

M.Com - Semester III
Subject: Advance Cost Accounting
SAMPLE QUESTIONS

- 1 Return on investment is computed by dividing income by _____
- Contribution margin
 - Assets invested
 - Inventory turnover
 - Average sales employed
- 2 Current Purchasing Power (CPP) method is based on changes in _____ level changes
- Wholesale price
 - Consumer price
 - general price
 - specific price
- 3 Which of the following is a typical cost pool?
- Products manufactured
 - Direct labour
 - Service to customers
 - Machine for packing products
- 4 A company has a target return of 15%. If a prospective investment has an estimated return on investment of 20% and residual income of Rs. 10,000/- What is the estimated cost of the investment?
- Rs. 2,00,000
 - Rs. 66,667
 - Rs. 50,000
 - Rs. 40,000
- 5 Residual income is used as a performance measure in _____
- Profit centre
 - Investment centre
 - Cost centre
 - Revenue centre
- 6 A building was purchased in 1985 at a price of Rs. 80,000/-. The general price index at that time was Rs. 150/-. Convert the figure in current rupees on 31/12/2002 when index stood at 300.
- Rs. 1,50,000/-
 - Rs. 1,60,000/-
 - Rs. 1,70,000/-
 - Rs. 1,75,000/-
- 7 Which of the following is not relevant to a process costing system?
- Heterogeneous products
 - Repetitive production
 - High production volume
 - Low production flexibility

- 8 A company has 2 production dept [A and B] and 3 Service dept [Stores, canteen and Power]. The expenses of these departments are as follows: A = Rs. 15000/- ; B = Rs.13000/- ; Stores Rs. 1600/-; Canteen – Rs. 700/-; Power – Rs. 800/-. Additional information:

Particulars	Dept A	Dept B
Horsepower of machines	300	300
Number of workers	20	15
Value of stores requisitioned	2500	1500

Apportion service dept cost to production dept.

- A = 1800 and B = 1300
- A = 1500 and B = 1250
- A = 1700 and B = 1200
- A = 1650 and B = 1100

- 9 In process costing system, when partially completed units are expressed in terms of fully completed units they are known as _____

- completed units
- equivalent units
- unfinished units
- transferred units

- 10 Cost driver refers to _____

- a. Any activity that can be used to predict cost changes
- b. Attempt to control expenditures at reasonable level
- c. Person who gathers and delivers cost data to management accountant
- d. Any activity that causes costs to be incurred

- 11 Z corporation uses target costing and sells a product for Rs. 40/-. Company seeks a profit margin equal to 30% of sales. If target costing calculations revealed a need for a Rs 4/- cost reduction, the firms current manufacturing cost must be _____

- Rs. 12/-
- Rs. 28/-
- Rs. 24/-
- Rs. 32/-

- 12 Examples of activities at the batch level of costs included:

- Cutting, painting, packaging
- Material ordering, machine setup, inspection
- Designing, specifications, advertising
- Designing, inspection, packaging

- 13 Under Current Purchasing Power Method (CPP) method, various items of balance sheet and profit loss account are adjusted with the help of recognized _____

- general price index.
- Specific price index
- General cost index
- Specific cost index

- 14 Process costing is applied when _____
- Small number of different products are manufactured
 Large number of different products are manufactured
 Large number of identical products are manufactured
 Fixed cost exceeds variable cost
- 15 Directors remuneration forms part of _____
- Production overhead
 - Selling overhead
 - Distribution overhead
 - Administration overhead
- 16 Which one of the following methods of Inflation Accounting has been proposed by Sandilands Committee of U.K?
- General Price Level Method
 Specific Price Level Method
 Current Cost Accounting Method
 Generally Accepted Accounting Principles
- 17 Which of the following businesses is likely to adopt a process costing system?
- Plan manufacturers.
 Construction companies.
 Sugar refining units
 Printing presses
- 18 ABC is a _____
- Method of Accounting for material, labour & overhead costs related to products
 Method of Allocating indirect costs
 Another name for benchmarking
 Cost object
- 19 The per unit opportunity cost to the selling subunit of a company, is added into per unit incremental cost is incurred at point of transfer to calculate _____
- Minimum operating cost
 Maximum operating costs
 Maximum transfer price
 Minimum transfer price
- 20 Residual income is _____
- income based on compound or annuity depreciation.
 - income after subtracting interest on long term debt.
 - income after subtracting depreciation.
 - income after adjusting assets to

current value.

d. income after subtracting a minimum desired amount of income.

