Sheth TJ Education Society's
Sheth NKTT College of Commerce & JTT College of Arts

- Name of the Faculty: Maithili A Kende
- Subject: **Advanced Cost Accounting**
- Class: **M.com Part-II, Sem- III**

Question bank of MCQ's

Unit-I

1. Normal Loss is equal to_____
   a. Normal Output- Actual Output
   b. Actual output- Normal Output
   c. Input*%of normal loss
   d. Actual Output-Normal output

2. Normal output is equal to_____
   a. Input- Abnormal Loss
   b. Input- Normal Loss
   c. Input- Normal Gains
   d. input - Abnormal Gains
3. Unit cost is equal to_____
   a. Normal Cost / Normal Output
   b. Total cost / Normal output
   c. Normal Cost / Total Output
   d. Total cost/Total Output

4. Abnormal Loss is equal to_____
   a. Input – Actual output
   b. Actual Output – Normal
   c. **Normal Output- Actual Output**
   a. Actual Output-Input

5. Abnormal Gains are equal to
   a. Actual Output - Normal Output
   b. Normal Output- Actual Output
   c. Actual Output- Input
   d. Input- Actual Output

6. Which of the following does not use process costing?
   a. Oil refining
   b. Distilleries
   c. Sugar
   d. Aircraft manufacturing
7. Process Cost based on the concept of
   a. Average Cost
   b. Marginal Cost

c. Standard Cost
d. Differential Cost

8. Process costing applied when_____
   a. small number of different products are manufactured
   b. large number of different products are manufactured
   c. large number of identical products are manufactured
   d. fixed costs exceed variable costs
9. When FIFO method is used in process coating, the opening stock costs are:
   a. kept separate from the costs of the new period
   b. added to new costs
   c. subtracted from the new costs
   d. averaged with other costs to arrive at total costs
10. In process costing what are equivalent units?
    a. Production output expressed as expected performance
    b. Production of homogeneous product
    c. National whole units representing incomplete work
    d. Units produced in more than one process
11. For which costing method is the concept of equivalent units relevant ?
    a. Batch costing
    b. Job costing
    c. process costing
    d. Service costing
12. Completed output from a manufacturing process in a period totaled 5,640 units. There was no work-in-progress at the beginning of the period but 780 units, 60% complete, remained in the process at the end of the period.
    What are the equivalent units of the closing work-in-progress?
    a. 312
    b. 468
    c. 780
    d. 6,108
13. Conversion costs incurred in a process totaled Rs. 71 ,628 in a period. There was no work-in. progress at the beginning of the period. 9,000 units of product were completed in the period leaving 1,000 units, 40% complete as to conversion costs, still in-progress at the end of the period. What was the conversion cost per unit of production?
    a. 7.16
    b. 7.46
    c. 7.62
    d. 7.96
14. The following information relates to a production process for a period
    Input costs Rs.1,94,860
    Completed output 11 ,400 units
    Closing work-in-progress 1,200 units (60% complete)
    There were no process losses or opening work-in-progress.
    What was the cost per unit for the process?

a. Rs. 15.47
b. Rs. 16.08
c. Rs. 16.40
d. Rs. 17.09

15. The conversion costs in a process totaled Rs. 47,620 for a period. There was no opening work-in- progress. During the period 9,000 units of product completed production and a further 1,000 units remained, 60% complete.
What was the conversion cost per unit (to 2 decimal places) in the period?
a. 4.76
b. 4.96
c. 5.07
d. 5.29
16. The sale value of residue etc. is _____to the Process Account.
a. Credited
b. Debited
c. Subtracted
d. Transfer
17. Invisible waste has no _____.
a. Sales Value
b. Purchase value
c. No entry in a/c
d. entry in a/c
18. Normal Loss is treated as _____ of production.
a. normal cost
b. Abnormal cost
c. Abnormal loss
d. normal loss
19. The sale value of units of abnormal gains is debited to the abnormal gains account and _____to the normal loss account.
a. Credited
b. Debited
c. Subtracted
d. Transfer
20. The cost of units of abnormal loss is _____ to the Process account.
a. Credited
b. Debited
c. Subtracted
d. Transfer
21. The cost of units of abnormal gain is _____ to the Process account.
a. Credited
b. Debited
c. Subtracted
d. Transfer
22. The sale value of units of abnormal loss is _____ to the abnormal loss account.
a. Credited

b. Debited
c. Subtracted
d. Transfer

23. The following information relates to a production process for a period
Input costs Rs.2,00,000
Completed output 12 ,500 units
Closing work-in-progress 1,500 units (70% complete)
There were no process losses or opening work-in-progress.
What was the cost per unit for the process?
a. Rs. 15.47
b. **Rs. 14.76**
c. Rs. 13.67
d. Rs. 17.09

