



## BRAINWARE UNIVERSITY

### Term End Examination 2020 - 21

Programme – Bachelor of Business Administration

Course Name – Cost Accounting and Tax Planning

Course Code - BBA301

Semester / Year - Semester III

Time allotted : 85 Minutes

Full Marks : 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

### Group-A

(Multiple Choice Type Question)

1 x 70=70

1. (Answer any Seventy )

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

- |                   |                       |
|-------------------|-----------------------|
| a) Relevant costs | b) Differential costs |
| c) Target costs   | d) Sunk costs         |

(ii) Total unit costs are

- |  |  |
|--|--|
| a) Independent of the cost system, used to generate them | b) Needed for determining product contribution |
| c) Irrelevant in marginal analysis                       | d) Relevant for cost-volume-profit analysis    |

(iii) The cost of obsolete inventory acquired several years ago, to be considered in a keep vs. disposal decision is an example of :

- |                        |                     |
|------------------------|---------------------|
| a) Uncontrollable cost | b) Sunk cost        |
| c) Avoidable cost      | d) Opportunity cost |

(iv) Economies and diseconomies of scale explain why the:

- |   |  |
|---|--|
| a) Short-run average fixed cost curve declines so long as output increases. | b) Marginal cost curve must intersect the minimum point of the firm's average total cost curve |
| c) Long-run average total cost curve is typically U-shaped                  | d) Short-run average variable cost curve is U-shaped.  |

(v) Which of the following is not a relevant cost?

- a) Replacement cost
- b) Sunk cost
- c) Marginal cost
- d) Standard cost

(vi) Which of the following is an accounting record?

- a) Bill of Material
- b) Bin Card
- c) Stores Ledger
- d) All of these

(vii) The fixed-variable cost classification has a special significance in preparation of :

- a) Flexible Budget
- b) Master Budget
- c) Cash Budget
- d) Capital Budget

(viii) Idle capacity of a plant is the difference between:

- a) Maximum capacity and practical capacity
- b) Practical capacity and normal capacity
- c) Practical capacity and capacity based on sales expectancy
- d) Maximum capacity and actual capacity

(ix) When production is below standard specification or quality and cannot be rectified by incurring additional cost, it is called

- a) Defective
- b) Spoilage
- c) Waste
- d) Scrap

(x) Selling and distribution overhead does not include:

- a) Cost of warehousing
- b) Repacking cost
- c) Transportation cost
- d) Demurrage charges

(xi) When overtime is required for meeting urgent orders, overtime premium should be

- a) Charged to Costing Profit and Loss A/c
- b) Charged to overhead costs

c) Charged to respective jobs

d) None of these

(xii) Exchange losses or gains after purchase transaction is complete is treated as

a) Product cost

b) Overhead cost

c) Purchase cost

d) Finance cost

(xiii) Which of the following cost is linked with the calculation of cost of inventories?

a) Product cost

b) Period cost

c) Both product and period cost

d) Historical cost

(xiv) The salary of factory clerk is treated as:

a) Direct labor cost

b) Indirect labor cost

c) Conversion cost

d) Prime cost

(xv) Average consumption x Emergency time is a formula for the calculation of:

a) Lead time

b) Re-order level

c) Maximum consumption

d) Danger level

(xvi) EOQ is a point where:

a) Ordering cost is equal to carrying cost

b) Ordering cost is higher than carrying cost

c) Ordering cost is lesser than the carrying cost

d) Total cost is maximum

(xvii) When closing stock is over valuate, what would its effect on profit?

a) Cannot determined with given statement

b) It will Increase the profit

c) It will decrease the profit

d) No effect on profit

(xviii) Which of the following is a process by which managers analyze options available to set courses of action by the organization?

- a) Heuristics method
- b) Decision making
- c) The Delphi technique
- d) Systematic error

(xix) Which one of the following is the Traditional approach for costing?

- a) Contribution approach
- b) Absorption costing approach
- c) Decision making approach
- d) Marginal costing approach

(xx) Which of the following would NOT lead to an increase in net cash flow?

- a) Larger sales volume
- b) Higher selling price
- c) Reduced material cost
- d) Charging of lower depreciation

(xxi) Which of the following statement is TRUE about the relevant cost?

- a) It is a sunk cost
- b) It is an opportunity cost
- c) It do not affect the decision making process
- d) All costs are relevant

(xxii) Which of the following statement is TRUE about historical cost?

- a) It is always relevant to decision making
- b) It is always irrelevant to decision making
- c) It is always an opportunity cost
- d) It is always realizable value

(xxiii) Which of the given is (are) the method(s) of measurement of Labor Turnover?

- a) Separation method
- b) Flux method
- c) Replacement method
- d) All of these

(xxiv) What will be the impact of normal loss on the overall per unit cost ?

- a) Per unit cost will increase
- b) Per unit cost will decrease
- c) Per unit cost remain unchanged
- d) Normal loss has no relation to unit cost

(xxv) A typical factory overhead cost is:

- a) Distribution
- b) Internal audit
- c) Compensation of plant manager
- d) Design

(xxvi) Which of the following best describe piece rate system?

