

CBSE Class 12 Accountancy — Cost Accounting Question Paper with Solutions

Time Allowed :3 Hours	Maximum Marks :100	Total questions :10
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1. Cost Accounting is mainly concerned with —

- (A) Financial transactions
- (B) Determination and control of costs
- (C) Preparation of final accounts
- (D) Calculation of profit only

Correct Answer: (B) Determination and control of costs

Solution:

Cost Accounting focuses on determining, recording, and controlling costs of production to improve efficiency and profitability.

Step 1: Analyze the options.

- Financial transactions — Financial Accounting - Determination and control of costs — Correct - Preparation of final accounts — Financial Accounting - Profit calculation only — Too limited

Step 2: Conclusion.

Thus option (B) is correct.

Final Answer:

(B)

Quick Tip

Cost Accounting = Cost control + Efficiency

2. Which of the following is a fixed cost?

- (A) Direct material
- (B) Direct labour
- (C) Factory rent
- (D) Power charges

Correct Answer: (C) Factory rent

Solution:

Fixed costs remain constant regardless of production level. Factory rent does not change with output.

Final Answer:

(C)

Quick Tip

Fixed cost = Constant total cost

3. Prime cost consists of —

- (A) Direct material + Direct labour + Direct expenses
- (B) Direct material + Factory overhead

- (C) Direct labour + Administrative overhead
- (D) All indirect costs

Correct Answer: (A)

Solution:

Prime cost includes all direct costs of production.

$$\text{Prime Cost} = \text{Direct Material} + \text{Direct Labour} + \text{Direct Expenses}$$

Final Answer:

(A)

Quick Tip

Prime Cost = Direct Costs only

4. Break-even point is the point where —

- (A) Profit is maximum
- (B) Sales are minimum
- (C) Total cost equals total revenue
- (D) Loss is maximum

Correct Answer: (C)

Solution:

At break-even point, there is neither profit nor loss because total cost equals total revenue.

Final Answer:

(C)

Quick Tip

Break-even = No profit, No loss

5. Variable cost changes with —

- (A) Time
- (B) Production level
- (C) Management policy
- (D) None of these

Correct Answer: (B) Production level

Solution:

Variable costs increase or decrease in direct proportion to the level of output.

Final Answer:

(B)

Quick Tip

Production ↑ Variable Cost ↑

6. Define Cost Accounting. Explain its objectives and importance.

Solution:

Cost Accounting is the process of recording, analyzing, and controlling costs associated with production. It helps management in planning, controlling expenses, fixing prices, and improving efficiency.

It is important because it assists in cost reduction, profit maximization, decision making, and proper utilization of resources.

Quick Tip

Cost Accounting supports managerial planning

7. Distinguish between fixed cost and variable cost with examples.

Solution:

Fixed costs remain constant irrespective of production (e.g., rent, salaries). Variable costs change with output (e.g., raw materials, direct labour).

Quick Tip

Fixed = Constant total, Variable = Changes with output

8. What is break-even analysis? Explain its usefulness in decision making.

Solution:

Break-even analysis determines the level of sales at which total revenue equals total cost. It helps management plan production, pricing, and profitability.

Quick Tip

BEP helps determine minimum sales required

9. Explain the components of total cost and their relationship.

Solution:

Total cost consists of fixed cost and variable cost.

$$\text{Total Cost} = \text{Fixed Cost} + \text{Variable Cost}$$

Fixed costs remain constant while variable costs change with production.

Quick Tip

Total Cost = Fixed + Variable

10. What is a cost sheet? Prepare a format of a cost sheet.

Solution:

A cost sheet is a statement showing the detailed cost of production at different stages.

Format:

Direct Material	xxx
Direct Labour	xxx
Direct Expenses	xxx
Prime Cost	xxx
Factory Overheads	xxx
Factory Cost	xxx
Administrative Overheads	xxx
Cost of Production	xxx
Selling Overheads	xxx
Total Cost	xxx

Quick Tip

Cost sheet shows cost at each stage of production