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SEM-V

Subject
Cost and Works Accounting-III

Objective Questions & Answers

OBJECTIVE QUESTIONS

True/False Statements

State with reasons whether the following statements are True or False :

1. Marginal connotes the cost which arises from the production of additional increment output.
2. Marginal cost includes direct cost plus all rigid overheads.
3. In Marginal costing only variable costs are charged to products.
4. Contribution is the difference between the selling price and fixed cost.
5. Finished output is marginal costing is valued at variable cost only.
6. Marginal costing is much more useful for long-term profit planning.
7. Margin of safety can be improved by lowering the volume of sales.
8. The size of margin of safety is an the extremely valuable guide to know the strength of business.
9. Application of marginal costing technique makes the operation of responsibility accounting easier and economical.
10. Technique of marginal costing is acceptable for the purposes taxation.
11. Unit variable cost remains constant at all levels of output.
12. Marginal Costing involves classification of costs into fixed and variable.
13. Break-even point is that level of output and sales at which there is no profit no loss.
14. The effect of price reduction is always to raise the break-even point.
15. A larger angle of incidence shows higher rate of profitability growth.
16. Break-even analysis can be applied without segregating costs into fixed and variable.
17. Higher margin of safety represents lower risk.
18. At break-even point total contribution is equal to fixed costs.
19. Break-even point does not changes due to changes in selling price.
20. Entire amount of contribution on margin of safety represent profit.
21. Cost-volume profit analysis is the most important tool of profit determination.
22. Contribution per unit remains unchanged regardless of the level of activity.
23. Fixed Costs are irrelevant for most of the decisions at operation stage.
24. Variable Costs are time based costs.
25. Marginal Costing is basically used for internal reporting.
26. Under Marginal Costing profits fluctuate in harmony with fluctuations in turnover.
27. Fixed Costs are directly associated with the production.
28. Any price above marginal cost is always profitable, for fixation of export price.
29. Comparative profitability can easily be assessed under marginal costing.
30. P/V Ratio can be improved by selling more profitable products.
31. Cost-Volume Profit analysis highlights effect of changes in volume, cost, price and product mix on the organisations profit.
32. There would be a decrease in the break-even point if fixed cost increases.
33. Margin of safety above break-even point is always zero.

34. Wider the angle of incidence and high margin of safety is always considered as the most favourable situation to the business.
35. S + V = F-P, is the basic equation of marginal cost.
36. Marginal Costing is not, a separate technique of costing, but it is a specialized method of costing
37. Marginal Costing is the technique extensively used in all industries for profit planning, cost control and decision making.
38. It is not difficult to segregate semi-variable expenses into fixed and variable.
39. The technique of marginal costing assumes that fixed costs cannot be controlled.
40. Net Loss = Fixed Cost Less Contribution.
41. Profit planning is most important tool in management decision-making.
42. A change in rigid costs affects the P/V Ratio.
43. A large Margin of Safety indicates the soundness of business.
44. Fixed cost tends to vary.with time rather than with level of activity.
45. Prices of the products under marginal costing are based on variable costs only.
46. The primary purpose of marginal costing is to make internal planning and control more effective.
47. The selling price per unit Rs.18, marginal cost per unit Rs 14 and fixed cost Rs 12,000, the Break-Even Point in units will be 3,200.
48. Both marginal costs and differential costs are used for decision-making.
49. The basic principle for pricing of exports is incremental cost plus profit margin.
50. Limiting factor refers to that resource which is in short supply.
51. If labour is the limiting factor, first produce product yielding maximum contribution per unit of raw material.
52. In case of avoidable fixed costs the producer can continue producing if the price payable for outside purchase is not more than variable cost plus avoidable fixed costs.
53. Budgeting is nothing but a method of profit planning.
54. Budgets are half used if they serve only as a planning device.
55. Sales budget is considered as a foundation of budgetary control system.
56. The key factor in a budget will always remain the same ever year.
57. Flexible budgeting is more suitable for seasonal industries.
58. A cash budget is a part of financial budget.
59. Budgetary control and standard costing go together.
60. A budget is both a plan as well as a control tool.
61. Forecasting leads to budgeting and budgeting leads to budgetary control.
62. Budget and budgetary control forms a useful means of communicating company policy.
63. If the budgets are appropriately reviewed and revised from time to time, they tend to become rigid.
64. The technique of standard costing and budgetary control are interlinked but not interdependent.
65. Human resource budget is an exhaustive budget giving overall plan for the entire work force.

