

## **BCH-203 Cost Accounting Question Bank**

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### **A. Long Answer Questions (50)**

1. Define cost accounting. Explain its objectives and scope.
2. Discuss the limitations of cost accounting.
3. Explain the characteristics of an ideal system of cost accounting.
4. Describe different methods of cost accounting.
5. What are the elements of cost? Explain each with examples.
6. Discuss the procedure of storing and issuing materials.
7. Explain Labour Turnover: its causes and effects.
8. How is idle time treated in cost accounting?
9. What is overtime? How is overtime premium treated in cost accounts?
10. Differentiate between direct and indirect expenses.
11. What is overhead costing? Explain its classification.
12. How is a cost sheet prepared? Explain with an example.
13. Prepare a statement of cost computation of quotation price.
14. Explain reconciliation of cost account with financial account.
15. What is a contract account? Explain its preparation.
16. Explain the treatment of incomplete contracts.
17. How is profit calculated on incomplete contracts?
18. Prepare a contract account and related balance sheet.
19. What is operating costing? Explain with examples.
20. Explain transport costing and prepare a transport cost sheet.
21. Explain electricity costing in detail.
22. Define process costing. Discuss its features and applications.
23. How are indirect expenses allocated in process costing?
24. Explain the treatment of wastages in process costing.
25. What is apportionment of joint expenses? How is it done?
26. How is accounting done for joint products?
27. What is by-product costing? How is it treated?
28. Explain normal loss and abnormal loss in process costing.
29. Distinguish between cost sheet and production account.
30. Discuss the advantages of cost accounting to management.
31. How can cost accounting help in controlling costs?
32. Explain the difference between financial and cost accounting.
33. What are the essential factors of an effective costing system?
34. Write notes on non-integral and integral accounting systems.
35. How are overheads classified and apportioned?

36. Discuss machine hour rate and its calculation.
  37. What is absorption costing? How does it differ from marginal costing?
  38. Write notes on cost audit and its advantages.
  39. Explain the concept of standard costing and variance analysis.
  40. Differentiate between job costing and batch costing.
  41. Discuss the preparation of operating cost sheet for a hotel.
  42. Explain cost reduction and cost control.
  43. How does cost accounting help in fixing selling prices?
  44. Describe the role of a cost accountant in an organisation.
  45. Explain bin card and stores ledger.
  46. Write notes on perpetual inventory system.
  47. What is EOQ? How is it calculated?
  48. Explain methods of pricing material issues.
  49. Discuss treatment of spoiled and defective work in cost accounts.
  50. How is profit or loss on contracts calculated?
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## **B. Short Answer Questions (50)**

1. Define cost.
2. What is cost centre?
3. Explain cost unit.
4. What is indirect cost?
5. Define overheads.
6. What is cost allocation?
7. Write short notes on cost apportionment.
8. What is cost absorption?
9. Define tender.
10. What is profit on incomplete contract?
11. What is escalation clause?
12. Explain retention money.
13. Define work certified.
14. Define work uncertified.
15. What is abnormal gain?
16. What is normal loss?
17. Define process loss.
18. What is joint product?
19. What is by-product?
20. What is scrap?
21. Define spoilage.
22. Define defectives.
23. What is perpetual inventory?
24. What is bin card?

25. What is stores ledger?
26. Define idle time.
27. What is overtime premium?
28. What is labour turnover?
29. What is reconciliation statement?
30. Define contract costing.
31. What is batch costing?
32. Define job costing.
33. Define operating costing.
34. Define transport costing.
35. What is equivalent production?
36. What is a process account?
37. What is a cost audit?
38. What is standard costing?
39. What is variance?
40. Define marginal costing.
41. Define cost control.
42. Define cost reduction.
43. What is the break-even point?
44. What is EOQ?
45. What is ABC analysis?
46. Define economic batch quantity.
47. What is integral accounting?
48. What is non-integral accounting?
49. What is ledger control account?
50. What is stores control account?

## **BCH-203 Cost Accounting — 50 Objective Type Questions**

1. Cost Accounting is mainly concerned with:
  - a) Recording income and expenditure
  - b) Cost ascertainment
  - c) Tax computation
  - d) Dividend distribution
2. Which of the following is NOT an element of cost?
  - a) Direct materials
  - b) Direct expenses
  - c) Indirect expenses
  - d) Closing stock

**3.** A cost unit for transport industry is:

- a) Tonnes per km
- b) Litres per km
- c) Units produced
- d) Kilowatt hour

**4.** The cost sheet is prepared:

- a) Weekly
- b) Annually
- c) Quarterly
- d) As required

**5.** Idle time is the time when workers are:

- a) On leave
- b) Working overtime
- c) Paid but not working
- d) Dismissed

**6.** The economic order quantity (EOQ) helps to:

- a) Reduce storage costs
- b) Maximise profits
- c) Minimise ordering and holding costs
- d) Minimise labour cost

**7.** Bin card is maintained by:

- a) Cost accountant
- b) Storekeeper
- c) Production manager
- d) HR manager

**8.** Labour turnover means:

- a) Number of workers employed
- b) Replacement of workers
- c) Overtime work done
- d) Number of new jobs created

**9.** Which is a normal loss?

- a) Fire accident loss
- b) Loss due to wastage in process
- c) Loss by theft
- d) Loss due to strike