21 In process costing system, the materials can be added in _____

first department only

last department only

first and last department only

any department

22 Which one of the following is a collection of overhead costs related to a cost object?

a. Cost pool

b. Cost object

c. Cost driver

d. Cost allocation

23 In target costing _____.

The market price of the product is taken as a given

Only raw materials, labor, and variable overhead cannot exceed a threshold target

Only raw materials cannot exceed a threshold target

Raw materials are recorded directly to cost of goods sold

24 Which of the following types of organizations provide the best indicator of decentralization?

a. A company is organized into revenue centers.

b. A company is organized into cost centers.

c. A company is organized into profit centers.

d. A company is organized into investment centers.

25 The following data belongs to Department Y of Abraham Company:

- WIP beginning inventory: 6,000 units – 40% complete as to labor and overhead

- Completed and transferred to finished goods store room: 30,000 units

- WIP ending inventory: 1,000 units – 60% complete as to labor and overhead

The number of units started in department Y during the period were _____

24,000 units

25,000 units

37,000 units

31,000 units

26 Which of the following would not be classed as a service department?

a. Assembly department

b. Canteen department

- c. Finance department
- d. Maintenance department

27 The increase or decrease in the prices of various goods and services over a period of time is known as-----

Price Level Changes
Inflation
Deflation
Depression

28 An activity that has direct cause effect relationship with the resources consumed is a _____

- a. Cost driver
- b. Overhead rate
- c. Product activity
- d. Cost pool

29 A transfer price is the price that is used to value transfers of goods and services _____

From one subunit of company to another subunit in the company
From work in progress inventory to finished goods inventory in a standard costing system
From a subunit of company to a wholesaler or retailer
Back to one of the company's suppliers

30 Which one of the following will likely cause ROI to increase?

- a. Increase invested capital
- b. Increase turnover
- c. Increase expenses
- d. Decrease profit margin

M.Com. Advanced Accountancy - Sem III

Advanced Financial Accounting- Sample questions

Unit : Banking Company Accounts

1. Schedule for Cash and Balances with Reserve Bank of India is _____
 - a. Schedule 5
 - b. Schedule 6
 - c. Schedule 8
 - d. Schedule 9
2. Rebate on bills discounted appears in Banking Companies Act _____
 - a. Subtract from Interest earned
 - b. Liability
 - c. Subtract from interest earned and liability
 - d. Neither interest earned nor liability
3. Provision for Loss asset is _____
 - a. 100%
 - b. 80%
 - c. 50%
 - d. 25%
4. Rebate on bills discounted is _____
 - a. Unearned income
 - b. Income on bills discounted
 - c. Bills purchased
 - d. Earned income
5. Overdraft is one of the _____ given by the banks.
 - a. Facility
 - b. Advances
 - c. Rights
 - d. Provision
6. Commission, Income and Brokerage are _____ to Banks.
 - a. Interest earned
 - b. Operating expenses
 - c. Other Income
 - d. Non operating expenses
7. Bill for collection are shown _____
 - a. In the balance sheet of a bank under assets.
 - b. In the balance sheet of a bank under liabilities.
 - c. In the balance sheet of a bank under assets and liabilities
 - d. In the notes forming part of balance sheet of a Bank under contingent liabilities.
8. Letter of credit are shown by the bank under _____
 - a. Deposits
 - b. Advances
 - c. Other liabilities
 - d. Contingent liabilities
9. The heading 'other assets ' does not include _____

- a. Silver
 - b. Interest accrued
 - c. Interest accrued but not due
 - d. Gold
10. Unclaimed dividend is shown by a bank under _____ -
- a. Deposits
 - b. Advances
 - c. Other liabilities
 - d. Contingent liabilities

