Basic Concepts of Accounting

Chapter 1
Basic Concepts of Accounting

1. ______________ is nothing but the right process of selecting an appropriate, logical, practical and achievable option from the available alternatives.
   (a) Business Decision (b) Planning
   (c) Organizing (d) Strategy
2. ______________ is a person who carried on business exclusively by and for himself.
   (a) Partner (b) Sole-trader
   (c) Executive (d) Manager
3. The relationship between persons who agree to carry on business in a common with a view to private gain.
   (a) Partnership Firm (b) Sole-trading Firm
   (c) Joint Stock Company (d) Co-operative Society
4. A ______________ is a form of business organization in which the funds of large number of investors are managed by a few persons for the purpose of earning profits.
   (a) Partnership Firm (b) Sole-trading Firm
   (c) Joint Stock Company (d) Co-operative Society
5. ______________ is the language of business.
   (a) Marketing (b) Profit Earning Capacity
   (c) Accounting (d) Selling
6. The object/s of accounting ______________.
   (a) To calculate net profit or net loss of the business.
   (b) To know the financial condition of the firm.
   (c) To provide information to the management for important managerial decisions.
   (d) All of the above
7. Out of the following, which is not the branch of Accounting.
   (a) Financial Accounting (b) Management Accounting
   (c) Human Resource Accounting (d) Cost Accounting
8. Accounting ______________ are the Rules of Action or the Methods and Procedures of Accounting commonly adopted while recording Business transactions.
   (a) Principles (b) Concepts
   (c) Conventions (d) Systems

9. According to ______________ concept, assets purchased are generally recorded in accounting books at the cost at which they are purchase(d)
   (a) Business Entity Concept (b) Going Concern Concept
   (c) Money Measurement Concept (d) Cost Concept
10. According to ______________ concept, revenue is recognized only when the sale is performed.
   (a) Business Entity Concept (b) Going Concern Concept
   (c) Money Measurement Concept (d) Realization Concept
11. Accounting ______________ are the traditions, usage and customs which are in used since long.
   (a) Principles (b) Concepts
   (c) Conventions (d) Systems
12. Out of the following, which is not the convention of Accounting.
   (a) Convention of Consistency (b) Convention of Disclosure
   (c) Convention of Conservatism (d) Convention of Realization
13. Out of the following, which is not the System of Accounting.
   (a) Non-Cash Entry System (b) Cash System
   (c) Single Entry System (d) Double Entry System
14. Out of the following, which Transactions are not to be recorded in the Books of Accounts
   (a) Cash Transaction (b) Credit Transaction
   (c) Financial Transaction (d) Ordinary Transaction
15. Accounts in the names of persons are known as ______________.
   (a) Personal Account (b) Real Account
   (c) Nominal Account (d) Individual Account
16. Accounts in the names of assets are known as ______________.
   (a) Personal Account (b) Real Account
   (c) Nominal Account (d) Individual Account
17. Accounts in the respect of expenses and incomes are known as ______________.
   (a) Personal Account (b) Real Account
   (c) Nominal Account (d) Individual Account
18. Every transaction must have ______________ aspects and involve ______________ accounts.
   (a) two, two (b) one, one
   (c) one, two (d) two, one
19. A ______________ is an accounting entry that either increases an asset or expense account, or decreases a liability or equity account.
   (a) Debit (b) Credit
   (c) Sales (d) Purchase
20. A ______________ is an accounting entry that either increases a liability or equity account, or decreases an asset or expense account.
   (a) Debit (b) Credit
   (c) Sales (d) Purchase

21. Debit the receiver, credit the giver is the rule of ______________.
    - (a) Personal Account (b) Real Account
    - (c) Nominal Account (d) Individual Account
22. Debit what comes in, credit what goes out is the rule of ______________.
    - (a) Personal Account (b) Real Account
    - (c) Nominal Account (d) Individual Account
23. Debit all expenses and losses, credit all incomes and gains is the rule of ______________.
    - (a) Personal Account (b) Real Account
    - (c) Nominal Account (d) Individual Account
24. ______________ is a record of transaction in the books of Accounts.
    - (a) Entry (b) Recording
    - (c) Monetary Transaction (d) Ledger
25. ______________ is an exchange of money or money's worth.
    - (a) Entry (b) Recording
    - (c) Transaction (d) Ledger
26. ______________ is a book of original entry.
    - (a) Journal (b) Ledger
    - (c) Cash Book (d) Subsidiary Book
27. ______________ is a bound book of different accounts.
    - (a) Journal (b) Ledger
    - (c) Cash Book (d) Subsidiary Book
28. ______________ is a summarized record of transactions related to one person, one asset, one head of expense/loss and one head of income/gain.
    - (a) Journal (b) Ledger
    - (c) Cash Book (d) Account
29. ______________ means totaling of sums in the books of accounts.
    - (a) Casting (b) Summarizing
    - (c) Journalizing (d) Ledger Posting
30. ______________ are obligations or debts that the enterprise must pay in money or services at some time in the future.
    - (a) Assets (b) Liabilities
    - (c) Responsibilities (d) Salaries
31. ______________ are economic resources of an enterprise that can be usefully expressed in monetary terms.
    - (a) Assets (b) Liabilities
    - (c) Cash & Bank Balance (d) Funds
32. ______________ are commodities, purchased or manufactured for resale with a view to earn profit.
    - (a) Assets (b) Goods
    - (c) Investments (d) Resources

33. ______________ are the amounts the business earns by selling its products or providing services to customers.
(a) Assets (b) Goods
(c) Investments (d) Revenues

34. ______________ are the costs incurred by a business in the process of earning revenue.
(a) Assets (b) Expenses
(c) Investments (d) Revenues

35. ______________ are persons and/or other entities who owe to an enterprise an amount for receiving goods and services on credit.
(a) Debtors (b) Creditors
(c) Shareholders (d) Suppliers