24. The following information relates to a production process for a period
Input costs Rs.1,50,000
Completed output 10 ,500 units
Closing work-in-progress 1,400 units (80% complete)
There were no process losses or opening work-in-progress.
What was the cost per unit for the process?
a. Rs. 15.47
b. **Rs. 12.91**
c. Rs. 13.67
d. Rs. 14.09

25. Completed output from a manufacturing process in a period totaled 6,640 units. There was no work-in-progress at the beginning of the period but 950 units, 80% complete, remained in the process at the end of the period.
What are the equivalent units of the closing work-in-progress?
a. 5690
b. 760
c. 780
d. 6,108

26. Completed output from a manufacturing process in a period totaled 3,640 units. There was no work-in-progress at the beginning of the period but 550 units, 70% complete, remained in the process at the end of the period.
What are the equivalent units of the closing work-in-progress?
a. 585
b. 385
c. 380
d. 308

27. The conversion costs in a process totaled Rs. 87,520 for a period. There was no opening work-in- progress. During the period 8,000 units of product completed production and a further 1,000 units remained, 50% complete.
What was the conversion cost per unit (to 2 decimal places) in the period?
a. 14.76

b. **10.29**
c. 8.07
d. 11.92

28. The conversion costs in a process totaled Rs. 67,520 for a period. There was no opening work-in- progress. During the period 9,000 units of product completed production and a further 1,000 units remained, 80% complete.
What was the conversion cost per unit (to 2 decimal places) in the period?
a. 14.76
b. 10.29
c. 6.89
d. 11.92

Unit-II

1. The allotment of whole items of cost to cost centers or cost units is called____
   a. Cost allocation
   b. Cost apportionment
   c. Overhead absorption
   d. Profit apportionment
2. _____cost centers to be distributed to production cost centers.
   a. Cost of quality
   b. Cost of product
   c. Increasing cost
   d. Cost of service

3. Packing cost is a_____
   a. Production cost
   b. Selling cost
   c. Distribution cost
   d. It may be any of the above

4. Directors' remuneration and expenses form a part of_____
   a. Production overhead
   b. Administration overhead
   c. Selling overhead
   d. Distribution overhead

5. Salary of a foreman should be classified as a
   a. Fixed overhead
   b. Variable overhead
   c. Semi-fixed or semi-variable overhead
   d. Overhead

6. Charging to a cost center those overheads that result solely from the existence of that centers is known as_____
   a. Allocation
   b. Apportionment

c. Absorption
d. Allotment

7. Absorption Means_____
   a. Charging of overheads to cost centers
   b. Charging of overheads to cost units
   c. Charging of overheads to cost centers or cost units
   d. Charging of overheads to profit centers

8. Bad debt is an example of_____
   a. Production overhead
   b. Administration overhead
   c. Selling overhead
   d. Distribution overhead

9. Number of workers employed is used as a basis for this apportionment of_____
   a. Time office costs
   b. Canteen expenses
   c. Personnel department expenses
   d. Any of these

10. Warehouse expenses is an example of_____
    a. Production overhead
    b. Selling overhead
    c. Distribution overhead
    d. Production overhead

11. The least suitable basis for applying overhead is_____
    a. Materials consumed
    b. direct labour cost
    c. direct labour hours
    d. machine hours

12. Which of the following is referred to as primary distribution of overheads
    a. Reapportioning service dept. overheads to other service dept.
    b. Reapportioning production dept. overheads to other production dept,
    c. Apportioning and allocating overheads to all departments on a suitable basis
    d. Service dept. overheads to production dept.

