**Multiple Choice Questions on Costing**

**1. Basic objective of cost accounting is**

**A. Tax Compliance**

**B. Financial Audit**

**C. Cost ascertainment**

**D. Profit Analysis**

**2. Process Costing is suitable for**

**A. Hospitals**

**B. Oil Refining Firms**

**C. Transport Firms**

**D. Brick Laying Firms**

**3. Cost Classification can be done in**

**A. Two ways**

**B. Three Ways**

**C. Four Ways**

**D. Several Ways**

**4. The cost to be incurred even when a business unit is closed is**

**A. Imputed cost**

**B. Historical cost**

**C. Sunk cost**

**D. Shutdown cost**

**5. Direct expenses are also called**

**A. Major expenses**

**B. Chargeable expenses**

**C. Overhead expenses**

**D. Sundry expenses**

**6. Indirect material used in production is called as**

**A. Office overhead**

**B. Selling overhead**

**C. Distribution overhead**

**D. Factory overhead**

**7. Warehouse rent is a part of**

**A. Prime Cost**

**B. Factory Cost**

**C. Distribution Cost**

**D. Production Cost**

**8. Indirect material scrap is adjusted along with**

**A. Prime cost**

**B. Factory cost**

**C. Labour cost**

**D. Cost of goods sold**

**9. Tender is an**

**A. Estimation of profit**

**B. Estimation of cost**

**C. Estimation of selling price**

**D. Estimation of units**

**10. Total of all direct costs is termed as**

**A. Prime cost**

**B. Works cost**

**C. Cost of sales**

**D. Cost of production**

**11. Bonus under Rowan scheme is paid**

**A. As a proportion of standard time to actual time**

**B. As a proportion of actual time to standard time**

**C. As a proportion of time saved to standard time**

**D. As a proportion of standard time to time saved**

**12. How many rate are used to calculate wages under Taylor’s differential piece rate system**

**A. Two**

**B. Three**

**C. Four**

**D. Five**

**13. The loss which arise in manufacturing activity on account of inherent nature of product is**

**A. Normal loss**

**B. Abnormal loss**

**C. Net loss**

**D. Gross loss**

**14. Fixed cost per unit increases when**

**A. Variable cost per unit increases**

**B. Variable cost per unit decreases**

**C. Production volume increases**

**D. Production volume decreases**

**15. Normal loss in manufacturing leads to**

**A. Reduction in unit price of other good units**

**B. Increase in unit price of other good units**

**C. Reduction in costing profit**

**D. Increase in costing profit**

**16. Process cost is ascertained and recorded in**

**A. Balance sheet**

**B. Profit and Loss account**

**C. Separate statement**

**D. Separate Ledger Account**

**17. Batch costing is useful to determine**

**A. Maximum quantity of output**

**B. Minimum quantity of ouput**

**C. Economic batch quantity**

**D. Profit of batches**

**18. Prime cost plus variable overheads is known as**

**A. Cost of sales**

**B. Production cost**

**C. Total cost**

**D. Marginal cost**

**19. The stock keeper should initiate a purchase requisition when stock reaches**

**A. Average stock level**

**B. Minimum**

**C. Maximum**

**D. Re-order level**

**20. Sale of defectives is reduced from**

**A. Prime cost**

**B. Works cost**

**C. Cost of production**

**D. Cost of sales**

**21. Depreciation of plant and machinery is a part of**

**A. Factory overhead**

**B. Selling overhead**

**C. Distribution overhead**

**D. Administration overhead**

**22. Appropriate basis for apportionment of material handling charges is**

**A. Material purchased**

**B. Material in stock**

**C. Material consumed**

**D. Material wasted**

**23. Recreation expenses in factory are apportioned on the basis of**

**A. Material cost**

**B. Wages**

**C. Prime cost**

**D. Number of employees**

**24. Comprehensive machine hour rate includes**

**A. Machine operator wages**

**B. Managing directors’ salary**

**C. Income tax**

**D. Office rent**

**25. Abnormal loss and its value are**

**A. Debited to process account**

**B. Credited to process account**

**C. Debited to costing profit and loss account**

**D. Debited to profit and loss account**