Unit : Foreign Currency Conversion

1. AS _____ deals with foreign currency transaction.
 - a. 12
 - b. 9
 - c. 11
 - d. 16
2. _____ Foreign Operations system under which goods imported for the reporting enterprise and remits the proceed to the reporting enterprise.
 - a. Integrated
 - b. Non-integrated
 - c. Integrated and Non-integrated
 - d. Neither integrated nor integrated
3. Monetary items of integral foreign operation at the balance sheet is converted at _____ exchange rate.
 - a. Closing
 - b. Opening
 - c. Average
 - d. Fair
4. Opening stock is converted at _____ rate under foreign currency conversion.
 - a. Closing
 - b. Opening
 - c. Average
 - d. Fair
5. Debtors in trial balance of Branch account in German shows a balance of 400 Euro \$, convert it into reporting currency. Opening exchange rate – 1Euro \$ = Rs.75
Closing rate – 1 Euro \$ = Rs.80 Average Rate = 1 Euro \$ = Rs.72. Apply non integrated system of accounting
 - a. Rs. 30,000
 - b. Rs. 32,000
 - c. Rs. 28,800
 - d. Rs. 35,000
6. Exchange difference in integrated system of foreign branch is transferred to _____ Account.
 - a. P&L
 - b. Foreign currency translation reserve
 - c. Foreign exchange account
 - d. Head office account

7. Identify monetary item
 - a. Creditors
 - b. Fixed assets
 - c. Loan
 - d. Stock

Unit : Insurance Company Accounts

1. Claim is _____ for Insurance company
 - a. Expenses
 - b. Income
 - c. Contingent liability
 - d. Outstanding expenses.
2. Premium shall be recognised as income _____
 - a. When received
 - b. When due
 - c. When received or due whichever earlier
 - d. When received or due whichever earlier
3. In the financial statements of an Insurance Company, underwriting commitments outstanding are shown as _____
 - a. Advances
 - b. Contingent liabilities
 - c. Current liabilities
 - d. Provision
4. Claim outstanding is shown in the balance sheet of an insurance company under
 - a. Current assts
 - b. Current liabilities
 - c. Advances
 - d. Other assets
5. Premium on Insurance ceded is _____ from Premium earned for calculating Net premium.
 - a. Added
 - b. Subtracted
 - c. Divided
 - d. Multiplied
6. Identify the treatment for surveyor's fee in Insurance company accounts
 - a. Treated as operating expenses
 - b. Added with claim
 - c. Treated as loss
 - d. Treated as other expenses
7. Calculate the Net claim – Claim paid Rs. 1,00,000; Opening balance of outstanding claim Rs. 20,000; Closing balance of outstanding claim Rs. 10,000; Claim on reinsurance accepted Rs. 25,000; Claim on reinsurance ceded – Rs. 20,000
 - a. 90,000
 - b. 1,15,000
 - c. 95,000
 - d. 1,05,000

Unit : Co-operative Society Accounts

1. The value of share of each member in capital of Co-operative society is _____
 - a. Rs. 500
 - b. Rs. 2,000
 - c. Rs, 1,000
 - d. Rs.250
2. The whole of the day-to-day management of a Co-operative society is vests in _____
 - a. The general body
 - b. The managing committee
 - c. The secretary
 - d. The chairman
3. Capital of Co-operative society is in the form of _____
 - a. Corpus fund
 - b. Capital fund
 - c. Debt fund
 - d. Ear-marked fund
4. _____ fund may be used for reconstruction of its building
 - a. Building fund
 - b. Sinking fund
 - c. Building fund and sinking fund
 - d. Neither Building fund nor sinking fund
5. Maximum amount of cash balance in the society is _____
 - a. Rs. 1,00,000
 - b. Rs. 50,000
 - c. Rs. 300
 - d. Rs. 500
6. Conveyance charge is _____ for the Co-operative society
 - a. Expense
 - b. Income
 - c. Loss
 - d. Gain
7. Non Agricultural tax paid is _____ for the Co-operative society
 - a. Society charges
 - b. Property expenses
 - c. Establishment expenses
 - d. Service charges