13. The term cost allocation is described as _____
    a. The costs that can be identified with specific cost centers
    b. The costs that cannot be identified with specific cost centers
    c. The total cost of factory overhead needed to be distributed among specific cost centers
    d. None of the given options

14. The distribution of overheads allotted to a particular department or cost center over the units produced is called_____
    a. Allocation
    b. Apportionment
    c. Absorption
    d. Departmentalization
15. If an item of overhead expenditure is charged specifically to a single department this would be an example of_____
    a. Apportionment
    b. Allocation
    c. Re-apportionment
    d. Absorption

16. Which of the following costs is not a factory overhead expense?
    a. Depreciation of equipment used in the research department
    b. Salary of quality control inspector
    c. Overtime premium paid to direct labour
    d. Machine maintenance cost
17. Which of the following bases would be most appropriate to apportion the cost of electric power to factory departments?
    a. Number of outlet points
    b. Amount metered out
    c. Cubic capacity of premises
    d. Kilowatt capacity of machines in department

18. Which Of the following is not a means whereby factory overheads can be charged out to production?
    a. Direct labour rate
    b. Overtime rate
    c. Machine hour rate
    d. Blanket rate

19. Which Of the following bases is not appropriate for apportionment of Transport department's cost?
    a. Crane hours
    b. Crane value
    c. Truck Mileage
    d. Truck value

20. typical Distribution factory overhead cost is_____
    a. Distribution
    b. Internal audit
    c. Compensation of plant manager
    d. Design

21. In Which of the following center Factory OH cost is NOT incurred ?

a. Production Center
b. Service Center
c. General Cost Center
d. Head Office

22. Which of the following cannot be used as a base for the determination of overhead absorption rate ?
a. Number of units produced
b. Prime cost
c. Conversion cost
d. Discount Allowed

23. Production OH absorption rate is calculated by the way of
a. Estimated Production OH Cost/Direct labour hours
b. Estimated Production OH Cost/No of units produced
c. Estimated Production OH Cost/Prime Cost
d. All of the given options

24. If an item of overhead expenditure was not charged specifically to a single department would be an example of_____
a. Apportionment
b. Allocation
c. Re-apportionment
d. Absorption

25. P Corporation expects to incur Rs. 70,000 of factory overhead and Rs. 60.000 of general add administrative costs next year. Direct labour costs at 5 per hour ate expected to total Rs. 50,000. If factory overhead is to be applied per direct labour hour, how much overhead will be applied to a job incurring 20 hours of direct labour?
a. Rs. 120
b. Rs. 140
c. Rs. 128
d. Rs. 120

26. All of the following are considered to be part of the activity levels often used to implement ABC, with the exception of
a. production-level activity
b. batch-level activity
c. product-level activity
d. unit-level activity

27. Which of the following systems focuses on activities as the fundamental cost objects and uses the costs of those activities for compiling the indirect costs of products?
a. a Job costing
b. Activity-based costing
c. Process costing
d. Product costing

28. Examples of activities at the batch level of costs include:
a. cutting, painting, and packaging
b. material ordering, machine set up, and inspection
c. designing, part-specification, and advertising
d. heating, lighting, and security

29. Which of the following is typically regarded as a cost driver in traditional accounting practices?
    a. Number of purchase orders processed
    b. Number of customers served
    c. Number of transactions processed
    d. Number of direct labour hours worked
30. The term cost driver refers to
    a. any activity that can be used to predict cost changes
    b. the attempt to control expenditures at a reasonable level
    c. the person who gathers and delivers cost data to the management accountant
    d. any activity that causes costs to be incurred
31. Cost allocation bases in activity-based costing should be
    a. Cost drivers
    b. Cost pools
    c. Activity centers
    d. Resources
32. Costs that are common to many different activities within an organization are known as costs.
    a. Product-level
    b. Facility-level
    c. Batch-level
    d. Unit-level
33. Relative to traditional product costing, activity-based costing differs in the way costs are_____
    a. processed
    b. allocated
    c. benchmarked
    d. incurred
34. In activity-based costing, final cost allocations assign costs to_____
    a. departments
    b. processes
    c. Products
    d. Activities
35. Providing the power required to run production equipment is an example of a_____
    a. Unit-level activity
    b. Batch-level activity
    c. Product-level activity
    d. Organization-sustaining activity
36. Which of the following is not a broad, cost classification category typically used in activity-based costing?