- a) The increased volume of production results in decreased cost of production
- b) The increased volume of production in minimum time
- c) Establishment of fair standard rates
- d) Higher output is a result of efficient management

(xxvii) While constructing a Break even chart, the gap between sales line and variable cost line shows which of the following?

- a) Fixed cost
- b) Break even point
- c) Contribution margin
- d) Variable cost

(xxviii) All of the following compose cost of goods sold EXCEPT:

- a) Raw material
- b) Labour
- c) Capital
- d) Factory overhead

(xxix) Mr. Aslam is running his own personal Financial services business. He has been offered a job for a salary of ? 45,000 per month which he does not availed. ? 45,000 will be considered as:

- a) Sunk Cost
- b) Opportunity cost
- c) Avoidable cost
- d) Historical cost

(xxx) Which of the given cost does not become the part of cost unit?

- a) Advertising expenses
- b) Direct labor cost
- c) Factory overhead cost
- d) Cost of raw material

(xxxi) Which of the given cost is NOT required to prepare Cost of Production Report?

- a) Period cost
- b) Material cost

c) Labour cost

d) Factory overhead cost

(xxxii) The basic assumption made in direct costing with respect to fixed costs is that

a) Fixed cost is a controllable cost

b) Fixed cost is a product cost

c) Fixed cost is an irrelevant cost

d) Fixed cost is a period cost

(xxxiii) Cost of finished goods inventory is calculated by:

a) Deducting total cost from finished goods inventory

b) Multiplying units of finished goods inventory with the cost per unit

c) Dividing units of finished goods inventory with the cost per unit

d) Multiplying total cost with finished goods inventory

(xxxiv) A store ledger card is similar to the \_\_\_\_\_ .

a) Stock ledger

b) Bin card

c) Material card

d) Purchase requisition card

(xxxv) The journal entry of purchase of stock under periodic inventory system would be?

a) Inventory to Cash

b) Cash to Purchases

c) Purchases to Inventory

d) None of these

(xxxvi) Closing work in process Inventory of last year:

a) Is treated as Opening inventory for current year

b) Is not carried forward to next year

c) Become expense in the next year

d) Charge to Profit & Loss account

(xxxvii) While transporting petrol, a little quantity will be evaporated; such kind of loss is termed as:

a) Normal Loss

b) Abnormal Loss

c) It is incremental loss

d) It cannot be abnormal loss

(xxxviii) The cost of electricity bill of the factory is treated as:

- a) Fixed cost
- b) Variable cost
- c) Step cost
- d) Semi variable cost

(xxxix) Cost accounting department prepares \_\_\_\_\_ that helps them in preparing final accounts.

- a) Cost sheets
- b) Cost of goods sold statement
- c) Cost of production Report
- d) Material requisition form

(xl) Store incharge after receiving the material as per the goods received note, places the material at its location and makes an entry in\_\_\_\_\_ .

- a) Bin Card
- b) Store Ledger Card
- c) Stock Ledger
- d) None of these

(xli) Which of the following cannot be used as a base for the determination of overhead absorption rate

- a) Number of units produced
- b) Prime cost
- c) Conversion cost
- d) Discount Allowed

(xlii) \_\_\_ are future costs that effect the current management decision.

- a) Sunk Cost
- b) Standard Cost
- c) Relevant Cost
- d) Irrelevant Cost

(xliii) All of the following are characteristics of Group Bonus Scheme EXCEPT:

- a) A standard time is set for the completion of a job
- b) If the time taken is greater than the time allowed, the workers in the group receive time wages
- c) If the time taken is less than the time allowed, the group receives a bonus on time saved
- d) If the time taken is greater than the time allowed, the workers in the group receive time deductions for extra hours

(xliv) High labor turnover is NOT desirable because:

- a) It denotes the instability of the labor force
- b) It is an indication of high labor cost
- c) It shows frequent changes in the labor force
- d) All of these

(xlv) The component of Factory overhead are as follow

- a) Direct material + Indirect material + Direct expenses
- b) Indirect material + Indirect labor + Others indirect cost
- c) Direct material + Indirect expenses + Indirect labor
- d) Direct labor + Indirect labor + Indirect expenses

(xlvi) Under Halsey premium plan, if the employee completes his job in less than the standard time fixed for the job, he is given:

- a) Only wages for the actual hours taken
- b) Wages for the actual hours taken plus bonus equal to one half of the wage of the time saved
- c) Wages for the actual hours taken plus bonus equal to one third of the wage of the time saved
- d) Only the bonus equal to one half of the time saved

(xlvii) Reduction of labor turnover, accidents, spoilage, waste and absenteeism are the results of which of the following wage plan?

- a) Piece rate plan
- b) Time rate plan
- c) Differential plan
- d) Group bonus system

(xlviii) Parliament has the power to levy tax on incomes other than \_\_\_\_.

