

Multiple Choice Questions

1. Material lost in stores due to fire is
 - a) A part of normal loss and hence part of loss
 - b) Capitalized
 - c) A part of abnormal cost and hence excluded from cost
 - d) Transferred to next period

2. The journal entry to apply to overhead to production includes a credit to Manufacturing Overhead control and debit to
 - a) Finished goods inventory
 - b) Work in progress inventory
 - c) Cost of goods sold
 - d) Raw material inventory

3. A credit to Manufacturing overhead control account represents the
 - a) Actual cost of overhead incurred
 - b) Actual cost of overhead paid this period
 - c) Amount of overhead applied to production
 - d) Amount of indirect material and labour used during the period

4. The Finished Goods account contains the cost of all units
 - a) Unfinished at the given point of time
 - b) Complete at a given point of time
 - c) Produced during a particular period
 - d) Produced and sold during a particular period

5. Which account balance will decrease as a result of completing products during the month?
 - a) Only work in progress inventory
 - b) Only finished goods inventory
 - c) Both work in progress and finished goods ending balances will decrease
 - d) Neither account ending balance would increase, both would increase

6. The costing technique that produces stipulated profit when the product is sold at the estimated market-driven price is termed
 - a) Life cycle costing
 - b) Product costing
 - c) Target costing
 - d) Standard costing

7. Which of the following is usually the longest stage in the product life cycle?
 - a) Introduction phase
 - b) Growth phase
 - c) Maturity phase
 - d) Saturation phase
 - e) Decline phase

8. Benchmarking allows the company to
 - a) Identify its strengths and weaknesses
 - b) Imitate those ideas that are readily transferable
 - c) Improve on methods in use by others
 - d) All of the above

9. All of the following are considered to be part of the activity levels often used to implement ABC, with exception of
 - a) Production-level activity
 - b) Batch level activity
 - c) Product level activity
 - d) Unit level activity

10. Providing the power required to run production equipment is an example of
 - a) Unit level activity
 - b) Batch level activity
 - c) Product level activity
 - d) Organising sustaining activity

Fill in the blanks

1. _____ cost accounting system involves use of cost control accounts.
2. Material _____ Note authorises and records the issue of materials for use
3. _____ cost accounting system involves use of cost journals and cost ledgers.
4. _____ ledger adjustment account is essential to make cost ledger 'self-balancing'.
5. On sale of goods, cost of such goods is credited to _____ Control Account.
6. The purpose of _____ costing is to identify the production cost for a proposed product such that the product, when sold, generates the desired profit margin.
7. _____ benchmarking involves the comparison of competitors' products, processes and business results with own products, processes and results.

8. ABC is suitable when there is _____ range of products.
9. Machine setup is a/an _____ level activity.

State whether True or False

1. In cost control account, sales are credited to cost ledger control account. _____
2. The ending balance in Work-in-progress control represents the total costs of all jobs that have not yet been completed. _____
3. The amount of over allocation or under allocation is found by taking difference between the amounts of overhead allocated during the year and the amount of overhead incurred during the year. _____
4. When indirect materials are requisitioned for job, the raw materials inventory account is credited. _____
5. Raw materials inventory, factory labour, and manufacturing overhead are all control accounts in a general ledger when a non-integrated accounting system is used. _____
6. Machine setup is normally considered a unit-level cost. _____
7. Activity cost pools are assigned to products, using factory overhead rates for each activity. _____
8. Current trends in manufacturing include less direct labour and more overhead. _____
9. ABC is particularly useful when product lines differ greatly in volume and manufacturing complexity. _____
10. Painting is the product level activity. _____