36. ______________ are persons and/or other entities that have to be paid by an enterprise an amount for providing the enterprise goods and services on credit.
(a) Debtors (b) Creditors
(c) Shareholders (d) Customers

37. ______________ is a list of the entire general ledger account names and balances; it is prepared to prove the ledger.
(a) Journal (b) Ledger
(c) Cash Book (d) Trial Balance

38. The difference of two sides of an account is called as ______________.
(a) Debit (b) Credit
(c) Balance (d) Cash

39. ______________ deals with expenses related to or identified with products, which may only be a part of the organization.
(a) Financial Accounting (b) Management Accounting
(c) Human Resource Accounting (d) Cost Accounting

40. In ______________ stocks are valued at lower of cost or market value.
(a) Financial Accounting (b) Management Accounting
(c) Human Resource Accounting (d) Cost Accounting

41. The primary objective of ______________ is to provide necessary information to the management in the process of its planning, controlling, and performance evaluation, and decision-making.
(a) Financial Accounting (b) Management Accounting
(c) Human Resource Accounting (d) Cost Accounting

42. The Success of ______________ does not depend upon Management Accounting system.
(a) Financial Accounting (b) Management Accounting
(c) Human Resource Accounting (d) Cost Accounting

43. In______________ no statutory requirement of audit for reports.
(a) Financial Accounting (b) Management Accounting
(c) Human Resource Accounting (d) Cost Accounting

44. Which is the most popular and acceptable software?
    (a) Tally (b) Marg
    (c) Saral (d) SAP
45. The Advantage/s of Accounting Software ______________.
    (a) Accounting softwares save Time and Money.
    (b) No scope for mistakes and errors.
    (c) Provides accurate and updated information as and when require(d)
    (d) All of the above
46. Internal and external parties are the users of ______________.
    (a) Financial Accounting (b) Management Accounting
    (c) Human Resource Accounting (d) Cost Accounting
47. Capital A/c generally shows ______________ balance.
    (a) Cash (b) Debit
    (c) Credit (d) Overdraft
48. Asset A/c shows ______________ balance.
    (a) Cash (b) Debit
    (c) Credit (d) Overdraft
49. There are ______________ columns in Journal.
    (a) Two (b) Three
    (c) Four (d) Five
50. Explanatory note written below an entry recorded in the Journal is called as ______________.
    (a) Narration (b) Explanation
    (c) Brief information (d) Detail information

Answer Key of Chapter 1

1.	(a)	11.	(a)	21.	(a)	31.	(a)	41.	(b)
2.	(b)	12.	(d)	22.	(b)	32.	(b)	42.	(d)
3.	(a)	13.	(a)	23.	(c)	33.	(d)	43.	(b)
4.	(c)	14.	(d)	24.	(a)	34.	(b)	44.	(a)
5.	(c)	15.	(a)	25.	(c)	35.	(a)	45.	(d)
6.	(d)	16.	(b)	26.	(a)	36.	(b)	46.	(a)
7.	(c)	17.	(c)	27.	(b)	37.	(d)	47.	(c)
8.	(a)	18.	(a)	28.	(d)	38.	(c)	48.	(b)
9.	(d)	19.	(a)	29.	(a)	39.	(d)	49.	(d)
10.	(d)	20.	(b)	30.	(b)	40.	(a)	50.	(a)

Chapter 2
Understanding of Financial Statements

1. ______________ shows the firm's assets, liabilities, and stockholders' equity as of the report date.
   (a) Cash Flow (b) Funds Flow
   (c) Income Statement (d) Balance Sheet
2. ______________ shows the results of the firm's operations and financial activities for the reporting period.
   (a) Trading and Profit & Loss Account (b) Expense Statement
   (c) Income Statement (d) Balance Sheet
3. ______________ includes explanations of various activities, additional details of some accounts, and other items as mandated by the regulatory authorities, bodies from time to time.
   (a) Trading and Profit & Loss Account (b) Expense Statement
   (c) Income Statement (d) Supplementary Note
4. ______________ is a formal official record of the financial activities and position of a business, person, or other entity.
   (a) Financial Statement (b) Trading Account
   (c) Profit & Loss Account (d) Supplementary Note
5. ______________ provides the vital information related to the profitability, liquidity and solvency of the business.
   (a) Financial Statement (b) Trading Account
   (c) Profit & Loss Account (d) Cash Flow & Funds Flow
6. ______________ is the simplest business form under which one can operate a business.
   (a) Partnership Firm (b) Sole Trading Firm
   (c) Private Ltd. Company (d) Public Company
7. ______________ is not a separate legal entity.
   (a) Partnership Firm (b) Sole Proprietorship Firm
   (c) Private Ltd. Company (d) One Man Company
8. For every item given in Trial Balance, ______________ effect should be given.
   (a) Dual (b) Single
   (c) Triple (d) None of the above
9. For every item given in Adjustment, ______________ effect should be given.
   (a) Dual (b) Single
   (c) Triple (d) None of the above
10. ______________ are nothing but the entries which are not included in the original Trial Balance.
    (a) Journal Proper (b) Ledger
    (c) Adjustments (d) None of the above

