

MGT402- Solved Quizes By Pin2

Qustion#1

Which of the following is correct?

Select correct option:

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 # 2

PVC Company has ordering quantity 10,000 units. They have storage capacity 20,000 units, The average inventory would be:

Select correct option:

20,000

5,000

10,000

25,000

Question # 3

_____ is the time worked over and above the employee's basic working week.

Select correct option:

Flex time

Overtime

Shift allowance

Commission

Question # 4

Cost of Goods Manufactured can be calculated as follow

Select correct option:

Total factory Cost Add Opening Work in process inventory Less Closing Work in process inventory

Total factory Cost Less Opening Work in process inventory Add Closing Work in process inventory

Total factory Cost Less Opening Work in process inventory Less Closing Work in process inventory

Total factory Cost Add Opening Work in process inventory Add Closing Work in process inventory

Question # 5

Which of the following statement is correct regarding reasons of variance?

Select correct option:

Difference between capacity level over which overhead absorption rate is calculated & capacity level attained.

Difference between FOH cost budgeted or estimated over which overhead absorption rate and FOH actually incurred.

Difference between the actual level which company achieved and budget level which company determined.

All of the given

Question # 6

The component of Factory overhead are as follow

Select correct option:

Direct material + Indirect material + Direct expenses

Indirect material + Indirect labor + Others indirect cost

Direct material + Indirect expenses + Indirect labor

Direct labor + Indirect labor + Indirect expenses

Question # 7

In which of the following would there be a difference between financial and managerial accounting?

Select correct option:

- Users of the information
- Purpose of the information
- Flexibility of practices
- All of the given options**

Question # 8

Over applied FOH will always result when a predetermined FOH rate is applied and:

Select correct option:

- Production is greater than defined capacity
- Actual overhead costs are less than budgeted overhead
- Budgeted capacity is less than normal capacity
- Actual overhead incurred is less than applied Overhead**

Question # 9

All of the following are cases of labor turnover EXCEPT:

Select correct option:

- 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 # 10

Under LIFO method the value of issues is close to:

Select correct option:

- Second hand price
- Current market price
- Historical cost**
- All of given options

Question # 11

Differential cost has the behavior of ?

Select correct option:

Fixed cost

Step cost

Variable/semi variable cost

All of the given options

Question # 12

In furniture manufacturing use of nail, pins, glue, and polish which use to increase its esteem value that cost is treated as:

Select correct option:

Direct material cost

Indirect material cost

FOH cost

Prime cost

Question # 13

A store ledger card is similar to the _____ .

Select correct option:

Stock ledger

Bin card

Material card

Purchase requisition card

Question # 14

FOH absorption rate is calculated by the way of

Select correct option:

Estimated FOH Cost/Direct labor hours

Estimated FOH Cost/No of units produced

Estimated FOH Cost/Prime Cost

All of the given options

Explanation:

ABSORPTION COSTING: Before diving into the specifics of variable costing, let's revisit the basic tenants of the traditional approach known as absorption costing (also known as "full costing"). Generally accepted accounting principles require absorption costing for external reporting, and it formed the basis for the discussion of inventory costing found in preceding chapters. Under absorption costing, normal manufacturing costs are considered product costs and included in inventory. As sales occur, the cost of inventory is transferred to cost of goods sold; meaning that the gross profit is reduced by all costs of manufacturing, whether those costs relate to direct materials, direct labor, variable manufacturing overhead, or fixed manufacturing overhead. Selling, general, and administrative costs (SG&A) are classified as period expenses.

Question # 15

Which of the following is / are element / s of production payroll?

Select correct option:

Direct labor force wages

Administrative wages

Selling wages

All of the given options

Labor costs constitute an important part of production cost. Labor cost is and element of total payroll expense of an entity. Payroll expense consists of

- Labor cost
- Administrative staff expenses
- Selling and distribution staff expenses

Question # 16

Which of the following costs is part of the prime cost for manufacturing company?

Select correct option:

Cost of transporting raw materials from the suppliers premises

Wages of factory workers engaged in machine maintenance

Depreciation of truck used for deliveries to customers

Cost of indirect production materials

Question # 17

All Indirect cost is charged/record in the head of

Select correct option:

Prime cost

FOH cost

Direct labor cost

None of the given options

Question # 18

Direct material opening inventory add net purchases is called

Select correct option:

Material consumed

Material available for use

Total material purchased

Material ending inventory

Question # 19

The journal entry of purchase of stock under periodic inventory system would be?

Select correct option:

Inventory to Cash

Cash to Purchases

Purchases to Inventory

None of the given options

<http://business-accounting-guides.com/periodic-inventory/>

Question # 20

Which of the following statement measures the financial position of the entity on particular time?