66. Cash budget serves as a sound basis for cost control.
67. Flexible budgets are prescribed where the industry is subject to fast changes in fashions and designs.
68. Budgeting should consider the developmental opportunities available in the business unit.
69. A budget is a plan and blue print for future management action.
70. Budgeting facilitates management by exception.
71. Cost determination is the basic objective of budgetary control. 72. A fixed budget recognises the difference between fixed, variable and semi-variable expenses.
73. The preparation of budget is both an accounting exercise as well as a management process.
74. A fixed budget is prepared for one level of activity whereas a flexible budget consists of a series of fixed budgets at different levels of activity.
75. A budget revision is a unnecessary exercise.
76. The preparation of cash budgets makes it possible to anticipate whether any point of time, there is likely to be a surplus or deficit of cash.
77. A budget is only a tool and does not take over the place of administration.
78. A fixed budget can be employed more suitably when budgeted output is very close to the actual output.
79. The flexibility factor involved in fixed budget makes a very useful decision-making tool for management.
80. Programme budgeting is prospective in nature.
81. Performance budgeting is a retrospective process of work evaluating.
82. Zero-base budgeting is very time consuming as large amount of additional paper work is involved therein.
83. In 1989, the National Association of Store Manufacturers of USA introduced the first scheme of uniform costing.
84. The usefulness and value of inter-firm comparisons are greatly enhanced where uniform costing is in operation.
85. In smaller units, the cost of installation and operation of a uniform costing system may be more than the benefits derived from it.
86. A scheme of inter-firm comparison combines the advantages of a uniform costing system and the benefits arising out of the use of ratios.
87. Uniform costing is a separate method of cost ascertainment.
88. Uniform costing can be applied when the firms are the members of the same trade association.
89. Limitations of uniform costing arise due to the distrust of the members.
90. Common codification of costs facilitates uniform costing system.
91. Uniform costing facilitates meaningful comparison of performances of manufacturing units of a firm
92. The existence of uniform costing leads to increase in labour turnover.
93. Under Uniform Costing system the data provided by various firms may not provide accurate for the measurement of efficiency.

94. Perfect uniformity in cost accounting systems may be very difficult to achieve.
95. Inter-firm comparison involves ascertainment of comparative performance, efficiency, costs and profits of firms.
96. Inter-firm comparison provides encouragement to members to become cost conscious.
97. Uniform costing can suitably be applied in textiles, steel, cement, transport industries etc.
98. Inspite of the number of advantages of uniform costing system, it is not applied in many industries.
99. Inter-firm comparisons help to minimize areas of inefficiencies and weaknesses.
100. Uniform costing requires utmost co-operation, openness and confidence among the members of the business.
101. Uniform costing system and inter-firm comparison are independent of each other.
102. Intra-firm comparison can be used for performance, evaluation and cost-benefit of each other.
103. Inter-firm comparison helps Government in effecting price regulations.
104. Uniform Costing serves as a pre-requisite to financial audit.
105. Uniform Costing can be employed in process industries also.
106. Uniform Cost Manual is very important document for successful installation and operation of uniform costing system.
107. Inter-firm comparison is a administrative technique. 108. Inter-firm comparison is a natural outcome of variable costing.
109. Uniform costing is a useful tool for management control.
110. The term 'uniform costing' and 'uniform cost accounting' are synonymous.
111. Management Information System is the study of people, technology, organizations and relationships among them.
112. Management Information System helps in Decision Analysis.
113. Management Information System avoid unnecessary inconsistency and redundancy in data collection and storage.
114. Management Information System is very useful for efficient planning and control functions of the management.
115. Management Information System helps in taking strategical, tactial and operational decisions.
116. Management Information System helps in simplifying the business process.
117. Management Information System acts as a communication and planning tool.
118. Schedule Reports are considered as the important output of Management Information System.
119. Management Information System development projects are high-return projects.
120. Supply Chain Management is an integral part of most of the businesses, and is essential to organistional success and customer satisfaction.