11. Every adjustment has two effects, i.e., ______________.
    (a) One Debit & One Credit (b) Debit
    (c) Credit (d) None of the above
12. Depreciation is debited to ______________.
    (a) BRS (b) Balance Sheet
    (c) Trading A/c (d) Profit and Loss A/c
13. Income Accrued but Not Received is recorded to ______________.
    (a) Profit and Loss A/c Debit Side (b) Profit and Loss A/c Credit Side
    (c) Trading A/c Debit Side (d) Trading A/c Credit Side
14. Prepaid Expenses shown at ______________.
    (a) Balance Sheet Asset Side (b) Profit and Loss A/c Credit Side
    (c) Trading A/c Debit Side (d) Trading A/c Credit Side
15. Closing Stock is recorded to ______________.
    (a) Profit and Loss A/c Debit Side (b) Profit and Loss A/c Credit Side
    (c) Trading A/c Debit Side (d) Trading A/c Credit Side
16. Outstanding Expenses shown at ______________.
    (a) Balance Sheet Liability Side (b) Profit and Loss A/c Credit Side
    (c) Balance Sheet Asset Side (d) Trading A/c Credit Side
17. Goods Withdrawn from business is considered as ______________.
    (a) Sales (b) Purchases
    (c) Capital (d) Drawings
18. Interest on Capital is debited to ______________.
    (a) Capital A/c (b) Balance Sheet
    (c) Trading A/c (d) Profit and Loss A/c
19. Interest on Drawings is credited to ______________.
    (a) Journal A/c (b) Balance Sheet
    (c) Trading A/c (d) Profit and Loss A/c
20. Goods Distributed as Free Samples is debited to______________.
    (a) Capital A/c (b) Personal A/c
    (c) Trading A/c (d) Profit and Loss A/c
21. Reserve for Discount on Creditors is credited to ______________.
    (a) Capital A/c (b) Personal A/c
    (c) Trading A/c (d) Profit and Loss A/c
22. ______________ information is ignored in the financial statements.
    (a) Cash (b) Credit
    (c) Qualitative (d) Quantitative
23. The financial statements are based on the accounting ______________.
    (a) Accounting Concepts and Conventions
    (b) Accounting Concepts

(c) Accounting Conventions
(d) None of the above

24. Accounting year starts from ______________.
(a) 1st January (b) 1st April
(c) 1st March (d) 1st June

25. Accounting year ends on ______________.
(a) 31st January (b) 31st August
(c) 31st March (d) 31st December

26. Returns outwards are deducted from ______________.
(a) Sales (b) Purchases
(c) Stock (d) Closing stock

27. Returns inwards are deducted from ______________.
(a) Sales (b) Purchases
(c) Stock (d) Closing stock

28. Carriage inward is debited to ______________.
(a) Capital A/c (b) Personal A/c
(c) Trading A/c (d) Profit and Loss A/c

29. Carriage outward is debited to ______________.
(a) Capital A/c (b) Personal A/c
(c) Trading A/c (d) Profit and Loss A/c

30. Goodwill is recorded to ______________.
(a) Capital A/c (b) Balance Sheet Asset Side
(c) Trading A/c (d) Profit and Loss A/c

31. Depreciation is ______________ in/from asset.
(a) Added (b) Deducted
(c) Not Added (d) Not deducted

32. In ______________ business, all incomes and losses are taxed on the individual's personal income tax return.
(a) Sole Proprietorship (b) Partnership
(c) Cooperative (d) Departmental

33. Freight is recorded to ______________.
(a) Profit and Loss A/c Debit Side (b) Profit and Loss A/c Credit Side
(c) Trading A/c Debit Side (d) Trading A/c Credit Side

34. Outstanding Expenses are always ______________.
(a) Added in respective asset (b) Added in respective liability
(c) Added in respective expense (d) Added in respective income

35. Prepaid Expenses are always ______________.
(a) Deducted from respective asset (b) Added in respective liability
(c) Deducted from respective expense (d) Added in respective income

36. Gross Profit is transferred to ______________.
    (a) Capital A/c (b) Balance Sheet
    (c) Trading A/c (d) Profit and Loss A/c
37. Goods Withdrawn for Personal Use by Proprietor is treated as ______________.
    (a) Income (b) Expense
    (c) Liability (d) Asset
38. Royalty is recorded to ______________.
    (a) Profit and Loss A/c Debit Side (b) Profit and Loss A/c Credit Side
    (c) Trading A/c Debit Side (d) Trading A/c Credit Side
39. Purchase Return is also called as ______________.
    (a) Inward (b) Outward
    (c) Return Inward (d) Return Outward
40. Sales Return is also called as ______________.
    (a) Inward (b) Outward
    (c) Return Inward (d) Return Outward
41. RDD is deducted from______________.
    (a) Sales (b) Purchases
    (c) Creditors (d) Debtors
42. ______________ is a non cash expense.
    (a) Depreciation (b) Discount
    (c) Purchases (d) Creditors
43. Income Received in Advance is considered as ______________.
    (a) Income (b) Expense
    (c) Asset (d) Liability
44. An insurance charge of goods is recorded to ______________.
    (a) Profit and Loss A/c Debit Side (b) Profit and Loss A/c Credit Side
    (c) Trading A/c Debit Side (d) Trading A/c Credit Side
45. Wages and Salaries item is recorded to ______________.
    (a) Profit and Loss A/c Debit Side (b) Profit and Loss A/c Credit Side
    (c) Trading A/c Debit Side (d) Trading A/c Credit Side
46. Patents item is recorded at ______________.
    (a) Profit and Loss A/c Debit Side (b) Profit and Loss A/c Credit Side
    (c) Balance Sheet Liability Side (d) Balance Sheet Asset Side
47. ______________ is not a current asset.
    (a) Stock (b) Investment
    (c) Cash (d) Goodwill
48. ______________ is not a fixed asset.
    (a) Land (b) Building
    (c) Machinery (d) Debtors

49. ______________ is not a current liability.
    (a) Capital (b) Loan
    (c) Bills Payable (d) Creditors

50. Net Profit is added in ______________.
    (a) Trading A/c (b) Income A/c
    (c) Capital A/c (d) Asset A/c

Answer Key of Chapter 2

1.	(d)	11.	(a)	21.	(d)	31.	(a)	41.	(d)
2.	(a)	12.	(d)	22.	(c)	32.	(a)	42.	(a)
3.	(d)	13.	(b)	23.	(a)	33.	(c)	43.	(d)
4.	(a)	14.	(a)	24.	(b)	34.	(c)	44.	(a)
5.	(a)	15.	(d)	25.	(c)	35.	(c)	45.	(c)
6.	(b)	16.	(a)	26.	(b)	36.	(d)	46.	(d)
7.	(b)	17.	(d)	27.	(a)	37.	(b)	47.	(d)
8.	(b)	18.	(d)	28.	(c)	38.	(c)	48.	(d)
9.	(a)	19.	(d)	29.	(d)	39.	(d)	49.	(a)
10.	(c)	20.	(d)	30.	(b)	40.	(c)	50.	(c)

