Sample Question Paper

Subject- Costing and Financial Management

Subject code 302

Note – This is a sample Question paper for student's exam reference only, might be pattern of paper can be change in actual examination.

Q.1 A cost that has no economic relevance to the present decision process is called a/an:-

1. Opportunity cost
2. Sunk cost
3. Marginal cost
4. Joint cost

Correct Answer :-Sunk cost

Q.2. The break-even point is that at which:-

1. The level of activity at which the business operates most economically
2. The level of activity at which the business makes neither a profit nor a loss
3. The fixed costs are lowest
4. The variable cost per unit is minimized

Correct Answer :-

The level of activity at which the business makes neither a profit nor a loss

Q.3. A variable cost is?

1. One which varies in proportion to the level of fixed cost incurred
2. One which tends to vary with the level of activity
3. One which changes over time
4. One which cannot be estimated with any great degree of accuracy

Correct Answer :-

One which tends to vary with the level of activity

Q.4. A flexible budget is:-

1. One where departmental functional manager are given discretion over the application of spending limits
2. One where the budget is permitted to alter to reflect changes in activity levels
3. One where managers are given discretion as to the investigations which are carried out into variances revealed
by budgetary control reports
4. One which allows departmental managers to design their own budgetary control reports

Correct Answer :-

One where the budget is permitted to alter to reflect changes in activity levels

Q.5. XYZ Ltd has a labour intensive assembly department. Which of the following methods of absorbing overheads is likely to used for that department?

1. Direct labour hours method
2. Direct labour cost method
3. Direct material cost method
4. A percentage of prime cost

Correct Answer :-

Direct labour hours method

Q.6. Contribution margin is computed as sales revenue minus:-

1. Variable expenses
2. Cost of goods manufactured
3. Cost of goods sold
4. Fixed expenses

Correct Answer :-

Variable expenses

Q.7. Which of the following is typically considered fixed under traditional budgeting processes, but considered variable under activity based budgeting:-

1. Set ups, inspections and purchasing
2. Material handling, designing and quality control
3. Both of the above
4. None of the above

Correct Answer :-

Both of the above

Q.8. What is an alternative term for Budgeted earnings?

1. Estimated profit
2. Audited earnings
3. Eventual outcome
4. Provisional earnings

Correct Answer :-

Estimated profit

Q.9. A business has fixed costs of Rs. 90,000 and charges a selling price of Rs. 25 per unit. If the contribution to sales ratio is 25% the break even point in units would be:-

1. 14,400
2. 28,80
3. 22,500
4. 3,600

Correct Answer :-

14,400

Q.10. In the long run a business must:-

1. Charge a price that covers its fixed costs and semi variable only
2. Charge a price that covers both fixed and variable costs
3. Charge a price that covers its fixed costs only
4. Charge a price that covers its variable costs only

Correct Answer :-

Charge a price that covers both fixed and variable costs

Q.11. A semi variable cost would:-

1. Be more than zero if no products were made and would then increase in direct proportion to output
2. Be a fixed amount when output was zero and would not increase in direct proportion to output
3. Be zero when output is zero and would increase in direct proportion to output
4. Be zero if output were zero and would change erratically as output increased

Correct Answer :-

Be more than zero if no products were made and would then increase in direct proportion to output

Q.12. During July actual labour costs amounted to Rs. 20,000, the standard rate of pay was Rs. 5.00 per hour and the labour rate variance amounted to Rs. 500 adverse. The actual hours worked were:-

1. 3900
2. 4100
3. 4000
4. 3800

Correct Answer :-

3900

Q.13. The budgeted sales for the next four quarters are Rs. 200,000, Rs. 300,000, Rs. 300,000 and Rs. 400,000, respectively. It is estimated that sales will be paid for as follows: 75% of the total will be paid in the quarter that the sales were made. Of the balance 50% will be paid in the quarter after the sale was made. The remaining 50% will be paid in the quarter after this. The amount of cash received in quarter 3 will be:-

1. Rs.150,000
2. Rs.250,000
3. Rs.287,500
4. Rs.225,000

Correct Answer :-

Rs.287,500

Q.14. An investment centre is a responsibility centre where the manager has control of:-

1. Costs, profits and product quality
2. Costs
3. Costs and profits
4. Costs, profits and assets

Correct Answer :-

Costs, profits and assets

Q.15. In case of variances in actual from budgeted, no action is required as it mere estimates

d.Budgets are rigid year over year and not meant to be changed

1. Only a and b are correct
2. Only b and c are correct
3. Only a, b and c are correct
4. Only b, c and d are correct
5. All are correct

Correct Answer :-

Only a and b are correct