rate system, the total wages of the worker would be:

▶ **$18 \times 0.50 = \text{Rs. } 9$**

▶ $18 \times 7 = \text{Rs. } 126$

▶ $7 \times 0.5 = \text{Rs. } 3.5$

▶ $18 \times 7 \times 0.50 = \text{Rs. } 63$

Question No: 18 (Marks: 1) - Please choose one

Under Piece Rate System wages are paid to employees on the basis of:

▶ **Units produced**

▶ Time saved

▶ Over time

▶ Competencies

Question No: 19 (Marks: 1) - Please choose one

The flux method of labor turnover denotes:

▶ Workers employed under the expansion schemes of the company

Note: Solve these papers by yourself
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► **The total change in the composition of labor force**

- Workers appointed against the vacancy caused due to discharge or quitting of the organization
- Workers appointed in replacement of existing employees

The flux method of labor turnover denotes the total change in the composition of labor force. While replacement method takes into account only workers appointed against the vacancy caused due to discharge or quitting of the organisation.

Question No: 20 (Marks: 1) - Please choose one

The term Cost apportionment is referred to:

- The costs that can not be identified with specific cost centers.
- The total cost of factory overhead needs to be distributed among specific cost centers but must be divided among the concerned department/cost centers.
- **The total cost of factory overhead needs to be distributed among specific cost centers.**
- None of the given options

Question No: 21 (Marks: 1) - Please choose one

In a repeated distribution method:

- Each service department in turn and allocates its costs to all departments
- Only one service department in turn and re-allocates its costs to all departments
- Each service department in turn and not re-allocates its costs to all departments
- **Each service department in turn and re-allocates its costs to all departments**

Repeated distribution method

This method takes each service department in turn and re-allocates its costs to all departments which benefit. The re-allocation continues until the numbers being dealt with become very small.

Question No: 22 (Marks: 1) - Please choose one

Which of the following statement is true regarding Repeated distribution method?

- **The re-allocation continues until the numbers being dealt with become very small**
- The re-allocation continues until the numbers being dealt with become very Large
- The re-allocation continues until the numbers being dealt with become small
- None of the given options

The re-allocation continues until the numbers being dealt with become very small.

Question No: 23 (Marks: 1) - Please choose one

Which of the following is **TRUE** regarding Departmental Rates.

- **A departmental absorption rate is a rate of absorption based upon the particular**

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department's overhead cost and activity level

- ▶ A departmental absorption rate is a rate of absorption not based upon the particular department's overhead cost and activity level
- ▶ A single rate of absorption used throughout an organization's production facility and based upon its total production costs and activity
- ▶ None of the given options

A departmental absorption rate is a rate of absorption based upon the particular department's overhead cost and activity level. This method allows the activity of each department to be measured using a basis which is appropriate. It also ensures that the cost attributed to the cost unit reflects the cost of the departmental resources used in its cost units.

Question No: 24 (Marks: 1) - Please choose one

Budget/spending variance arises due to:

- ▶ Difference between absorbed factory overhead & capacity level attained
- ▶ **Difference between budgeted factory overhead for capacity attained and FOH actually incurred**
- ▶ Difference between absorbed factory overhead and FOH actually incurred
- ▶ None of the given options

Question No: 25 (Marks: 1) - Please choose one

Capacity Variance / Volume Variance arises due to

- ▶ Difference between Absorbed factory overhead and budgeted factory for capacity attained
- ▶ Difference between Absorbed factory overhead and absorption rate
- ▶ **Difference between Budgeted factory overhead for capacity attained and FOH actually incurred**
- ▶ None of the given options

Budget variance is the difference between budgeted factory overhead for capacity attained and actual factory overhead incurred.

Question No: 26 (Marks: 1) - Please choose one

PEL & co found that a production volume of 400 units corresponds to production cost of Rs. 10,000 and that a production volume of 800 units corresponds to production costs of Rs.12,000. The variable cost per unit would be?

- ▶ **Rs. 5.00 per unit**
- ▶ Rs. 1.50 per unit
- ▶ Rs. 2.50 per unit
- ▶ Rs. 0.50 per unit

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Not sure

Question No: 27 (Marks: 1) - Please choose one

Which of the following statements is **TRUE**?

▶ **Companies that produce many different products or services are more likely to use job-order costing systems than process costing systems**

▶ Costs are traced to departments and then allocated to units of product when job-order costing is used

▶ Job-order costing systems are used by service firms only and process costing systems are used by manufacturing concern only

▶ Companies that produce many different products or services are more likely to use process costing systems than Job order costing systems

Question No: 28 (Marks: 1) - Please choose one

Which of the following would be considered a major aim of a job order costing system?

▶ To determine the costs of producing each job

▶ To compute the cost per unit

▶ To include separate records for each job to track the costs

▶ **All of the given options**

Question No: 29 (Marks: 1) - Please choose one

Of the following production operations, which one most likely employ job order cost accumulation?

▶ Soft drink manufacturing

▶ **Ship builders**

▶ Crude Oil refining

▶ Candy manufacturing

Question No: 30 (Marks: 1) - Please choose one

Examples of industries that would use process costing include all of the following **EXCEPT**:

▶ Beverages

▶ Food

▶ **Hospitality**

▶ Petroleum

Question No: 31 (Marks: 1) - Please choose one

When 10,000 ending units of work-in-process are 30% completed as to conversion, it means:

▶ **30% of the units are completed**

▶ 70% of the units are completed

▶ Each unit has been completed to 70% of its final stage

▶ Each of the units is 30% completed

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Question No: 32 (Marks: 1) - Please choose one

Beginning work in process was 1,200 units, 2,800 additional units were put into production, and ending work in process was 500 units. How many units were completed?