a. Unit-level
b. Product-sustaining level
c. Facility-level
d. Management-level

37. In an activity-based costing system, direct materials used would typically be classified as a
a. unit-level cost
b. batch-level cost
c. product-sustaining cost
d. facility-level cost
38. In an activity-based costing system, materials receiving would typically be classified as a
a. unit-level activity
b. batch-level activity
c. product-sustaining activity
d. facility-level activity
39. The salaries of a manufacturing plant's management are said to arise from
a. unit-level activities
b. batch-level activities
c. product-sustaining activities
d. facility-level activities
40. An activity that has a direct cause-effect relationship with the resources consumed is a (n)
a. cost driver
b. overhead rate
c. cost pool
d. product activity
41. Which definition best describes indirect costs?
a) Indirect costs are those costs which are not controlled directly by a manager.
b) **Indirect costs are those costs which cannot be directly associated with a product or service.**
c) Indirect costs are always fixed.
d) Indirect costs are always manufacturing overhead costs.
42. The management accounting technique that spreads indirect manufacturing costs fairly across the range of products is called:
a) **Absorption costing.**
b) Allocation costing.
c) Indirect costing.
d) Overhead costing.

43. What would happen to a blanket rate if production volumes were increased?

a) The fixed cost per unit of the product would increase

b) **The unit cost of a product would decrease.**

c) The unit cost of a product would increase.

d) The direct cost per unit of a product would decrease.

44. In absorption costing, what are the allocated costs?
a) **The costs that can be directly associated with a department**
b) Manufacturing costs, which need to be spread over production departments
c) Manufacturing costs, which need to be spread over products or services.
d) The costs that can be directly associated with a service department

45. What would be the most appropriate way of apportioning depreciation costs across different manufacturing departments in a business?
a) Floor space
b) Numbers of personnel
c) **Value of buildings and equipment**
d) Administration costs

46. Which of the following factors is considered to have influenced the development of activity-based costing?
a) Increasing uniformity of products with sophisticated production technologies
b) Increase in direct costs as a proportion of total product costs
c) A very high proportion of high-volume products
d**) Increase in overhead costs as a proportion of total product costs**

47. Which of the following is not considered to be a benefit of activity-based costing?
a) More accurate product costs
b) **Reduced complexity of calculating costs**
c) Inclusion of non-manufacturing costs
d) More detailed understanding of what drives cost

48. Activity-based costing _____
a) Uses a plant-wide overhead rate to assign overhead
b) Is not expensive to implement
c) Typically applies overhead costs using direct labor-hours
d) **Uses multiple activity rates**

49. Assigning overhead using ABC often_____
a) **Shifts overhead costs from high-volume products to low-volume products**
b) Shifts overhead costs from low-volume products to high-volume products
c) Provides the same results as traditional costing
d) Requires one predetermined overhead rate

50. Painting the product would be an example of which activity level groups
a) Facility-level activity
b) Product-level activity
c) **Unit-level activity**
d) Batch-level activity

51. Plant depreciation is an example of which activity-level group?
a) Unit-level activity
b) **Facility-level activity**
c) Batch-level activity
d) Product-level activity

52. Product design is an example of which activity-level group?
a) **Product-level activity**
b) Facility-level activity
c) Batch-level activity
d) Unit-level activity

53. Inspections are an example of which activity-level group?
a) Unit-level activity
b) **Batch-level activity**
c) Product-level activity
d) Facility-level activity

54. Which of the following characteristics would be an indicator that a company would benefit from switching to activity-based costing?
a) Only one homogenous product is produced on a continuous basis
b) The existing cost system is reliable and predictable
c) **Overhead costs are high and increasing with no apparent reason**
d) The costs of implementing ABC outweigh the benefits

55. Which of the following is a limitation of activity-based costing?
a) Costs are accumulated by each major activity
b) A variety of activity measures are used
c) All costs in an activity cost pool pertain to a single activity
d) **Activity-based costing relies on the assumption that the cost in each cost pool is strictly proportional to its cost measure**

56. Under ABC costing of Jai Ltd. Provided information for the month of July 2020 Estimated overhead for product testing is Rs. 3,500 Expected activity is 350 tests, actual overhead is 3,100 and actual activity test is 340. Calculate amount of overhead was applied to product _____
a) 3,400
b) 3,200
c) 3,100
d) 3,000