Chapter 3
Cost Accounting

1. ______________ provides a specialized technique, which provides prompt and accurate information regarding the cost of producing and selling an article.
   (a) Cost Accounting (b) Financial Accounting
   (c) Management Accounting (d) Cost & Financial Accounting
2. The amount of expenditure incurred on, or attributable to a given thing is called as ______________.
   (a) Cost (b) Price
   (c) Expense (d) Fixed Cost
3. The techniques and process of ascertaining cost is called as ______________.
   (a) Costing (b) Accounting
   (c) Financing (d) Management Accounting
4. With the help of ______________, we can control the cost.
   (a) Costing Methods (b) Cost Accounting
   (c) Management Accounting (d) Costing Techniques
5. With the help of ______________, we can find out the cost.
   (a) Costing Methods (b) Cost Accounting
   (c) Management Accounting (d) Costing Techniques
6. The total of Direct Material + Direct Labour + Direct Expenses is called as ______________.
   (a) Total Cost (b) Factory Cost
   (c) Prime Cost (d) Main Cost
7. Direct Expenses are also called as ______________.
   (a) Chargeable Expenses (b) Factory Expenses
   (c) Works Expenses (d) General Expenses
8. Depreciation is an example of ______________.
   (a) Direct Expenses (b) Factory Expenses
   (c) General Expenses (d) Indirect Expenses
9. The aggregate of all indirect expenses is ______________.
   (a) Total Cost (b) Total Expense
   (c) Overheads (d) Factory Overheads
10. Factory Cost is also called as ______________.
    (a) Total Cost (b) Cost of Production
    (c) Works Cost (d) Factory Overheads
11. Cost of Sales is also called as ______________.
    (a) Total Cost (b) Cost of Production
    (c) Works Cost (d) Factory Cost

12. Telephone bill, Electricity bill is an example of ______________.
    (a) Total Cost (b) Fixed Overheads
    (c) Variable Overheads (d) Semi-variable Overheads
13. Fixed Cost is also called as ______________.
    (a) Total Cost (b) Direct Cost
    (c) Works Cost (d) Period Cost
14. Material and Labour is an example of ______________.
    (a) Fixed Cost (b) Controllable Cost
    (c) Non-controllable Cost (d) Period Cost
15. Repairs and Maintenance is an example of ______________.
    (a) Fixed Cost (b) Avoidable Cost
    (c) Non-controllable Cost (d) Normal Cost
16. Cost incurred because of lock outs is an example of ______________.
    (a) Fixed Cost (b) Unavoidable Cost
    (c) Abnormal Cost (d) Normal Cost
17. One-time set-up cost of a plant or project is called as ______________.
    (a) Fixed Cost (b) Direct Cost
    (c) Capital Cost (d) Normal Cost
18. Standard Cost is also called as ______________.
    (a) Predetermined Cost (b) Direct Cost
    (c) Capital Cost (d) Fixed Cost
19. Variable Cost is also called as ______________.
    (a) Predetermined Cost (b) Direct Cost
    (c) Marginal Cost (d) Fixed Cost
20. Rent is an example of ______________.
    (a) Predetermined Cost (b) Direct Cost
    (c) Unavoidable Cost (d) Standard Cost
21. ______________ is the difference between the costs of two alternatives.
    (a) Differential Cost (b) Semi-variable Cost
    (c) Variable Cost (d) Standard Cost
22. Cost incurred as per policy of top management is called as ______________.
    (a) Differential Cost (b) Programmed Cost
    (c) Normal Cost (d) Fixed Cost
23. Notional cost is nothing but ______________.
    (a) Standard Cost (b) Programmed Cost
    (c) Normal Cost (d) Imaginary Cost
24. Depreciation on Plant and Rent is an example ______________.
    (a) Committed Cost (b) Programmed Cost
    (c) General Cost (d) Imaginary Cost

25. A Location, person, or item of equipment (or a group of these) for which costs may be ascertained and used for the purpose of control is called as ______________.
    (a) Cost Unit (b) Cost Centre
    (c) Cost Department (d) Cost Division
26. ______________ a statement, which shows various components of total cost of a product.
    (a) Cost Sheet (b) Cost Account
    (c) Cost Report (d) Cost Classification
27. ______________ is prepared on the basis of actual cost incurred.
    (a) Historical Cost Sheet (b) Cost Account
    (c) Cost Report (d) Estimated Cost Sheet
28. Haulage Charges is an example of ______________.
    (a) Fixed Overheads (b) Direct Cost
    (c) Factory Overheads (d) Administration Overheads
29. Counting House Salaries is an example of ______________.
    (a) Fixed Overheads (b) Selling Overheads
    (c) Factory Overheads (d) Administration Overheads
30. Carriage Outward is an example of ______________.
    (a) Fixed Overheads (b) Selling Overheads
    (c) Factory Overheads (d) Administration Overheads
31. Opening Stock of Finished Goods is added in ______________.
    (a) Factory Cost (b) Prime Cost
    (c) Cost of Production (d) Works Cost
32. Direct Labour Charges is also called as ______________.
    (a) Factory Cost (b) Prime Cost
    (c) Fixed Wages (d) Productive Wages
33. Cost unit is divided into ______________.
    (a) Units of Production (b) Units of Services
    (c) Both a and b (d) None of the above
34. Cost of converting raw material into finished goods is also called as ______________.
    (a) Factory Cost (b) Prime Cost
    (c) Conversion Cost (d) Productive Cost
35. According to Elements, Cost is divided into ______________ categories.
    (a) One (b) Two
    (c) Three (d) Four
36. ______________ means the amount spent to sell a company's products.
    (a) Revenue Cost (b) Differential Cost
    (c) Fixed Cost (d) Variable Cost