TRUE ANSWERES

1,3,5, 7, 8, 9, 11, 12, 13, 14, 15, 17, 18, 20, 22, 23, 25, 26, 28, 29, 30, 31, 34, 37, 39, 40, 41, 43, 44, 45, 46, 48, 49, 50, 52, 53, 54, 55, 57, 58, 59, 60, 61 62, 64, 65, 67, 68, 69, 70, 73, 74, 76, 78, 80, 81, 82, 84, 85, 86, 88, 89, 90, 91, 93, 94, 95, 96, 97, 98, 99, 100, 103, 105, 106. 109, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120.

FALSE ANSWERES

2 - variable overheads,
4 – selling price and variable cost,
6 – short term profit planning,
10 – is not acceptable,
16 with segregating costs,
19 - point changes,
21 – profit planning,
24 are not time based,
27 – not associated with,
32 – fixed cost decreases,
33 - at break even point,
35 - S-V = F + P, is the basic,
36 – not a separate method but a technique of costing,
38 – it is difficult,
42 - does not a affect,
47 – will be 3,000,
51 – contribution per labour hour,
56 - will not remain the same,
63 are not appropriately reviewed,
66 - cash control,
71 - cost control,
72 - a flexible budget,
75 – necessary exercise,
77 - the place of management,
79 - involved in flexible budget,
83 – in 1889,
87 – method of cost control,
92 - decrease in labour turnover,
101 - not independent of each other,
102 - inter-firm comparison,
104 - to cost audit,
107 - is a management technique,
108 – uniform costing,
110 - are not synonymous,

Fill in the Blanks

1. Marginal Costing is not a_________of costing such as job costing.

2. Marginal Cost does not include_______ cost.

3. At the break even point, margin of safety is______.

4. Break even point is_______ by changes in fixed costs.

5. Sales minus Variable Costs = Fixed Cost Plus_______

6. The margin of safety is the difference between________ Sales and Break Even Sales.

7. At Break Even Point_______ is equals to Fixed Costs.

8. If nothing is produced, the loss will be equals to__________.

9. The Break Even Point_________ when selling price is increased.

10. The Margin of Safety can be improved by__________ volume of sales.

11. At break even point, total cost is equal to____________

12. Marginal Costing is a very significant technique widely used for managerial_________.

13. ___________is a very important indicator of the profit earning capacity of business.

14. The_____________ shows potentiality of the existence of profit.

15. Marginal Costing is a technique of costing which segregates total cost into_______ and________.

16. Cost-volume-profit analysis is a broader study of__________.

17. ________factors are to be considered for determination of profitability of a product.

18. Technique of Marginal Costing is a valuable aid to the__________.

19. The break-even chart is an excellent___________device.

20. A price reduction is always accompanied by a proportionate__________ increase.

21. The_________ is the product of P/V ratio and the margin of safety.

22. Under Marginal Costing Stock of Work-in-Progress is valued at_______cost only.

23. Marginal Costing is a________ run technique of costing.

24. under Marginal Costing only_______ costs form the part of product.

25. Under Marginal Costing fixed costs are treated as________costs.

26. Profitability of products is determined on the basis of___________generated.

27. Increase in per unit variable cost indicates___________.

28. ________is far better measure of performance than the net profit.