- ▶ 500 units
- ▶ 3,000 units
- ▶ **3,500 units**
- ▶ 3,300 units

Question No: 33 (Marks: 1) - Please choose one

In a process costing system, the journal entry used to record the transfer of units from Department A, a processing department, to Department B, the next processing department, includes a debit to:

- ▶ Work in Process Department A and a credit to Work in Process Department B
- ▶ **Work in Process Department B and a credit to Work in Process Department A**

A

- ▶ Work in Process Department B and a credit to Materials
- ▶ Finished Goods and a credit to Work in Process Department B

Question No: 34 (Marks: 1) - Please choose one

Which of the following is NOT an element of factory overhead?

- ▶ Depreciation of the maintenance on equipment
- ▶ Salary of the plant supervisor
- ▶ Property taxes on the plant buildings
- ▶ **Salary of a marketing manager**

Question No: 35 (Marks: 1) - Please choose one

Under perpetual Inventory system the Inventory is treated as:

- ▶ **Assets**
- ▶ Liability
- ▶ Income
- ▶ Expense

Question No: 36 (Marks: 1) - Please choose one

During the year 50,000 units put in to process. 30,000 units were completed. Closing WIP were 20,000 units, 70% completed. How much the equivalent units of output would be produced?

- ▶ 20,000 units
- ▶ 30,000 units
- ▶ 36,000 units
- ▶ **44,000 units**

Question No: 37 (Marks: 1) - Please choose one

Greenwood petroleum has the data for the year was as follow:

Opening WIP	26,000 barrels.
Introduced during the year	67,000 barrels
Closing WIP	15,000 barrels.

How many barrels were completed and transferred out of work-in-process this period?

- ▶ 67,000 barrels
- ▶ **78,000 barrels**
- ▶ 82,000 barrels
- ▶ 93,000 barrels

Question No: 38 (Marks: 1) - Please choose one

Raymond Corporation estimates factory overhead of Rs. 345,000 for next fiscal year. It is estimated that 60,000 units will be produced at a material cost of Rs. 575,000. Conversion will require 34,500 direct labor hours at a cost of Rs. 10 per hour, with 25,875 machine hours.

FOH rate on the bases on Budgeted Production would be?

- ▶ **Rs. 5.75 per unit**
- ▶ Rs. 6.65 per unit
- ▶ Rs. 6.0 per unit
- ▶ Rs.1 per unit

$$345000/60,000 = 5.75$$

Question No: 39 (Marks: 1) - Please choose one

In cost Accounting, abnormal loss is charged to:

- ▶ Factory overhead control account
- ▶ **Work in process account**
- ▶ Income Statement
- ▶ Entire production

Question No: 40 (Marks: 1) - Please choose one

Which of the following statement is **NOT** true about overhead applied rates?

- ▶ They are predetermined in advance for each period
- ▶ They are used to charge overheads to product
- ▶ **They are based on actual data for each period**
- ▶ None of the given options

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

Question No: 41 (Marks: 10)

The Mars Company applies factory overheads to production by means of pre-determined rate based on expected actual capacity. Factory overhead at expected actual capacity of 120,000 hours is Rs. 240,000 of which Rs. 60,000 is fixed and Rs. 180,000 is variable. Normal capacity of the company is 150,000 hours. The actual capacity attained during the year was 100,000 hours and actual factory overhead was Rs. 180,000.

Calculate: Pre-determined overhead rate based on expected actual capacity and normal capacity.

1. Over-applied or under-applied factory overhead based on rate used by the company.
2. Budget variance and volume variance

The Mars Company applies factory overheads to production by means of pre-determined rate based on expected actual capacity. Factory overhead at expected actual capacity of 120,000 hours is Rs. 240,000 of which Rs. 60,000 is fixed and Rs. 180,000 is variable. Normal capacity of the company is 150,000 hours. The actual capacity attained during the year was 100,000 hours and actual factory overhead was Rs. 180,000.

Calculate:

Pre-determined overhead rate based on expected actual capacity and normal capacity.

1. Over-applied or under-applied factory overhead based on rate used by the company.
2. Budget variance and volume variance

Solution

Pre-determined overhead rate based on expected actual capacity

Fixed FOH rate = fixed FOH cost/ expected actual capacity = $60000/120000 = 0.50$

Add variable FOH rate =

Variable FOH cost for expected actual capacity/ expected actual capacity
 $= 180000/120000 = + 1.50$

FOH applied rate based on expected actual capacity **2.00**

Pre-determined overhead rate based on normal capacity

Fixed FOH rate = fixed FOH cost/ normal capacity = $60000/150000 = 0.40$

Add variable FOH rate = $+ 1.50$

Pre-determined overhead rate based on normal capacity **= 1.90**

Note: Solve these papers by yourself
This VU Group is not responsible for any solved content

1) **. Over-applied or under-applied factory overhead based on expected actual capacity**

Actual FOH cost	=	180000
<u>Applied FOH cost</u>		
=actual capacity * FOH rate		
=100000*2.00	=	<u>200000</u>

Over applied FOH cost		<u>20000</u>
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2) **Budget variance at expected actual capacity rate**

Actual FOH cost	=	180000
<u>Estimated FOH cost at actual capacity</u>		
Fixed FOH cost	=	60000
+ Variable FOH cost		
= actual capacity*variable rate		
= 100000*1.50	=	<u>150000</u>
Favorable		<u>30000</u>

Volume variance of expected actual capacity rate

Estimated FOH cost at actual capacity	210000
Applied FOH cost	<u>200000</u>
Unfavorable	<u>(10000)</u>