37. Insurance is an example of ______________.
    (a) Revenue Cost (b) Differential Cost
    (c) Fixed Cost (d) Variable Cost
38. ______________ cost directly varies with volume of output.
    (a) Revenue Cost (b) Differential Cost
    (c) Fixed Cost (d) Variable Cost
39. The Expenditure which has been incurred in an accounting period but it is applicable further periods also is ______________.
    (a) Revenue Cost (b) Differential Cost
    (c) Differed Revenue Cost (d) Variable Cost
40. The estimate of expenditure for different business operations for a specific period is ______________.
    (a) Budgeted Cost (b) Differential Cost
    (c) Differed Revenue Cost (d) Variable Cost
41. An up-gradation of Machine, Change in Service/Distribution Channel are the examples of ______________.
    (a) Incremental Cost (b) Differential Cost
    (c) Opportunity Cost (d) Future Cost
42. The value of benefit sacrificed in favour of an alternative course of action is ______________ cost.
    (a) Incremental (b) Fixed
    (c) Opportunity (d) Future
43. Opening Stock of WIP & Closing Stock of WIP is added and deducted after addition of ______________ in Prime Cost.
    (a) Direct Expenses (b) Factory Overheads
    (c) Office Overheads (d) Selling Overheads
44. Carriage Inward is added while calculating ______________.
    (a) Cost of Direct Expenses (b) Cost of Direct Overheads
    (c) Cost of Direct Labour (d) Cost of Direct Material
45. Profit Margin is added in ______________.
    (a) Cost of Sales (b) Fixed Cost
    (c) Cost of Production (d) Cost of Goods Sold
46. Abnormal Wastage of Material is added in ______________.
    (a) Cost of Sales (b) Cost of Production
    (c) Cost of Goods Sold (d) None of the above
47. Discount allowed is an example of ______________.
    (a) Direct Expenses (b) Factory Overheads
    (c) Office Overheads (d) Selling Overheads

48. Sale of Scrap is ______________ after addition of factory overheads in Prime Cost.
    (a) Added (b) Deducted
    (c) Not Considered (d) None of the above
49. Cleaning Charges is an example of ______________.
    (a) Direct Expenses (b) Factory Overheads
    (c) Office Overheads (d) Selling Overheads
50. ______________ is the process of ascertaining costs whereas ______________ is the process of recording various costs in a systematic manner, in order to prepare statistical date to ascertain cost.
    (a) Costing, Cost Accounting (b) Cost Accounting, Costing
    (c) Costing and Allocation Cost (d) Costing and Absorption of Cost

Answer Key of Chapter 3

1.	(a)	11.	(a)	21.	(a)	31.	(c)	41.	(a)
2.	(a)	12.	(d)	22.	(b)	32.	(d)	42.	(c)
3.	(a)	13.	(d)	23.	(d)	33.	(c)	43.	(b)
4.	(d)	14.	(b)	24.	(a)	34.	(c)	44.	(d)
5.	(a)	15.	(d)	25.	(b)	35.	(c)	45.	(a)
6.	(c)	16.	(c)	26.	(a)	36.	(a)	46.	(d)
7.	(a)	17.	(c)	27.	(a)	37.	(c)	47.	(d)
8.	(d)	18.	(a)	28.	(c)	38.	(d)	48.	(b)
9.	(c)	19.	(c)	29.	(d)	39.	(c)	49.	(b)
10.	(c)	20.	(c)	30.	(b)	40.	(a)	50.	(a)

Chapter 4
Cost Control

1. Cost of storing the goods as well as the interest on the capital is called as ______________.
   (a) Inventory Carrying Cost (b) Order Placing Cost
   (c) Buying Cost (d) Fixed Cost
2. Cost of placing the orders and receiving the goods are called as ______________.
   (a) Inventory Carrying Cost (b) Variable Cost
   (c) Buying Cost (d) Fixed Cost
3. The main objective of EOQ is to ______________ the total costs.
   (a) Minimize (b) Control
   (c) Maintain (d) Avoid
4. ______________ analysis is based on Selective Inventory Management.
   (a) EOQ (b) JIT
   (c) ABC (d) HML
5. Calculate EOQ if Cost of material per unit ₹ 40, Annual requirement 1600 units, Cost of placing and receiving one purchase order ₹ 50, Annual carrying cost of inventory is 10% of inventory value.
   (a) 200 Units (b) 175 Units
   (c) 225 Units (d) 250 Units
6. A level of inventory that should never be exceeded is ______________.
   (a) Maximum Stock Level (b) Minimum Level
   (c) Re-order Stock Level (d) Danger Stock Level
7. A level below which stock should not be allowed to fall is ______________.
   (a) Maximum Stock Level (b) Minimum Level
   (c) Re-order Stock Level (d) Danger Stock Level
8. A level at which store keeper should intimate purchase department for fresh/new supply is ______________.
   (a) Maximum Stock Level (b) Minimum Level
   (c) Re-order Stock Level (d) Danger Stock Level
9. A level below which the stock should never be allowed to fall under emergency circumstances is ______________.
   (a) Maximum Stock Level (b) Minimum Level
   (c) Re-order Stock Level (d) Danger Stock Level
10. A strategy for inventory management in which raw materials and components are delivered from the vendor or supplier immediately before they are needed in the manufacturing process is ______________.
    (a) Scientific Purchasing (b) Immediate Buying
    (c) JIT (d) None of the above