57. Under ABC costing of Suraj Ltd. Provided information for the month of July 2020 Estimated overhead for Purchase orders is Rs. 1,050 Expected activity is 525 purchase orders, actual overhead is 1,200 and actual activity purchase orders is 525. Calculate amount of overhead was applied to product _____

a) 1,050
b) 1,200
c) 1,100
d) 1,000

58. Under ABC costing of Jai Ltd. Provided information for the month of July 2020 Estimated overhead for facilities Rs. 20,000 Expected activity is 8000 sq.feet, actual overhead is 21,000 and actual activity facilities 8000 sq. Feet. Calculate amount of overhead was applied to product _____

a) **20,000**
b) 30,200
c) 30,100
d) 30,000

59. Budgeted overheads for material procurement are Rs. 11, 20,222. Budgeted volume of number of orders is 2,000 _____will be the cost driver rate of material procurement.

a) Rs. 550

b) Rs. 560

c) Rs. 570

d) Rs. 580

60. Budgeted overheads for material procurement are Rs. 21, 20,222. Budgeted volume of number of orders is 4,000 _____will be the cost driver rate of material procurement.

a) Rs. 550

b) Rs. 560

c) Rs. 530

d) Rs. 580

61. Budgeted overheads for material procurement are Rs. 31, 20,222. Budgeted volume of number of orders is 3,000 _____will be the cost driver rate of material procurement.

a) Rs. 1050

b) Rs. 1060

c) Rs. 1040

d) Rs. 1080

62. A company manufacturing two products product X and Y .Total machine hours for product X is Rs. 30,000 and product Y is Rs. 1, 40,000. The annual overhead are as under: 1) Volume related activity cost : Rs. 4,50,000 2) set up related costs : Rs.

7,20,000 and purchase related costs : 6,10,000. _____will be the machine hour rate as per traditional method.

a) Rs. 10.50

b) Rs. 10.67

c) Rs. 10.47

d) Rs. 10.87

63. A company manufacturing two products product X and Y .Total machine hours for product X is Rs. 80,000 and product Y is Rs. 1, 60,000. The annual overhead are as under: 1) Volume related activity cost : Rs. 3,50,000 2) set up related costs : Rs. 9,20,000 and purchase related costs : 8,10,000. _____will be the machine hour rate as per traditional method.

a) Rs. 8.50

b) Rs. 8.17

c) Rs. 8.66

d) Rs. 8.97

64. A company manufacturing two products product X and Y .Total machine hours for product X is Rs. 30,000 and product Y is Rs. 1, 40,000. The annual overhead are as under: 1) Volume related activity cost : Rs. 3,50,000 2) set up related costs : Rs. 6,20,000 and purchase related costs : 5,10,000. _____will be the machine hour rate as per traditional method.

a) Rs. 8.50

b) Rs. 8.67

c) Rs. 8.70

d) Rs. 8.87

Unit-III

1. The return on investment may be improved by_____
   a. Increasing cost
   b. Increasing competition
   c. Increasing Tax
   d. increasing sales
2. The manager who is concerned with cost management in a responsibility level is called manager.
   a. A Profit Centre
   b. an Investment Centre
   c. A Cost Centre
   d. an Investment department
3. If the actual usage of materials is more than the standard usage, the____ should be held directly responsible for that variance.

a. production manager
b. purchase manager
c. sales manager
d. Marketing Manager.

4. In a responsibility accounting system, costs are classified into categories on the basis Of
   a. Fixed and variable costs
   b. Prime and overhead costs
   c. Administrative and non-administrative costs
   d. Controllable & non controllable costs
5. A management decision may be beneficial for a given profit center, but not for the entire company. From the overall company viewpoint, this decision would lead to
   a. goal congruence
   b. centralization
   c. sub optimization
   d. Maximization
6. Which of the following responsibility centers may be evaluated on the basis of residual income?
   a. Investment center
   b. Revenue center
   c. Profit center
   d. Cost center
7. If sales and expenses both rise by Rs. 1,00,000
   a. residual income will increase
   b. return on investment will increase
   c. return on investment will be unchanged
   d. asset turnover will decrease
8. Residual income is used as a performance measure in
   a. profit centers
   b. cost centers
   c. investment centers
   d. revenue centers
9. Residual income is an example of a_____ performance measurement.
   a. long-term
   b. short-term
   c. qualitative
   d. profit center
10. Improved effectiveness and efficiency of a product is considered a _____performance measurement?
    a. Non-financial
    b. Financial
    c. Quantitative
    d. Qualitative
11. Which responsibility centers generate both revenues and costs?
    a. Cost and investment centers
    b. Profit and cost centers