29. A product with higher_____ is regarded superior.

30. Marginal costing technique is more suitable for_______ reporting.

31. With an increase________ cost, the breakeven point will go up.

32. Computation of break even point is very useful at____ stage.

33. Contribution represents pool of resources available for meeting all costs other than _____costs.

34. Higher margin of safety results in___________profit.

35. Cost-volume-profit analysis is essential for developing________ budget equations.

36. In_______ term period, marginal cost is equal to prime cost plus all variable overheads.

37. The_________ cost includes prime cost plus all variable overheads.

38. The concept of______ helps to determine the product mix for profit maximisation.

39. The_____ measures the rate of change of profit due to change in volume of sales.

40. When profit earned is Rs. 800 and the P/.V Ratio is 50%, the margin of safety will be__

41. All variable costs are included in______cost.

42. In case the variable cost per unit remains constant and the fixed cost falls, the new contribution would be__________.

43. If margin of safety is_________ it indicates that a small drop in production or sales will reduce profits considerably.

44. Large angle of incidence shows a__________ rate of profit.

45. _________costs are also called as Period Costs.

46.______costs are directly related to the output hence they are also termed as direct costs.

47. Fixed Costs are_______ based.

48. If the production or turnover is totally stopped variable costs tends to be________.

49.______costs are not time based.

50. Marginal Costing is a special technique based on________cost classification.

51. Cost-Volume-Profit Analysis is an extension of_________costing.

52. CVP Analysis is based on, how costs respond to changes in________levels.

53._________is the amount by which sales revenue can fall before a loss in incurred.

54. A_______ indicates that level of output of turnover, where cost and revenue are in equilibrium

55. The key factor is also called as_________ factor, as the producer is not able to reach its full potential in terms of output and sale.

56. Non-cost considerations influences_________decisions substantially.

57. The basic principle for pricing of exports is_________cost plus profit margin.

58. Budgets are________for action.

59. Budgetary control process involves checking and evaluation________ performance.

60. The document which describes the budgeting organisation, procedure, etc. is known as budget__________.

61. The budget is an aid to_______.

62. The first step in preparing a budget is________ forecast.

63. _________budgeting provides maximum flexibility to the top management decision makers in the allocation of resources.

64. ________budgeting is a budgetary system where the input costs are related to the performance.

65. _______budgets are prospective and not retrospective.

66. Flexible budget is also known as_______budget.

67. Cost_______ is the primary objective of budgetary control system.

68. ______control is a broader term than budgeting.

69. ________are generally made for a longer period than budgets.

70. Budgets are_________a device also.

71. __________costing and budgeting are complementary to each other.

72. The scope of___________control is much wider than that of standing costing.

73. Budget and budgetary control are the oldest tools of______control.

74. Budgeting is considered as an important tool for______control in the organisation

75. Budgetary control is regarded as a scientific planning exercise based on a management principle viz._________.

76. The manager responsible for the preparation and the implementation of the budget is

considered as a________centre,

77. In large scale organisation a budget_______ is responsible for approval of the revised budgets.

78. A plant utilization budget is prepared by_________manager.

79. A cash budget is prepared by________manager.

80. A labour budget is prepared by________ manager.

81. A forecast of total turnover expressed and incorporates in quantities and value, is termed as a ________budget.

82. A cash budget indicates either______or_____ of cash at the end of each budget period.

83. A________budget is considered as a summary budget of all functional budgets.

84. The budget prepared for a period of more than one year is considered as______ budget.

85. Budget acts as a_________directing towards the targets to achieve continuously.

86. A budgetary control system helps the top management to_________the responsibility.

87. A budget designed to change in accordance with the level of activity actually attained, is termed as________budget.

88. Forecasting is a pre-requisite for__________.

89. _________is an act of building up of budgets.