11. Out of the following, which is the method of issuing material.
    (a) LIFO (b) FIFO
    (c) Simple Average (d) All of the above
12. Full Form of LIFO is ______________.
    (a) Latest in First Out (b) Last in First Out
    (c) Largest in First Out (d) Lowest in First Out
13. The formula of Re-order Stock Level is ______________.
    (a) Maximum Consumption × Maximum Reorder Period
    (b) Reorder Level − (Normal Consumption × Normal Reorder Period)
    (c) Reorder Level + Reorder Quantity − (Minimum Consumption × Minimum Reorder Period)
    (d) Average Usage × Maximum Reorder Period for Emergency Purchases
14. The formula of Minimum Stock Level is ______________.
    (a) Maximum Consumption× Maximum Reorder Period
    (b) Reorder Level − (Normal Consumption × Normal Reorder Period)
    (c) Reorder Level + Reorder Quantity − (Minimum Consumption × Minimum Reorder Period)
    (d) Average Usage × Maximum Reorder Period for Emergency Purchases
15. The formula of Maximum Stock Level is ______________.
    (a) Maximum Consumption× Maximum Reorder Period
    (b) Reorder Level − (Normal Consumption × Normal Reorder Period)
    (c) Reorder Level + Reorder Quantity − (Minimum Consumption × Minimum Reorder Period)
    (d) Average Usage × Maximum Reorder Period for Emergency Purchases
16. The formula of Danger Stock Level is ______________.
    (a) Maximum Consumption× Maximum Reorder Period
    (b) Reorder Level − (Normal Consumption × Normal Reorder Period)
    (c) Reorder Level + Reorder Quantity − (Minimum Consumption × Minimum Reorder Period)
    (d) Average Usage × Maximum Reorder Period for Emergency Purchases
17. Material Losses are generally classified into two categories, i.e., ______________.
    (a) Normal and Abnormal
    (b) Avoidable and Unavoidable
    (c) Controllable and Non-controllable
    (d) Fixed and Variable
18. ______________ is the example of Material Losses.
    (a) Wastage (b) Scarp
    (c) Spoilage or Defectives (d) All of the above

19. Material Control includes ______________.
    (a) Fixed Cost Control (b) Debtors Control
    (c) Inventory Control (d) Creditors Control
20. The main objective/s of store-keeping is/are ______________ .
    (a) To protect materials from losses and damages
    (b) To avoid over and under-stocking of materials
    (c) To minimize the storage costs of materials
    (d) All of the above
21. Wages which can be indentified with and allocated to cost centers and cost units is ______________.
    (a) Direct Labour Cost (b) Indirect Labour Cost
    (c) Fixed Labour Cost (d) Variable Labour Cost
22. ______________ is defined as the rate of change of labour force in an organization during a specified period.
    (a) Labour Turnover (b) Labour Rate
    (c) Labour Cost (d) Employee Change Rate
23. Labour Turnover Causes are classified into ______________.
    (a) Personal Causes (b) Avoidable Causes
    (c) Unavoidable Causes (d) All of the above
24. ______________ includes all those costs which are incurred to keep the workers satisfied, so that they are prevented from leaving the organization.
    (a) Direct Labour Cost (b) Preventive Cost
    (c) Maintenance Cost (d) Variable Labour Cost
25. Labour Turnover Rate is calculated as per ______________.
    (a) Separation Method (b) Replacement Method
    (c) Flux Method (d) All of the above
26. ______________ is recording of incoming and outgoing time of all employees in factory.
    (a) Time Keeping (b) Time Booking
    (c) Time Noting (d) All of the above
27. ______________ is recording of the time of employees spent on various job.
    (a) Time Keeping (b) Time Booking
    (c) Time Noting (d) All of the above
28. ______________ study is concerned with determining the proper method for performing the job so that there is no wastage in movement.
    (a) Time (b) Motion
    (c) General (d) Special
29. ______________ study is concerned with the determination of standard time required by a person of average ability to perform a jo(b)
    (a) Time (b) Motion
    (c) General (d) Special

30. Out of the following, which factor/s affecting the Labour Cost.
    (a) Assessment of Manpower Requirement
    (b) Time and Motion Study
    (c) Control over Idle Time and Overtime
    (d) All of the above
31. Which department/s is/are closely associated with the Control of Labour Cost?
    (a) Personnel and Payroll Department
    (b) Time Keeping Department
    (c) Engineering and Work Study Department
    (d) All of the above
32. ______________ arises from replacement of workers who leave the organization.
    (a) Direct Labour Cost (b) Preventive Cost
    (c) Maintenance Cost (d) Replacement Cost
33. Method/s of Time Keeping is/are ______________.
    (a) Attendance Register Method
    (b) Token or Disc Method
    (c) Time Recording Clocks & Dial Time Records
    (d) All of the above
34. Method/s of Time Booking is/are ______________.
    (a) Daily Time Sheet (b) Weekly Time Sheet
    (c) Job Cards or Job Tickets (d) All of the above
35. ______________ refers to the estimation of standard time, i.e., the time allowed for completing one piece of job using the given metho(d)
    (a) Work Measurement (b) Time Measurement
    (c) Period Measurement (d) None of the above
36. ______________ costs are the operating costs of a business enterprise which cannot be traced to a particular unit of output.
    (a) Material (b) Labour
    (c) Overhead (d) Foxed & Variable
37. The ______________ is the process of recording each item of cost in the books of accounts maintained for the purpose of ascertainment of cost of each Cost Centre or Cost Unit.
    (a) Collection of Overhead (b) Allocation of Overhead
    (c) Apportionment of Overhead (d) Classification of Overhead
38. ______________ means, the allotment of whole items of cost to cost centres or cost units.
    (a) Collection of Overhead (b) Allocation of Overhead
    (c) Apportionment of Overhead (d) Classification of Overhead
39. ______________ means, the allotment to two or more departments or cost centers of proportions of common items of cost on estimated basis of benefit received.
    (a) Collection of Overhead (b) Allocation of Overhead
    (c) Apportionment of Overhead (d) Classification of Overhead

