Cost & Management Accounting (Mgt402)
Quiz 02
Spring 2009

Read following instructions carefully before attempting the quiz solution:

- Quiz 02 covers lesson no. 01-19 and (Total marks: 1 x 20 = 20)
- Last date for submission of quiz is 14th April, 2009.
- Don’t rely only on handouts, use recommended books as well
- Make sure that you upload the quiz before the expiry of due date and time. No quiz will be accepted through E-mail after the due date.
- Cheating or copying is strictly prohibited; No credit will be given to copied files.
- You are required to create your files in Office 2003 version.
- Your quiz solution must be answered in the following tabular format/shape: Given below.
- Any solution that will not be solved in that box will be marked as zero.
- If you have any problem with your VULMS or uploading, then you can send your quiz through email within the time limit at mgt402@vu.edu.pk

Answer box:

<table>
<thead>
<tr>
<th>Question #</th>
<th>Option</th>
<th>Question #</th>
<th>Option</th>
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<tbody>
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<td>01</td>
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(You can download solution format file to attempt the quiz from announcement page
Or download section of your course)
1. If computational and record-keeping costs are about the same under both FIFO and weighted average, which of the following method will generally be preferred?

A. Weighted Average  
B. FIFO  
C. They offer the same degree of information  
D. Cannot be determined with so little information

2. Which of the following System applies when standardized goods are produced under a series of interconnected operations?

A. Job Order Costing  
B. Process Costing  
C. Standard Costing  
D. All of the given options

3. The cost of material that is not completely processed, would be found in which of the following inventory account on the Balance Sheet?

A. Direct material inventory  
B. Work-in-process inventory  
C. Finished goods inventory  
D. Supplies inventory

4. A complete set of Financial Statements for Nestle Company at December 31, 2008 would include each of the followings, EXCEPT:

A. Balance Sheet as of December 31, 2008  
B. Statement of Projected Cash flows for 2009  
C. Income Statement for the year ended December 31, 2008  
D. Notes containing additional information that is useful in interpreting the Financial Statements

5. Total Fixed cost _______ with the increase in production.

A. Remains constant  
B. Decreases  
C. Increases  
D. There is no relation between fixed cost and activity level
6. The following data is available for the Bricks Company:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
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<tbody>
<tr>
<td>Freight in</td>
<td>20,000</td>
</tr>
<tr>
<td>Purchases return and allowances</td>
<td>80,000</td>
</tr>
<tr>
<td>Marketing expenses</td>
<td>200,000</td>
</tr>
<tr>
<td>Finished goods Inventory, ending</td>
<td>90,000</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>700% of marketing expenses</td>
</tr>
</tbody>
</table>

You are required to calculate the cost of goods available for sales if Gross Profit is 50% of cost of goods sold.

A. Rs. 1,490,000  
B. Rs. 1,390,000  
C. Rs. 1,500,000  
D. Rs. 1,590,000

7. Consider the following:
- Beginning work in process inventory Rs. 20,000
- Direct material used Rs. 50,000
- Direct labor used Rs. 80,000
- Manufacturing overhead Rs. 120,000
- Ending work in process inventory Rs. 10,000
- Cost of finished goods manufactured Rs. 260,000

The total manufacturing costs would be:

A. Rs. 250,000  
B. Rs. 260,000  
C. Rs. 270,000  
D. Rs. 280,000

8. Job 210 was unfinished at the end of the accounting period. The total cost assigned to the job was Rs. 12,000 of which Rs. 3,000 was direct material cost. Factory overheads were allocated to goods in process at 150% of direct labor cost. What was the amount of direct labor cost charged to Job 210?

A. Rs. 3,600  
B. Rs. 3,000  
C. Rs. 5,400  
D. Rs. 9,000
9. Job 210 was unfinished at the end of the accounting period. The total cost assigned to the job was Rs. 12,000 of which Rs. 3,000 was direct material cost. Factory overheads were allocated to goods in process at 150% of direct labor cost. What was the amount of Factory overhead cost charged to Job 210?

A. Rs. 3,600  
B. Rs. 3,000  
C. Rs. 5,400  
D. Rs. 9,000

10. The over applied balance of the Factory Overhead ledger account is Rs. 36,000, a significant amount. The ending balances of Goods in Process Inventory, Finished Goods Inventory and Cost of Goods Sold accounts are Rs. 12,000, Rs. 8,000, and Rs. 60,000, respectively. On the basis of ending balances, how much of the over applied balance of overhead should be allocated to each of these accounts?

A. Rs.5,400, Rs.27,600, Rs.3,000  
B. Rs.27,400, Rs. 3,600, Rs. 5,000  
C. Rs. 5,400, Rs. 3,600, Rs. 27,000  
D. None of the given options

11. PEL Limited has been using an overhead rate of Rs. 5.60 per machine hour. During the year, overheads of Rs. 275,000 were incurred and 48,000 machine hours worked. Therefore, overheads were:

A. Under-applied by Rs.7,600  
B. Over-applied by Rs. 6,200  
C. Under-applied by Rs. 6,200  
D. Over-applied by Rs. 7,600

12. Factory overhead should be allocated on the basis of:
   A. Direct labor hours  
   B. Direct labor costs  
   C. An activity basis which relates to cost incurrence  
   D. Machine hours

13. If a company uses a predetermined rate for the application of factory overhead, the idle capacity variance is the:

A. Over or under applied variable cost element of overheads  
B. Difference in budgeted costs and actual costs of fixed overheads items  
C. Difference in budgeted cost and actual costs of variable overheads items  
D. Over or under applied fixed cost element of overheads
14. Which of the following manufacturing operations, which is best, suited to the utilization of a job order system?

A. Soft drink bottling operation
B. Crude oil refining
C. Plastic molding operation
D. Helicopter manufacturing

15. Which of the following is a characteristic of process cost accounting system?

A. Material, Labor and Overheads are accumulated by orders
B. Companies use this system if they process custom orders
C. Only Closing stock of work in process is restated in terms of completed units
D. Opening and Closing stock of work in process are related in terms of completed units

16. Which cost accumulation procedure is best suited to a continuous mass production process of similar units?

A. Job order costing
B. Standard costing
C. Actual costing
D. Process costing

17. Which of the following is an objective of cost accounting?

A. Provide information to management for decision making
B. Computation of cost per unit
C. Preparation of Financial Statement
D. Computation of relevant costs

18. Which of the following would be considered an external user of the firm's accounting information?

A. President
B. Stockholder
C. Sales manager
D. Controller

19. Cost accounting concepts include all of the following EXCEPT:

A. Planning
B. Controlling
C. Sharing
D. Costing
20. The chief financial officer is also known as the:

A. Controller
B. Staff accountant
C. Auditor
D. Finance director