MIDTERM EXAMINATION
Spring 2010
MGT402- Cost & Management Accounting (Session - 2)

Ref No:
Time: 60 min
Marks: 47

Student Info	
StudentID:	
Center:	OPKST
ExamDate:	5/29/2010 12:00:00 AM

For Teacher's Use Only									
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Q No.	17	18	19	20	21	22	23	24	
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Q No.	33	34	35	36	37				
Marks									

Question No: 1 (Marks: 1) - Please choose one

Which of the following is added in purchases in order to get the value of Net purchases?

- ► Purchases returns
- ► **Carriage inward**
- ► Trade discount
- ► Rebates

Question No: 2 (Marks: 1) - Please choose one

A typical factory overhead cost is:

- ► **Distribution**
- ► Internal audit
- ► Compensation of plant manager
- ► Design

Question No: 3 (Marks: 1) - Please choose one

Costs that change in response to alternative courses of action are called:

- ► **Relevant costs**
- ► Differential costs
- ► Target costs
- ► Sunk costs

Question No: 4 (Marks: 1) - Please choose one

Which of the following best describes the manufacturing costs?

- ► **Direct materials, direct labor and factory overhead**
- ► Direct materials and direct labor only
- ► Direct materials, direct labor, factory overhead, and administrative overhead
- ► Direct labor and factory overhead

Question No: 5 (Marks: 1) - Please choose one

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

- ► **Rs. 200,000**
- ► Rs. 66,667
- ► Rs. 62,500
- ► Rs. 400,000

Question No: 6 (Marks: 1) - Please choose one

Which of the following is correct?

- ► Units sold= Opening finished goods units + Units produced – Closing finished goods units
- ► Units Sold = Units produced + Closing finished goods units - Opening finished goods units
- ► Units sold = Sales + Average units of finished goods inventory
- ► Units sold = Sales - Average units of finished goods inventory

Question No: 7 (Marks: 1) - Please choose one

When prices are rising over time, which of the following inventory costing methods will result in the lowest gross margin?

► FIFO
► **LIFO**
► Weighted Average
► Cannot be determined

Question No: 8 (Marks: 1) - Please choose one

Which of the following would be the effect, if inventory is not properly measured?

► Expenses and revenues cannot be properly matched
► Unfair position in Financial Statements
► Inventory items show under or over stocking
► All of the given options

Question No: 9 (Marks: 1) - Please choose one

If, Basic Salary	Rs.10,000
Per Piece commission	Rs. 5
Unit sold	700 pieces

What will be the total Salary?

► Rs. 3,500
► Rs. 13,500
► Rs. 10,000
► Rs. 6,500

Question No: 10 (Marks: 1) - Please choose one

The term cost allocation is described as:

► The costs that can be identified with specific cost centers.
► The costs that can not be identified with specific cost centers.
► The total cost of factory overhead needs to be distributed among specific cost centers.
► None of the given options

Question No: 11 (Marks: 1) - Please choose one

The term Cost apportionment is referred to:

► The costs that can not be identified with specific cost centers.
► The total cost of factory overhead needs to be distributed among specific cost centers but must be divided among the concerned department/cost centers.
► The total cost of factory overhead needs to be distributed among specific cost centers.
► None of the given options

Question No: 12 (Marks: 1) - Please choose one

Nelson Company has following FOH detail.

	Budgeted (Rs.)	Actual (Rs.)
Production Fixed overheads	36,000	39,000
Production Variable overheads	9,000	12,000
Direct labor hours	18,000	20,000

What would be the amount of under/over applied FOH

► Under applied by Rs.1,000
► Over applied by Rs.1,000
► Under applied by Rs.11,000
► Over applied by Rs.38,000

Question No: 13 (Marks: 1) - Please choose one

PEL & co found that a production volume of 400 units corresponds to production cost of Rs, 10,000 and that a production volume of 800 units corresponds to production costs of Rs.12,000. The variable cost per unit would be?