40. The process of apportionment is also known as ______________ of overhead.
    (a) Departmentalization (b) Centralization
    (c) Decentralization (d) Classification
41. Methods for Allocation & Apportionment of Overhead/s is/are ______________.
    (a) Primary Distribution of Overhead
    (b) Secondary Distribution of Overhead
    (c) Simultaneous Equation Method of Overhead
    (d) All of the above
42. The overhead, which can be easily identified with a particular department that is charged only to the specific department, is called ______________.
    (a) Collection (b) Allocation
    (c) Apportionment (d) Classification
43. Insurance of Plant is distributed on the basis ______________.
    (a) Value of Plant (b) Ratio of Plant
    (c) Quantity of Production (d) None of the above
44. Recreation Expenses is distributed on the basis ______________.
    (a) No. of Workers (b) Days Spend by Workers
    (c) Time Spent by Workers (d) None of the above
45. Electric Power is distributed on the basis ______________.
    (a) Horse Power (b) KWH
    (c) No. of Machine Hours (d) All of the above
46. Materials Handling Charges is distributed on the basis ______________.
    (a) Value of Materials (b) No. of Stores Requisitions
    (c) Weight or Value of Materials (d) All of the above
47. Allocation of Overheads is ______________ process of allotment of overheads.
    (a) direct (b) indirect
    (c) fixed (d) variable
48. Apportionment of Overheads is ______________ process of allotment of overheads.
    (a) direct (b) indirect
    (c) fixed (d) variable
49. ______________ deals with the whole items of cost.
    (a) Collection of Overhead (b) Allocation of Overhead
    (c) Apportionment of Overhead (d) Classification of Overhead
50. ______________ deals with only proportion of items of cost.
    (a) Collection of Overhead (b) Allocation of Overhead
    (c) Apportionment of Overhead (d) Classification of Overhead

Answer Key of Chapter 4

1.	(a)	11.	(d)	21.	(a)	31.	(d)	41.	(d)
2.	(b)	12.	(b)	22.	(a)	32.	(d)	42.	(b)
3.	(a)	13.	(a)	23.	(d)	33.	(d)	43.	(a)
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5.	(a)	15.	(c)	25.	(d)	35.	(a)	45.	(d)
6.	(a)	16.	(d)	26.	(a)	36.	(a)	46.	(d)
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8.	(c)	18.	(d)	28.	(b)	38.	(b)	48.	(b)
9.	(d)	19.	(c)	29.	(a)	39.	(c)	49.	(b)
10.	(c)	20.	(d)	30.	(d)	40.	(a)	50.	(c)

Chapter 5
Decision-making Tools

1. Marginal Costing is also called as ______________.
   (a) Variable Costing (b) Standard Costing
   (c) Material Costing (d) Job Costing
2. In ______________ total costs cannot be easily segregated into fixed costs and variable costs.
   (a) Marginal Costing (b) Standard Costing
   (c) Material Costing (d) Job Costing
3. P/V Ratio is mainly known as ______________.
   (a) Contribution to Sales Ratio (b) Contribution Margin Ratio
   (c) Variable Profit Ratio (d) All of the above
4. ______________ analysis classifies all costs as either fixed or variable.
   (a) CVP (b) ABC
   (c) JIT (d) HML
5. ______________ that point where no profit or no loss position is observed.
   (a) Centre Point (b) BEP
   (c) Starting Point (d) Ending Point
6. ______________ is the difference between sales revenue and variable cost.
   (a) P/V Ratio (b) BEP
   (c) MOS (d) Contribution
7. Contribution is also called as ______________.
   (a) P/V Ratio (b) Net Margin
   (c) MOS (d) Gross Margin
8. ______________ is the difference between actual sales or output and the break even sales.
   (a) P/V Ratio (b) Net Margin
   (c) MOS (d) Gross Margin
9. ______________ is an angle where sales line intersects total cost line which indicates profit earning capacity over the BEP.
   (a) Angle of Incidence (b) Contribution
   (c) Margin of Safety (d) Gross Margin
10. If contribution is ₹ 3,00,000 and Sales is ₹ 10,00,000, then what is P/V Ratio?
    (a) 20% (b) 30%
    (c) 33.33% (d) 1/3
11. If P/V Ratio is 25%, then what is the % of Variable Cost?
    (a) 70% (b) 80%
    (c) ¾ (d) ½

12. If Fixed Cost is ₹ 2,50,000 and P/V Ratio is 60%, then what is BEP in ₹?
    (a) ₹ 4,16,667 (b) ₹ 3,83,333
    (c) ₹ 3,75,000 (d) ₹ 4,10,000
13. If Fixed Cost is ₹ 2,50,000 and Profit is ₹ 3,50,000, then what is the amount of Contribution?
    (a) ₹ 1,00,000 (b) ₹ 6,00,000
    (c) ₹ 3,75,000 (d) ₹ 4,10,000
14. If Sales are ₹ 50,000 and P/V Ratio is 20%, then what is the amount of Variable Cost?
    (a) ₹ 40,000 (b) ₹ 10,000
    (c) ₹ 25,000 (d) ₹ 30,000
15. If contribution is ₹ 3,00,000 and Profit is ₹ 1,00,000, then what is the amount of Fixed Cost?
    (a) ₹ 4,00,000 (b) ₹2,00,000
    (c) ₹ 2,50,000 (d) ₹3,00,000
16. If Sales are ₹ 3,00,000 and P/V ratio is 20%, then what is the amount of Variable Cost?
    (a) ₹ 2,40,000 (b) ₹ 80,000
    (c) ₹ 2,70,000 (d) ₹ 2,00,000
17. The correct formula of Contribution is ______________.
    (a) Contribution = Sales – Variable Cost
    (b) Contribution = Fixed Cost + Profit or – Loss
    (c) Contribution = Sales × P/ V Ratio
    (d) All of the above
18. The correct formula of P/V Ratio is ____________.
    (a) P/ V Ratio = [Contribution/Sales] × 100
    (b) P/ V Ratio = [Change in Profit/Change in Sales] × 100
    (c) P/ V Ratio = [Sales−Variable Cost/Sales] × 100
    (d) All of the above
19. Marginal Costing is a Costing ______________.
    (a) Technique (b) Method
    (c) System (d) Convention
20. Under absorption and over absorption of overheads problems are not arisen under ______________.
    (a) Marginal Costing (b) Standard Costing
    (c) Job Costing (d) Budgetary Control
21. Standard cost is the ______________ cost.
    (a) Pre-determined (b) Pre-decided
    (c) Pre-planned (d) None of the above
22. Small organizations cannot adopt ______________ technique.
    (a) Standard Costing (b) Marginal Costing
    (c) Budgetary Control (d) None of the above

