

clear.



Short Questions and Answers



1. Why Cost Accounting developed ?

Ans. Cost Accounting developed due to the limitations of financial accounting.

2. What is the primary object of financial accounting ?

Ans. Financial accounting is primarily concerned with record keeping directed towards the preparation of Profit and Loss Account and Balance Sheet.

3. Give two limitations of financial accounting.

Ans. (i) Not helpful in the Price Fixation ; and
(ii) Provide only Historical Information.

4. Define Cost.

Ans. Any expenditure incurred for producing any commodity or rendering any service, whether actual or notional, is termed as cost.

5. What is Costing ?

Ans. Costing is a technique and process of ascertaining cost.

6. Define Cost Accounting.

Ans. According to CIMA London, Cost Accounting is define as "the process of accounting for cost from the point at which the expenditure is incurred or committed to the establishment of its ultimate relationship with the cost unit".

7. Define Cost Centre.

Ans. According to CIMA, London, Cost Centre is "a production or service location,

function, activity or item of equipment whose costs may be attributed to cost units".

8. Classify general classification of Cost Centre.

Ans. General classification of cost centre are –

- (i) Personal Cost Centre ; and
- (ii) Impersonal Cost Centre.

9. Discuss Personal Cost Centre.

Ans. An individual person or a group of persons, if identified as cost centre it is called personal cost centre.

10. Give two examples of Personal Cost Centre.

Ans. Two examples of personal cost centre are factory manager and production manager.

11. What is Impersonal Cost Centre ?

Ans. Impersonal cost centre are those cost centres which are formed with one or more particular location or machine.

12. Give two examples of Impersonal Cost Centre based on location.

Ans. Two examples of impersonal cost centre based on location are office and sales area.

13. Give two examples of Impersonal Cost Centre based on machine.

Ans. Boiler house, moulding plant.

14. Classify operational classification of cost centre.

Ans. Operational classification of cost centre are

- (i) Operational cost centre, and
- (ii) Process cost centre.

15. Classify functional classification of cost centre.

Ans. Functional classification of cost centre are as following :

- (i) Productive cost centre ;
- (ii) Service or unproductive cost centres ; and
- (iii) Mixed cost centres.

16. What is operational cost centre ?

Ans. It consists of those group of machines and /or persons which carry out the same type of operation.

17. Give two examples of operational cost centre.

Ans. Grinding and Weaving.

18. What is process cost centre ?

Ans. A cost centre in which specific process or a continuous sequence of operations is carried out is called process cost centre.

19. Give two examples of process cost centre.

Ans. Two examples of process cost centre are chemical industry and oil refining industry.

20. What is productive cost centre ?

Ans. Productive cost centres are those cost centre which are actually engaged in making the products.

21. What is service or unproductive cost centres ?

Ans. Cost centres which do not make the products but are essential aids to the productive centres are called service or unproductive cost centre. Example-Powerhouse, Canteen etc.

22. What is mixed cost centres ?

Ans. Mixed cost centres are those cost centres which are engaged on some productive and other lines on service works.

23. Write the purposes of cost centre.

Ans. The main purpose of cost centre are

- (i) Recovery of cost ;
- (ii) Cost control ; and
- (iii) Identification of areas of weakness.

24. Define cost unit.

Ans. According to C.I.M.A, London, cost unit is defined as "a unit of product or service in relation to which costs are ascertained".

25. What is single cost unit ?

Ans. A single cost unit is that cost unit which measures just one characteristic such as length, height, weight etc.

26. What is composite cost unit ?

Ans. A composite cost unit measures two such characteristics at a time such as patient-day, passenger-km, tonne - km.

27. Give two factors determining cost centres and cost units.

Ans. Two factors determining cost centres and cost units are :

- (i) Organisation of a factory,
- (ii) Condition of incidence of cost.

28. Discuss two objectives of cost accounting.

Ans. Two objectives of cost accounting are as following :

- (i) Ascertainment and analysis of cost and income by product, function and responsibility ;
- (ii) Providing useful data to management for taking decisions.

29. Write two features of cost accounting.

Ans. Two features of cost accounting are –

- (i) A branch of knowledge.
- (ii) Follow financial accounting principles.

30. Write two advantages of cost accounting to the management.

Ans. (i) It provides cost information to the management ;
(ii) It helps the management in cost control.

31. Write two limitations of cost accounting.

Ans. Two limitations of cost accounting are as following :

- (i) Cost accounting is done on the basis of past data so the information provided may not be realistic one for future decision making.
- (ii) The installation of cost accounting alongwith financial accounting may create heavy expenditure.