c. Investment and profit centers

d. Only profit centers centers

12. When annual fixed cost is Rs. 8, 10,000, Operating assets Rs. 42,00, 000, R & D Rs. 1, 40,000, Unit selling price Rs. 50, Variable cost per unit Rs. 30 ._____will be EBIT if the annual ROI is 18%.
    a) Rs. 7,50,000
    b) Rs. 7,56,000
    c) Rs. 7,57,000
    d) Rs. 7, 54,000
13. When annual fixed cost is Rs. 7, 10,000, Operating assets Rs. 45,00, 000, R & D Rs. 1, 40,000, Unit selling price Rs. 50, Variable cost per unit Rs. 30 ._____will be EBIT if the annual ROI is 20%.
    a) Rs. 6,50,000
    b) **Rs. 9,00,000**
    c) Rs. 8,57,000
    d) Rs. 7, 54,000
14. When annual fixed cost is Rs. 7, 10,000, Operating assets Rs. 43,00, 000, R & D Rs. 1, 40,000, Unit selling price Rs. 50, Variable cost per unit Rs. 30 ._____will be EBIT if the annual ROI is 18%.
    a) Rs. 7,50,000
    b) **Rs. 7,74,000**
    c) Rs. 8,57,000
    d) Rs. 7, 54,000
15. ABC Ltd Company's profit margin was 6%, it's RI was Rs. 34,000, its investment turnover was 3.8 times, it's cost of capital was 4%, and its total assets were Rs. 15,00,000. _____will be the ROI.
    a) 23.8%
    b) 22.4%
    c) 22.8%
    d) 25.8 %
16. XYZ Ltd Company's profit margin was 7%, it's RI was Rs. 38,000, its investment turnover was 4.8 times, it's cost of capital was 5%, and its total assets were Rs. 18,00,000. _____will be the ROI.
    a) 33.8%
    b) 32.4%
    c) **33.6%**
    d) 35.8 %
17. PRQ Ltd Company's profit margin was 8%, it's RI was Rs. 28,000, its investment turnover was 6.8 times, it's cost of capital was 4%, and its total assets were Rs. 20,00,000. _____will be the ROI.
    a) 54.8%
    b) 53.4%
    c) **54.4%**
    d) 55.8 %
18. A division of R corporation had sales last year of Rs. 6, 40,000 with a net income of Rs. 85,000. R invested capital is Rs. 8,50,000._____is the turnover of A division.

a) 0.85 times
b) 0.75 times
c) 0.80 times
d) 0.70 times

19. A division of R Corporation had sales last year of Rs. 5, 40,000 with a net income of Rs. 75,000. R invested capital is Rs. 7,50,000._____is the turnover of A division.
    a) 0.85 times
    b) **0.72 times**
    c) 0.80 times
    d) 0.70 times
20. A division of R Corporation had sales last year of Rs. 8, 00,000 with a net income of Rs. 75,000. R invested capital is Rs. 9,50,000._____is the turnover of A division.
    a) 0.85 times
    b) **0.84 times**
    c) 0.80 times
    d) 0.70 times
21. A business unit refining earned income of Rs. 4, 00, 00,000. The investment used to obtain this income was Rs. 13,00,00,000. Revenues for the business unit were Rs. 9,00,00,000._____is this unit's return on investment.
    a) 50.8%
    b) 33.4%
    c) **30.77%**
    d) 51.8 %
22. A business unit refining earned income of Rs. 5, 00, 00,000. The investment used to obtain this income was Rs. 12,00,00,000. Revenues for the business unit were Rs. 7,00,00,000._____is this unit's return on investment.
    a) 50.8%
    b) 41.66%
    c) 30.77%
    d) 51.8 %
23. A business unit refining earned income of Rs. 6, 00, 00,000. The investment used to obtain this income was Rs. 14,00,00,000. Revenues for the business unit were Rs. 8,00,00,000._____is this unit's return on investment.
    a) 40.88%
    b) **42.86%**
    c) 40.77%
    d) 43.86 %
24. ABC Ltd. Is a company which is engaged in garment business provided data related to divisional sales is Rs. 35,000. Earning rate is 0.258 _____will be divisional profit of a company.
    a) Rs. 5,030
    b) **Rs. 9,030**
    c) Rs. 7,040
    d) Rs. 5,040