90. Preparation of production budget is the major responsibility of________manager.

91. In_________ National Association of Store Manufacturers of the USA introduced the first scheme of Uniform Costing.

92. Inter-firm comparisons become meaningless in the absence of_______system.

93. Inter-firm comparisons are more useful for measuring_________.

94. Ratios are great facilitators in________comparisons.

95. Under the system of________the participating firms follow the same method of stock valuation.

96. Prices based on uniform cost structure supervised by the industry association tends to be comparatively___________.

97. Uniform cost________helps the undertakings and their officers to check and ensure that their uniform costing system is accordance with the uniformity requirements.

98. The firms which are producing identical products can adopt more suitably the unique method of__________costing.

99. The system of uniform costing was first introduced in_______.

100. Inter-firm comparison facilitates_______ and development.

101. The_________serves as a guide for the installation and operation of the system of uniform costing.

102. The cost of installation of a uniform costing system is much_________.

103. Inter-firm comparisons are similar to_________

104. Inter-firm comparison is possible only when there is an existence of a system of_______ costing

105. Inter-firm comparison facilitates_______and_________.

106. Uniform costing is more helpful at the time of________firms.

107. The success of_____costing simply depends on mutual trust, co-operation and confidence.

108. _______serves as a better yardstick of efficiency measurement when various firms

follow the system of uniform costing.

109. Uniform Costing system requires a________efforts by a number of participating units.

110. Mutual trust and co-operation is the basic principle of________costing

111. Inter-firm comparison inculcates cost________among members of the industry.

112. Uniform costing helps to reduce________turnover.

113. Uniform costing is of great help in________fixation.

114. Management Information System provides information support for_________in the organization

115. Strategic decision for the________function is a survey competition.

116. Management Information System acts as a________that holds the functional sub-system together.

117. As per the tactical role of Management Information System the information is required at the_______level.

118. The Management Information System design should be_______enough so as to provide alternate ways of processing data.

119. Supply Chain Management is the management of the flow of the_______and_______.

120. Supply Chain Management takes into consideration every facility that has an impact on_______.

ANSWERS

1. method,
2. fixed,
3. nil,
4. affected,
5, profits,
6. actual,
7. contribution,
8. fixed costs,
9. decreases,
10. increasing,
11. revenue,
12. decision-making,
13. P/V Ratio,
14. contribution,
15.fixed-variable,
16.break-even analysis,
17. limiting,
18. management,
19. planning,
20. volume,
21. profit,
22. variable,
23. short,
24. variable,
25. period,
26. contribution,
27. inefficiency,
28. contribution,
29. contribution,
30. internal,
31. fixed,
32. project,
33. variable,
34. higher,
35. flexible,
36. short,
37. marginal,
38. contribution,
39. P/V Ratio,
40. 1,600,
41. marginal,
42. higher,
43. short,
44. high,
45. fixed,
46. variable,
47. time,
48. zero,
49. variable,
50. behavioural,
51. marginal,
52. output,
53. margin of safety,
54. break-even analysis,
55. iting,
56. make or buy,
57, incremental,
58. blue prints,
59. actual,
60. manual,
61. management,
62. sales,
63. zero base,
64. performance,
65. programme,
66. variable,
67. control,
68. budgetary,
69. forecasts,
70. communication,
71. standard,
72. budgetary,
73. financial,
74. internal,
75. management by objectives,
76.responsibility
77. committee,
78. production,
79. finance,
80. personnel,
81. sales,
82.surplus-deficit,
83. master,
84. long-term,
85. needle,
86. decentralize,
87. flexible,
88. budgeting,
89. budgeting,
90. production,
91. 1889,
92.uniform costing,
93. performance,
94. inter-firm,
95.uniform costing,
96. stable,
97. manual,
98. uniform,
99. USA,
100. research,
101. uniform cost manual,
102. higher,
103. bench marking,
104. uniform,
105.research-development,
106. amalgamation,
107. uniform,
108. profit,
109.coordinated,
110. uniform,
111. consciousness,
112. labour,
113. price,
114. decision-making,
115. marketing,
116. master,
117. middle,
118. flexible,
119.goods-services,
120.-cos

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