**10.** Joint products are produced:

- a) Separately
- b) By combining two products

- c) Simultaneously from same process
- d) None of these

**11.** Which is NOT a method of costing?

- a) Job costing
- b) Batch costing
- c) Contract costing
- d) Standard costing

**12.** Transport costing is a type of:

- a) Job costing
- b) Contract costing
- c) Operating costing
- d) Process costing

**13.** Process costing is used in:

- a) Furniture manufacturing
- b) Oil refinery
- c) Printing press
- d) Construction

**14.** Work certified is valued by:

- a) Contractor
- b) Architect/Engineer
- c) Accountant
- d) Labour contractor

**15.** Retention money in a contract is:

- a) Paid before starting work
- b) Paid as advance
- c) Deducted from bill until completion
- d) Paid to supplier

**16.** Scrap has:

- a) No value
- b) Some small value
- c) High value
- d) Unlimited value

**17.** Which is not a direct expense?

- a) Cost of special tools
- b) Wages paid to workers
- c) Rent for office
- d) Carriage inward

**18.** Cost audit is conducted to:

- a) Verify income
- b) Reduce tax
- c) Check accuracy of cost accounts
- d) Audit financial statements

**19.** Contract costing is used in:

- a) Chemical industry
- b) Textile mills
- c) Ship building
- d) Canteen costing

**20.** Reconciliation is done between:

- a) Trial balance and P&L
- b) Cost and financial accounts
- c) Cash book and bank statement
- d) Assets and liabilities

**21.** Cost unit for electricity company is:

- a) Kilowatt hour
- b) Tonne
- c) Cubic metre
- d) Litre

**22.** Overheads are:

- a) Direct expenses
- b) Indirect expenses
- c) Fixed costs only
- d) None of these

**23.** Direct expenses are also known as:

- a) Overheads
- b) Prime cost
- c) Chargeable expenses
- d) Fixed cost

**24.** Which of these is NOT an objective of cost accounting?

- a) Ascertainment of cost
- b) Fixing selling price
- c) Preparation of final accounts
- d) Cost control

**25.** FIFO method is used for:

- a) Labour costing
- b) Material pricing

- c) Overhead allocation
- d) Contract costing

**26.** Waste is:

- a) Saleable residue
- b) Unusable material
- c) Product sold at high price
- d) A by-product

**27.** Escalation clause is used to:

- a) Increase profit margin
- b) Cover increased cost
- c) Reduce contract price
- d) Eliminate wastage

**28.** Job costing is suitable for:

- a) Hospitals
- b) Hotels
- c) Printing press
- d) Oil refineries

**29.** Abnormal gain arises when:

- a) Actual loss < normal loss
- b) Actual loss > normal loss
- c) Actual loss = normal loss
- d) No loss occurs

**30.** Which is NOT a feature of process costing?

- a) Continuous production
- b) Homogeneous product
- c) Costs are accumulated by jobs
- d) Average cost per unit is calculated

**31.** A cost sheet does NOT include:

- a) Direct materials
- b) Direct labour
- c) Profit
- d) Fixed assets

**32.** Marginal costing is used for:

- a) Long term pricing
- b) Decision making
- c) Profit distribution
- d) Payroll accounting

**33. Prime cost includes:**

- a) Factory overheads
- b) Office expenses
- c) Direct expenses
- d) Selling expenses

**34. Standard costing involves:**

- a) Setting standards
- b) Calculating variances
- c) Controlling cost
- d) All of these

**35. Time keeping is done to:**

- a) Calculate cost
- b) Record attendance time
- c) Analyse material cost
- d) Calculate depreciation

**36. Work uncertified is valued at:**

- a) Cost
- b) Market price
- c) Tender price
- d) Selling price

**37. Batch costing is ideal for:**

- a) Oil refineries
- b) Chemical industries
- c) Toy manufacturing
- d) Airlines

**38. The basic objective of cost control is:**

- a) Cost ascertainment
- b) Cost comparison
- c) Cost reduction
- d) Cost allocation

**39. Which is not an abnormal loss?**

- a) Theft
- b) Fire accident
- c) Pilferage
- d) Normal evaporation

**40. Spoilage means:**

- a) Products sold at profit
- b) Products discarded



- c) Residue with value
- d) Joint product

**41.** Power house costing relates to:

- a) Job costing
- b) Process costing
- c) Service costing
- d) Marginal costing

**42.** Cost allocation means:

- a) Dividing costs between departments
- b) Charging cost to cost centre
- c) Apportioning indirect expenses
- d) None of these

**43.** Apportionment means:

- a) Assigning direct cost
- b) Distribution of overheads
- c) Recording transaction
- d) Making entries

**44.** Equivalent production is used in:

- a) Job costing
- b) Contract costing
- c) Process costing
- d) Operating costing

**45.** Cost unit for hospital is:

- a) Bed per day
- b) Passenger km
- c) Litre
- d) Tonne

**46.** Operating costing is also known as:

- a) Service costing
- b) Job costing
- c) Process costing
- d) Batch costing

**47.** Which is not a method of labour remuneration?

- a) Halsey Plan
- b) Rowan Plan
- c) Bin card
- d) Time Rate System

**48.** Normal idle time is charged to:

- a) Costing P&L A/c
- b) Cost sheet
- c) Work-in-progress
- d) Overhead

**49.** The main purpose of reconciliation is to find out:

- a) Profit
- b) Loss
- c) Difference between cost and financial profits
- d) Net sales

**50.** Transport cost per km is a:

- a) Cost unit
- b) Cost centre
- c) Cost allocation
- d) Cost apportionment