23. ______________ means difference between standard cost and actual cost.
    (a) Balance Cost (b) Variance
    (c) Marginal Cost (d) Variable Cost
24. ______________ helps management to understand the present costs and then to control the future costs.
    (a) ABC Analysis (b) Variance Analysis
    (c) Marginal Analysis (d) Budget Analysis
25. Variances are classified in ______________ categories.
    (a) One (b) Two
    (c) Three (d) Four
26. If Standard Cost ₹ 80 and Actual Cost ₹ 70, then what is the amount of Material Cost Variance?
    (a) 10 (b) –10
    (c) 150 (d) 20
27. If Standard Price ₹ 8 & Standard Qty.10, Actual Price ₹ 7 & Actual Qty.10, then what is the amount of Material Price Variance?
    (a) 10 (b) –10
    (c) 150 (d) 20
28. If Standard Price ₹ 8 & Standard Qty.10, Actual Price ₹ 7 & Actual Qty.10, then what is the amount of Material Usage Variance?
    (a) 10 (b) –10
    (c) 50 (d) 0
29. If Standard Rate ₹ 1.50 & Standard Hours 1600, Actual Rate ₹ 2 & Actual Hours 1500, then what is the amount of Labour Cost Variance?
    (a) 600 (b) –600
    (c) 500 (d) 400
30. If Standard Rate ₹ 1.50 & Standard Hours 1600, Actual Rate ₹ 2 & Actual Hours 1500, then what is the amount of Labour Rate Variance?
    (a) 750 (b) –750
    (c) 600 (d) 400
31. If Standard Rate ₹ 1.50 & Standard Hours 1600, Actual Rate ₹2 & Actual Hours 1500, then what is the amount of Labour Efficiency Variance?
    (a) 150 (b) –150
    (c) 300 (d) 200
32. The correct formula for verification of Material Cost Variance is ______________.
    (a) MCV = MPV + MUV (b) MCV = MPV – MUV
    (c) MCV = MPV × MUV (d) None of the above

33. The correct formula for verification of Labour Cost Variance is ______________.
    (a) LCV = LRV + LEV (b) LCV = LRV – LEV
    (c) LCV = LRV × LEV (d) None of the above
34. In Standard Costing comparison between ______________ is carried out.
    (a) Standard Cost and Actual Cost (b) Fixed Cost and Variable Cost
    (c) Normal Cost and Abnormal Cost (d) None of the above
35. The Disadvantages of Standard Costing is/are ______________.
    (a) Establishments of standards are difficult in practice.
    (b) Standards are requires to revise continuously.
    (c) Inaccurate, unreliable and outdated standards do more harm than benefit
    (d) All of the above
36. ______________ is a concrete precise picture of the total operation of an enterprise in monetary terms.
    (a) Budget (b) Plan
    (c) Strategy (d) Goal
37. Accuracy cannot be maintained is a limitation of ______________.
    (a) Budgetary Control (b) Scientific Planning
    (c) Standard Costing (d) Marginal Costing
38. Pre- requisitions for effective implementation of Budgetary Control system is/are ______________.
    (a) Deciding budget centres & budget period
    (b) Preparation of a budget manual
    (c) Determination of budget key factor
    (d) All of the above
39. ______________ is the budget in which adjustment is possible according to change in business conditions.
    (a) Flexible Budget (b) Fixed Budget
    (c) Sales Budget (d) Cash Budget
40. When forecasts about budget shows greater revenue to be received or generated than the expenses to be incurred during budgeted period that is known as ______________.
    (a) Surplus Budget (b) Best Budget
    (c) Favourable Budget (d) Non-favourable Budget
41. ______________ budget highlights that the expenditures to be incurred in budget period will be greater than the revenues to be received during the same period.
    (a) Surplus Budget (b) Deficit Budget
    (c) Favourable Budget (d) Non-favourable Budget

42. The establishment of budgets relating the responsibilities of executives to the requirements of a policy and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy or to provide basis for its revision is called as ______________.
   (a) Budget (b) Budgeting
   (c) Budgetary Control (d) None of the above
43. A ______________ is a powerful tool available to the management for the purpose of maximizing profits.
   (a) Budget (b) Decrease in selling price
   (c) Standard Norm (d) Increase in selling price
44. Fixed Budget is also known as ______________.
   (a) Static Budget (b) Standard Budget
   (c) Master Budget (d) Flexible Budget
45. Normal Profit means ______________.
   (a) No Profit No Loss (b) Less Profit
   (c) Expected Profit (d) None of the above
46. Personnel Budget is also called as ______________.
   (a) Cost Budget (b) Labour Budget
   (c) Employee Budget (d) None of the above
47. In cash budget, ______________ transactions are considered.
   (a) Cash (b) Credit
   (c) all financial (d) None of the above
48. Budget is prepared for a ______________ period of time.
   (a) Fixed (b) One Month
   (c) One Year (d) None of the above
49. Purchase Budget is also called as ______________.
   (a) Production Budget (b) Material Budget
   (c) Cost Budget (d) None of the above
50. ______________ is the plan of proposed investment in the fixed assets.
   (a) Fixed Budget (b) Capital Expenditure Budget
   (c) Cash Budget (d) Purchase Budget

Answer Key of Chapter 5

1.	(a)	11.	(c)	21.	(a)	31.	(a)	41.	(b)
2.	(a)	12.	(a)	22.	(a)	32.	(a)	42.	(c)
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10.	(b)	20.	(a)	30.	(b)	40.	(a)	50.	(b)

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