25. ABC Ltd. Is a company which is engaged in garment business provided data related to divisional sales is Rs. 55,000. Earning rate is 0.358 _____will be divisional profit of a company.
    a) Rs. 15,030
    b) **Rs. 19,690**
    c) Rs. 17,040
    e) Rs. 15,040
26. ABC Ltd. Is a company which is engaged in garment business provided data related to divisional sales is Rs. 28,000. Earning rate is 0.358 _____will be divisional profit of a company.
    a) Rs. 15,030
    b) **Rs. 10,024**
    c) Rs. 17,040
    d) Rs. 15,040

Unit- IV

1. The price that one division of a company charges another division for goods is called the
    a. Market price
    b. transfer price
    c. outlay price
    d. distress price
2. Which of the following transfer prices is usually closest to the opportunity cost of the product?
    a. Variable costs less costs avoided on a initial transfer
    b. Market price less costs avoided on an internal transfer
    c. Variable cost
    d. Full cost plus profit
3. Which of the following methods of setting a transfer price most closely reflects an arm's - length, independent transaction?
    a. Negotiated price
    b. Variable cost
    c. Market price
    d. Full-cost plus profit
4. The transfer pricing method that allows managers the greatest degree of authority and control over the profit of their units is
    a. market pricing
    b. return on capital employed
    c. negotiated pricing
    d. cost
5. Which one of the following do you think cannot be a basis for fixation of transfer price?
    a. Cost based price
    b. Penetration price
    c. Market based price
    d. Negotiated price

6. Which one of the following do you think is not a cost based method of fixation of transfer price?
   a. Price based on Marginal Cost
   b. Skimming Price
   c. Price based on Absorption Cost
   d. Price based on Opportunity Cost
7. If a division is set up as an autonomous profit center, then goods should not be transferred
   a. out at a cost-based transfer price
   b. in at a cost-based transfer price
   c. to other divisions in the same company
   d. in or out at cost-based transfer price
8. To evaluate the performance of individual departments, interdepartmental transfers of a should preferably be made at prices
   a. equal to the market price of the product
   b. set by the receiving department
   c. equal to fully-allocated costs of the producing department
   d. equal to variable costs to the producing department
9. As the internal transfer price is increased,
   a. overall corporate profit increase
   b. profits in the buying division increase
   c. profits in the selling division increase
   d. profits in the selling division and the overall corporation increase
10. A transfer price is the price that is used to value transfers of goods and services
    a. from one subunit of a company to another subunit in the company
    b. from Work in Process Inventory to Finished Goods Inventory in a standard costing system
    c. from a subunit of the company to a wholesaler or retailer
    d. back to one of the company's suppliers
11. In target costing_____
    a. The target cost is established first, then the target price.
    b. The target cost is the estimated long-run cost that enables a product or service to achieve a desired profit
    c. The focus of target costing is to undercut the competition
    d. Target Costs are generally higher than current costs
12. A company held share in B Company which is bought for Rs. 20,000 in 2015 when index of the general level of price stood at 120. At the end of 2018 the market price of the shares was Rs. 15,000 and the index 142. At the end of 2019 the market price of the shares was Rs. 16,000 and the index 155.2. _____current purchasing power value at the end of 2018.
    a. Rs. 23,500
    b. Rs. 23,700
    c. Rs. 23,800
    d. Rs. 23,667
13. A company held share in B Company which is bought for Rs. 20,000 in 2015 when index of the general level of price stood at 120. At the end of 2018 the market price of

the shares was Rs. 15,000 and the index 142. At the end of 2019 the market price of the shares was Rs. 16,000 and the index 155.2. _____current purchasing power value at the end of 2019.