- a) Exempt Incomes
- b) Income of poor people
- c) Agricultural Income
- d) All incomes are taxable

(xlix) Highest Administrative Authority for Income Tax in India is \_\_\_\_.

- a) Finance Minister
- b) CBDT



c) President of India

d) Director of Income Tax

(l) Income-tax Act, 1961 applies to \_\_\_\_\_.

a) Whole of India

b) Whole of India excluding J&K

c) Maharashtra

d) All of these

(li) Income Tax Act came into force on \_\_\_\_\_.

a) 1.4.1961

b) 1.4.1962

c) 1.4.1956

d) 1.4.1965

(lii) Health & Education Cess is leviable on \_\_\_\_.

a) Income tax

b) Income tax + SC (if any)

c) Only Surcharge

d) Not applicable at all

(liii) Tax liability is rounded off in multiples of \_\_\_ u/s 288B

a) Rs. 10

b) Rs. 100

c) Rs. 1

d) None of these

(liv) Direct & Indirect Tax is \_\_\_ & \_\_\_ in nature respectively.

a) Progressive; Progressive

b) Regressive; Regressive

c) Progressive; Regressive

d) Regressive; Progressive

(lv) Average rate of tax for the income of Rs. 5,00,000 is

a) 0.05

b) 0.2

c) Nil

d) 0.025

(lvi) Income arising to a minor married daughter is

a) to be assessed in hands of the minor married daughter

b) to be clubbed with the income of that parent whose total income, before including minor's income, is higher

c) completely exempt from tax

d) to be clubbed with the income of her

husband

(lvii) Loss from a speculation business can be set off from

- a) Any head of income.
- b) Profits & gains from any business.
- c) Profits & gains from any business other than speculation business
- d) Income of speculation business

(lviii) Person responsible for collecting tax u/s 206C(1) being an officer of government where the tax is paid with production of income tax challan shall deposit TCS on

- a) Same day
- b) Within 7 days from the end of the month in which the collection is made
- c) within 1 week from the end of the month in which the collection is made
- d) Within 30 days from the end of the month in which the collection is made

(lix) Illegal incomes are \_\_\_\_ under Income Tax Act

- a) Taxable
- b) Exempt
- c) Taxable in certain cases only
- d) Exempt in certain cases only

(lx) Capital Losses are \_\_\_\_ under Income Tax Act.

- a) Taxable
- b) Exempt
- c) Not Deductible
- d) Deductible

(lxi) If there is a transfer of income by a person to another person without the transfer of the asset from which the income arises, such income shall be included in the income of \_\_\_\_\_.

- a) Transferor
- b) Transferee
- c) Transferor irrespective of whether the transfer is revocable or irrevocable
- d) Transferee if transfer is irrevocable

(lxii) Mr. P transfers income of Rs. 51,000 from rent to his major son without transfer of house property. Rent of Rs. 51,000 is -

- a) Taxable in the hands of the transferor-father      b) Taxable in the hands of his son
- c) Taxable in the hands of the that parent whose total income is higher      d) Exempt from tax

(Ixiii) Deductions u/s 80C to 80U are not allowed from

- a) LTCG taxable u/s 112/u/s 112A      b) Casual Incomes
- c) STCG taxable u/s 111A      d) All of these

(Ixiv) As per section 80A aggregate of all deductions from section 80C to section 80U cannot exceed amount of

- a) GTI      b) special incomes in GTI
- c) casual incomes in GTI      d) capital gains in GTI

(Ixv) For claiming deduction u/s 80C in respect of life insurance premium, premium can be paid by assessee for -

- a) Himself & the spouse      b) Himself, spouse & minor children
- c) Himself, spouse & minor children      d) Himself, spouse & any child

(Ixvi) Deduction u/s 80C in respect of tuition fee is allowed to an individual for \_\_\_\_\_.

- a) Any of his children      b) Any two children of such individual
- c) Any two minor children of such individual      d) Any two dependent children of such Individual

(Ixvii) Deduction u/s 80D is allowed if it is paid \_\_\_\_\_.

- a) by cheque      b) by any mode other than cash
- c) in any mode      d) in cash

(Ixviii) Deduction u/s 80G on account of donation is allowed if donations are made in.

- a) Any mode other than Cash      b) Cash payment upto Rs. 2,000

c) Both Any mode other than Cash & Cash    d) Donation in Kind  
payment upto Rs. 2,000

(lxix) If any person has paid income tax after expiry of last date of filing of ROI, Interest u/s 234A shall be payable \_\_\_\_ for period subsequent to last date of filing of ROI @

- |             |                   |
|-------------|-------------------|
| a) 12% p.am | b) 1% p.m or part |
| c) 10% p.m  | d) None of these  |

(lxx) As per section 139(1), filing of returns is compulsory (must) irrespective of whether profit is earned or loss is incurred, in case of -

- |                           |                 |
|---------------------------|-----------------|
| a) companies only         | b) firms only   |
| c) both companies & firms | d) All Assessee |