Select correct option:

Income Statement

Balance Sheet

Cash Flow Statement

Statement of Retained Earning

Question # 21

The Process of cost apportionment is carried out so that:

Select correct option:

Cost may be controlled

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

Question # 22

Net sales = Sales less:

Select correct option:

Sales returns

Sales discounts

Sales returns & allowances

Sales returns & allowances and sales discounts

Ref: http://www.cliffsnotes.com/study_guide/Net-Sales.topicArticleId-21081,articleId-21036.html

Question # 23

Where the applied FOH cost is greater than the actual FOH cost it is:

Select correct option:

Unfavorable variance

Favorable variance

Normal variance

Budgeted variance

Question # 24

Merrick Differential system uses ----- rates.

Select correct option:

Two

Three

Four

Five

Question # 25

FOH applied rate of Rs. 5.60 per machine hour. During the year the FOH to Rs.275,000 and 48,000 machine hours were used. Which one of following statement is correct?

Select correct option:

Overhead was under-applied by Rs.6,200

Overhead was over-applied by Rs.6,200

Overhead was under-applied by Rs.7,200

Overhead was over-applied by Rs.7,200

Explanation:

FOH = 275000

$48000 \times 5.60 = 268800$

$275000 - 268800 = 6200$

as the predetermined FOH is greater than actual so it will be Over-applied

Question # 26

Under/Over applied FOH cost can be adjusted in which of the following:

Select correct option:

Entire Production

Cost of Good sold

Net Profit

All of given options

Question # 27

A cost centre is

Select correct option:

A unit of product or service in relation to which costs are ascertained

An amount of expenditure attributable to an activity

A production or service location, function, activity or item of equipment for which costs are

accumulated

A centre for which an individual budget is drawn up

Question # 28

All of the following are essential requirements of a good wage system EXCEPT:

Select correct option:

Reduced overhead costs

Reduced per unit variable cost

increased production

Increased operating costs

Question # 29

Increase in material Inventory means:

Select correct option:

The ending inventory is greater than opening inventory

The ending inventory is less than opening inventory

Both ending and opening inventories are equal

Can not be determined

Question # 30

Which of the following is sales force payroll incentive?

Select correct option:

Commission

Shift allowance

Over time payment

Bonus

Question # 31

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:

Select correct option:

$$18 \times 7 \times 0.50 = \text{Rs. } 63$$

$$18 \times 0.50 = \text{Rs. } 9 \text{ (piece rate} = \text{unit} \times \text{rate)}$$

$$18 \times 7 = \text{Rs. } 126$$

$$7 \times 0.5 = \text{Rs. } 3.5$$

Question # 32

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:

Select correct option:

Remain unchanged for fixed cost and increase for variable cost

Increase for fixed cost and remain unchanged for variable cost

Increase for fixed cost and decrease for variable cost Decrease for both fixed and variable costs

Question # 33

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

Select correct option:

Total production cost

Cost of goods available for sales

Cost of goods manufactured

Cost of goods Sold

http://www.ehow.com/how_5100715_calculate-cost-per-unit.html

Question # 34

Net Income before Interest and tax is also called:

Select correct option:

Operating Income/Profit

Gross Profit

Marginal Income
Other Income

Question # 35

Which of the following is an example of Statutory deductions:

Select correct option:

Deduction as Income Tax

Deduction as social security

Subscriptions to a trade union

None of the given

Question # 36

Direct material opening inventory add net purchases is called

Select correct option:

Material consumed

Material available for use

Total material purchased

Material ending inventory

Question # 37

Inventory turnover ratio can be calculated as follow?

Select correct option:

Cost of goods sold/Average inventory

Gross profit/Average inventory

Cost of goods sold/sale

Cost of goods sold/Gross profit

Question # 38

Cost accounting concepts include all of the following EXCEPT:

Select correct option:

Planning

Controlling

Sharing

Costing

Question # 39

Overtime that is necessary in order to fulfill customer orders is called:

Select correct option:

Avoidable overtime

Unavoidable overtime

Premium Overtime

Flex time

Question # 40

If opening inventory of material is Rs.20,000 and closing inventory is Rs. 40,000.the Average inventory amount will be:

Select correct option:

Rs. 40,000

Rs. 30,000

Rs. 20,000

Rs. 10,000

Question # 41

In which of the following center FOH cost NOT incurred

Select correct option:

Production Center

Service Center

General Cost Center

Head Office

Question # 42

If labor is satisfied with high wages it may ultimately lead to:

Select correct option:

Increased production and productivity

Increased efficiency

Reduced labor and overhead costs

All of the given options

Question # 43

Byer produced 20,000 units and their total factory cost was Rs. 450,000, other cost like property tax on factory building was Rs. 10,000 included in that cost till year ended the cost of per unit would be:

Select correct option:

Rs.22.5

Rs.23.5

Rs.24.5

Rs.26.5

Question # 44

Which of the following best describes the manufacturing costs?