a. Rs. 25,500
b. Rs. 25,700
c. Rs. 25,800
d. **Rs. 25,867**

14. A company held share in B Company which is bought for Rs. 22,000 in 2015 when index of the general level of price stood at 130. At the end of 2018 the market price of the shares was Rs. 16,000 and the index 142. At the end of 2019 the market price of the shares was Rs. 17,000 and the index 152.2. _____current purchasing power value at the end of 2019.

a. Rs. 25,500
b. Rs. 25,775
c. Rs. 25,850
d. **Rs. 25,757**

15. _____is one of the objective of transfer pricing.

a) Reduce the customs duty payments
b) Increase the customs duty payments
c) Transfer the customs duty payments
d) Collect the customs duty payments

16. Transfer pricing can be one of the best options to arrive at the best possible appraisal of the _____divisions.

a) Group of division
b) Individual
c) Competitor
d) Sectorial

17. The transfer pricing should be configured in such a manner that the divisional earnings of each of the divisions are quite consistent with the _____of the parent company.

a) History
b) **Goals**
c) Fundamentals
d) Technical

18. One of the major objectives of the transfer pricing is to _____the overall tax profits of your organization.

a) Minimizing
b) Rapidly Change
c) Constant
d) Maximize

19. The transfer pricing should pay close attention to the _____of both the divisions of the organizations.

a) Transferability
b) Credibility
c) Fundamentals
d) Profitability

20. Reducing income and corporate taxes in high tax countries by overpricing goods that are transferred to countries with _____rates help companies obtain higher profit margins.
a) Minimizing volume of goods
b) Rapidly Change
c) Lower tax
a) Higher tax

21. Transfer pricing offers many advantages for a company from a _____perspective
a) Renovation
b) Taxation
c) Transferability
d) Credibility

22. The difference between the current cost and the target cost is the _____which management wants to achieve.
a) Cost calculation
b) Cost maximization
c) Cost reduction
d) Cost Arrangement

23. Target costing involves a reverse analysis of the product, starting with the _____
a. Cost calculation
b. Cost maximization
c. Cost Arrangement
d. Selling price

24. Target costing teams require employees from different departments to _____on finding ways to reduce the product cost.
a. Transferability
b. Credibility
c. **Collaborate**
a. Divide

25. Target pricing relies on estimating the final selling price of the product correctly. Any error on this front may cause the entire _____to fail.
a. Marketing strategy
b. Competitive strategy
c. Production strategy
d. Finance strategy

26. Inflation accounting is recommended to show the correct profit and true and fair of _____.

a. Trial Balance
b. Cash flow
c. Fund flow
d. Balance sheet

27. The product strategy in which companies first determine the price at which they can sell a new product & then design a product that can be produced at a low enough cost to provide adequate operating income is referred to as_____.

a. Cost-Plus pricing
b. Target Costing
c. Benchmark Costing
d. Full costing

28. The costing technique that products a stipulated profit when a product is sold at its estimated market-driven price is termed:

a. Life cycle costing
b. Product costing
c. Target costing
d. Standard costing

29. R uses target costing and sells a product for Rs. 36 per unit. The Company seeks a profit margin equal to 25% of sales. If the current manufacturing cost is Rs. 29 per unit, the firm will need to implement a cost reduction of _____

a. Rs. 1
b. Rs. 2
c. Rs. 9
d. Rs. 20

30. During the course of an accounting year, when the price index stood at 270, accompany purchased investment at a cost of Rs. 5,40,000. At the end of the year, the price index had moved to 300 and the market value of investment was Rs. 6,20,000. On CPP basis, the profit on investment is Rs. _____

a. Rs. 23,000
b. Rs. 20,000
c. Rs. 30,000
d. Rs. 33,000

31. During an accounting year, a firm made sale for Rs.75,00,000. The price in the beginning of the year, 250 in the middle of the year and 260 at the end. The sale under CPP method is Rs. _____

a. Rs. 93,00,000
b. Rs. 78,00,000
c. Rs. 68,00,000
d. Rs. 75,00,000

32. Which of the following denotes a target cost_____

a. Market price – Desired profit margin

b. Market price – Desired cost margin

c. Market price – Return on Investment

d. Desired selling price- Desired profit margin