► Rs. 5.00 per unit
► Rs. 1.50 per unit
► Rs. 2.50 per unit
► Rs. 0.50 per unit

Question No: 14 (Marks: 1) - Please choose one

Which of the following loss is expected in manufacturing process and represents a necessary cost of processing the marketable units?

► Operating loss
► Abnormal loss
► Normal loss
► Extraordinary loss

Question No: 15 (Marks: 1) - Please choose one

Under perpetual Inventory system at the end of the year:

► No closing entry passed
► Closing entry passed
► Closing value find through closing entry only
► None of the above.

Question No: 16 (Marks: 1) - Please choose one

A company applied overheads on machine hours which were budgeted at 11,250 with overhead of Rs.258, 750.Actual results were 10,980 hours with overheads of Rs.254, 692. Overhead were?

► Over applied by Rs.4, 058
► Under applied by Rs.2, 152
► Under applied by Rs.4, 058

► Over applied by Rs.2, 152

Question No: 17 (Marks: 1) - Please choose one

The components of total factory cost are:

► Direct Material + Direct Labor
► Direct Labor + FOH
► Prime Cost only
► Prime Cost + FOH

Question No: 18 (Marks: 1) - Please choose one

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

► First to be allocated to the ending inventory
► Last to be allocated to the cost of goods sold
► Last to be allocated to the ending inventory
► First to be allocated to the cost of good sold

Question No: 19 (Marks: 1) - Please choose one

Which of the following is **NOT** an assumption of the basic economic-order quantity model?

► Annual demand is known
► Ordering cost is known
► Carrying cost is known
► Quantity discounts are available

Question No: 20 (Marks: 1) - Please choose one

Which of the following is **NOT** reason of abnormal loss?

► Defective material used
► Machine breakdown
► Poor workmanships
► Natural disaster

Question No: 21 (Marks: 1) - Please choose one

Complete the following table when activity level increases above the normal level:

	Per unit	Total
Fixed cost	Increase	Constant
Variable cost	?	?
Total cost	Increase	Decrease

► Decrease, Decrease
► Increase, Increase
► Constant, Increase
► Increase, Decrease

Question No: 22 (Marks: 1) - Please choose one

You are required to calculate number of units sold of ABC Fans Company for the first quarter of the year with the help of given information.

Inventory opening	
Finished goods (100 fans)	Rs. 43000
Direct material	Rs. 268000
Inventory closing	
Finished goods (200 fans)	Not known
Direct material	Rs. 167000
No of units manufactured	567 units

- ► 300 units
- ► 767 units
- ► 467 units
- ► 667 units

Question No: 23 (Marks: 1) - Please choose one

Given data that:

Work in Process Opening Inventory	Rs. 20,000
Work in Process Closing Inventory	10,000
Finished goods Opening Inventory	30,000
Finished goods Closing Inventory	50,000
Cost of goods sold	190,000

What will be the value of cost of goods manufactured?

- ► Rs. 200,000
- ► Rs. 210,000
- ► Rs. 220,000
- ► Rs. 240,000

Question No: 24 (Marks: 1) - Please choose one

In cost accounting, unavoidable loss is charged to which of the following?

- ► Factory over head control account
- ► Work in process control account
- ► Marketing overhead control account
- ► Administration overhead control account

Question No: 25 (Marks: 1) - Please choose one

Payroll includes:

- ► Salaries & Wages of direct labor
- ► Salaries & Wages of Indirect labor
- ► Salaries & Wages of Administrative staff
- ► Salaries & Wages of direct labor, Indirect labor, and Administrative & Selling Staff

Question No: 26 (Marks: 1) - Please choose one

Which of the given statement is **CORRECT** for Indirect Labor?