Select correct option:

Direct materials, direct labor and factory overhead

Direct materials and direct labor

Direct materials, direct labor, factory overhead, and administrative overhead

Direct labor and factory overhead

Question # 45

The Term Minimum Level Represents.

Select correct option:

This represents the quantity below which the stock of any item should not be allowed to fall

This represents the quantity below which the stock of any item should be allowed to fall

This is the estimated time period in number of days or in weeks or in months.

This is the Lead time period in number of days or in weeks or in months.

Question # 46

Which of the following is to be called product cost

Select correct option:

Material cost
Labor cost
FOH cost
All of the given options

Question # 47

The components of the prime cost are:

Select correct option:

Direct Material + Direct Labor + Other Direct Cost
Direct Labor + Other Direct Cost + FOH
Direct Labor + FOH
None of the given options

Question # 48

Store in charge after receiving the material as per the goods received note, places the material at its location and makes an entry in_____ .

Select correct option:

Bin Card page 64
Store Ledger Card
Stock Ledger
None of the given options

Question # 49

Working hours of labor can be calculated with the help of all except:

Select correct option:

Smart card
Time sheet
Clock card
Store card page 70

Question # 50

A cost unit is

Select correct option:

The cost per hour of operating a machine

The cost per unit of electricity consumed

A unit of product or services in relation to which costs are ascertained

A measure of work output in a standard hour

Question # 51

A Blanket Rate is:

Select correct option:

A single rate which used throughout the organization departments

A double rates which used throughout the organization departments

A single rates which used in different departments of the organization

None of the given options

Question # 52

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

Select correct option:

First to be allocated to the ending inventory

Last to be allocated to the cost of goods sold

Last to be allocated to the ending inventory

First to be allocated to the cost of good sold

Question # 53

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

Select correct option:

The number of rejected units was higher than normal

Machine breakdowns were higher than normal

Delays were experienced in the issuing of material to production

All of the given options

Question # 54

A method by which the good used are priced out at average cost is known as:

Select correct option:

BCVO

AVCO

c.FIFO

LIFO

Question # 55

Under Periodic Inventory system Purchase of inventory is treated as:

Select correct option:

Assets

Expense

Income

Liability

Question # 56

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

Select correct option:

Managers

Storekeeper page 50

Production In charge

Sales supervisor

Question # 57

If, COGS = Rs. 50,000 GP Margin = 25% of sales What will be the value of Sales?

Select correct option:

Rs. 200,000

Rs. 66,667

Rs. 62,500

None of the given options

$$\text{Sales} = \text{Gross profit} * 100\% / 25\%$$

$$\text{Gross profit} = \text{COGS} * 25\% / 75\% = 16667$$

$$\text{Sales} = 16667 * 100\% / 25\% = 66668$$

Question # 58

If, COGS = Rs. 70,000 GP Margin = 30% of sales What will be the value of Sales?

Select correct option:

Rs. 200,000

Rs. 66,667

Rs. 100,000

Rs. 62,500

$$\text{Gross profit} = 30000$$

$$\text{Sales} = 30000 * 100\% / 30\% = \text{Rs. } 100,000$$

Page 33 and 34

Question # 59

If, Gross profit = Rs. 40,000 GP Margin = 25% of sales What will be the value of cost of goods sold?

Select correct option:

Rs. 160,000

Rs. 120,000

Rs. 40,000

Can not be determined

$\text{COGS} = \text{Gross profit} * 75\% / 25\% = \text{Rs. } 120,000$

Question # 60

The abbreviation LIFO is:

Select correct option:

Large integrated financial organization

Least interesting financial option

The last in first out method

None of the given options

Question # 61

Which of the following is/are not associated with ordering costs?

Select correct option:

Interest

Insurance

Opportunity costs

All of the given options

Question # 62

The supervisor salary is treated as:

Select correct option:

Direct labor cost

Indirect labor cost

Conversion cost

None of the given options

Question # 63

Cost of finished goods inventory is calculated by:

Select correct option:

Multiplying units of finished goods inventory with the cost per unit

Dividing units of finished goods inventory with the cost per unit

Dividing per unit cost with finished goods inventory
Deducting total cost from finished goods inventory

Question # 64

The main purpose of cost accounting is to

Select correct option:

Maximize profits

Help in inventory valuation

Provide information to management for decision making

Aid in the fixation of selling price