- ► It is charged to factory over head account
- ► It is charged to work in process
- ► It is entire production
- ► It is charged to administrative expenses

Question No: 27 (Marks: 1) - Please choose one

A production worker paid salary of Rs. 700 per month plus an extra Rs. 5 for each unit produced during the month. This labor cost is best described as:

- ► A fixed cost
- ► A variable cost
- ► A semi variable cost
- ► A step fixed cost

Question No: 28 (Marks: 1) - Please choose one

Calculate Estimated FOH with the help of given data:

Estimated Direct labour hours	50,000 Hours
Over applied FOH	Rs. 5,000
Under applied FOH	Rs. 15,000
Overhead absorption rate	Rs. 5.00/hour

- ► Rs. 25,000
- ► Rs. 50,000
- ► Rs. 75,000
- ► Rs. 250,000

Question No: 29 (Marks: 1) - Please choose one

In which of the situation spending variance will give unfavorable result?

► Actual factory overhead is less than absorbed factory overhead
► Actual factory overhead is greater than absorbed factory overhead
► Budgeted factory overhead for actual volume is less than actual factory overhead
► Absorbed factory overhead less than budgeted factory overhead for actual volume

Question No: 30 (Marks: 1) - Please choose one

All the given statements regarding job cost sheets are incorrect **EXCEPT:**

► Job cost sheet shows only direct materials cost on that specific job
► Job cost sheet must show the selling costs associated with a specific job
► Job cost sheet must show the administrative costs associated with a specific job
► Job cost sheet shows direct materials cost, direc labour cost and factory overhead costs associated with a specific job

Question No: 31 (Marks: 1) - Please choose one

In process costing, each producing department is a:

► Cost unit
► Cost centre
► Investment centre
► Sales centre

Question No: 32 (Marks: 1) - Please choose one

With reference to cost of production report, cost accounted for as follows is also known as:

► Cost reconciliation
► Bank reconciliation
► Cash reconciliation
► Capital reconciliation

Question No: 33 (Marks: 1) - Please choose one

Identify units transferred out with the help of given data:

	Units
Units still in process (100%material, 75% conversion)	4,000
Lost units	2,000
Units started in process	50,000

► 6,000 units
► 44,000 units
► 52,000 units
► 56,000 units

Question No: 34 (Marks: 1) - Please choose one

Details of the process for the last period are as follows:

Put into process	5,000 kg
Materials	Rs. 2,500
Labor	Rs.700
Production overheads	200% of labor

Normal losses are 10% of input in the process. The out put for the period was 4,200 Kg from the process. There was no opening and closing Work- in- process. What were the units of abnormal loss?

► 500 units
► 300 units
► 200 units
► 100 units

Question No: 35 (Marks: 3)

50, 000 units were received from preceding department, 9,000 units were still in process at the end of month (complete all material, 75% Labour & FOH). 500 lost units were 60% complete as to material and conversion costs. This loss is considered as abnormal and is to be charged to factory overhead.

Required: You are required to calculate equivalent units of material, labour and factory overhead.

Question No: 36 (Marks: 5)

Irfan Industries Limited has two production departments A and B and two mutually interdependent service departments X and Y. Cost of service departments is apportioned on the basis of following %ages:

	A	**B**	**X**	**Y**
Service department X	50%	30%	-	20%
Service department Y	40%	50%	10%	-

Following figures of departmental costs are available after the primary distribution:

Department A	15,750	Department B	7,500
Department X	11,750	Department Y	5,000

Calculate total factory overhead of production department by preparing a work sheet showing the secondary distribution using Repeated apportionment method.

Question No: 37 (Marks: 5)

Factory overhead absorption rate of a pharmaceutical is Rs 2.50. Budgeted Factory overhead at two activity levels is as follows for that period.

	Activity level	Budgeted factory overhead
Low	20,000 Hours	Rs. 45,000
High	40,000 Hours	Rs. 75,000

Actual Factory overhead for that period was Rs. 42,000 and actual volume was 25,000 hours.

Required:

i. Variable factory overhead absorption rate
ii. Budgeted variable factory overhead at high activity level 40,000 hours.
iii. Budgeted fixed factory overhead