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Most Probable MCQs on Costing



PFRDA

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Most probable MCQs

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PART 4: MCQS ON COSTING (QUESTIONS 221-290)

221. What is the primary objective of cost accounting?

- A) To ascertain and control costs for decision-making
- B) To prepare financial statements only
- C) To manage marketing
- D) To handle taxation

Correct Answer: A

Explanation: Cost accounting determines product/service costs, aids in pricing and efficiency, vital for optimizing administrative costs in pension funds.

222. Costs classified by nature include

- A) Material, labor, overheads
- B) Fixed and variable
- C) Direct and indirect
- D) Historical and predetermined

Correct Answer: A

Explanation: Nature classification groups costs by elements, foundational for cost sheets in financial sectors.

223. Direct costs are

- A) Traceable to a cost object
- B) Not traceable
- C) Fixed only
- D) Variable only

Correct Answer: A

Explanation: E.g., direct material/labor, allocated precisely, important in costing pension scheme operations.

224. Fixed costs

- A) Remain constant in total, vary per unit
- B) Vary in total
- C) Are avoidable
- D) Change with time only

Correct Answer: A

Explanation: E.g., rent, unaffected by output volume, key in break-even analysis for pension entities.

225. Economic Order Quantity (EOQ) in material control is

- A) $\sqrt{2DS/H}$, balancing ordering and holding costs
- B) Maximum stock level
- C) Reorder level
- D) Minimum stock

Correct Answer: A

Explanation: Minimizes total inventory costs, applicable to managing supplies in financial offices.

226. ABC analysis in inventory classifies items by

- A) Value and criticality
- B) Quantity only

C) Size

D) Weight

Correct Answer: A

Explanation: A-items high value/low quantity, focuses control, useful for cost-effective pension admin procurement.

227. Labor turnover rate is

A) $(\text{Separations} / \text{Average workers}) * 100$

B) Hiring rate

C) Idle time

D) Overtime

Correct Answer: A

Explanation: Measures employee retention, high turnover increases training costs in pension regulators.

228. Time and motion study aims to

A) Set standard times for tasks

B) Ignore efficiency

C) Increase wages

D) Reduce output

Correct Answer: A

Explanation: Part of work study, reduces labor costs through optimization in service sectors like finance.

229. Overheads are

A) Indirect costs not traceable to products

B) Direct material

C) Variable only

D) Fixed labor

Correct Answer: A

Explanation: Include factory, admin, selling; allocated via absorption rates in costing.

230. Machine hour rate for overhead absorption is

- A) Total overheads / Machine hours
- B) Labor hours
- C) Units produced
- D) Sales value

Correct Answer: A

Explanation: Suitable for machine-intensive processes, though less common in pension services.

231. Job costing is used for

- A) Unique, custom orders
- B) Continuous production
- C) Mass production
- D) Services only

Correct Answer: A

Explanation: Tracks costs per job, e.g., specific audit projects in financial institutions.

232. Process costing applies to

- A) Homogeneous products in stages
- B) Custom jobs
- C) Contracts
- D) Batch

Correct Answer: A

Explanation: Averages costs over units, relevant for standardized pension processing.

233. Contract costing is for

- A) Long-term projects like construction
- B) Short jobs
- C) Services
- D) Inventory

Correct Answer: A

Explanation: Uses work-in-progress, profit on incomplete contracts, analogous to long-term financial projects.

234. Marginal costing considers

- A) Variable costs only for decisions
- B) Fixed costs
- C) All costs
- D) Sunk costs

Correct Answer: A

Explanation: $\text{Contribution} = \text{Sales} - \text{Variable costs}$, aids in pricing pension products.

235. Break-even point is

- A) $\text{Fixed costs} / \text{Contribution per unit}$
- B) Sales at no profit/loss
- C) Maximum profit
- D) Minimum sales

Correct Answer: A

Explanation: Indicates volume for covering costs, useful for pension fund viability analysis.

236. In integral accounts, cost and financial accounts are

- A) Combined into one set

- B) Separate
- C) Ignored
- D) Reconciled monthly

Correct Answer: A

Explanation: Uses control accounts, eliminates reconciliation need in integrated systems.

237. Reconciliation of cost and financial accounts adjusts for

- A) Differences like notional items
- B) No differences
- C) Only profits
- D) Losses only

Correct Answer: A

Explanation: E.g., over/under absorption, ensures consistency in financial reporting for pensions.

238. Standard costing sets

- A) Predetermined costs for comparison with actual
- B) Historical costs
- C) Estimated only
- D) Actual costs

Correct Answer: A

Explanation: Basis for variance analysis, controls costs in pension administration.

239. Material variance includes

- A) Price and usage variances
- B) Labor only
- C) Overhead
- D) Sales

Correct Answer: A

Explanation: Price = $(SP - AP) * AQ$, Usage = $(SQ - AQ) * SP$, identifies inefficiencies.

240. Labor variance comprises

- A) Rate, efficiency, idle time
- B) Material
- C) Overhead
- D) Fixed

Correct Answer: A

Explanation: Rate = $(SR - AR) * AH$, Efficiency = $(SH - AH) * SR$, for workforce control.

241. Overhead variance is

- A) Fixed and variable components
- B) Labor only
- C) Material
- D) None

Correct Answer: A

Explanation: Includes expenditure, efficiency, capacity, crucial for indirect cost management.

242. Sales variance analyzes

- A) Price and volume differences
- B) Costs only
- C) Overheads
- D) Fixed assets

Correct Answer: A

Explanation: Price = $(SP - AP) * AQ$, Volume = $(BQ - AQ) * SM$, for revenue in financial services.

243. Budgetary control involves

- A) Planning, coordinating, controlling via budgets
- B) No planning
- C) Actuals only
- D) Variances ignore

Correct Answer: A

Explanation: Compares budgets with actuals, essential for fiscal discipline in PFRDA.

244. Fixed budget is

- A) For one level of activity
- B) Flexible
- C) Changes with output
- D) Zero-based

Correct Answer: A

Explanation: Static, suitable for stable operations unlike variable pension demands.

245. Flexible budget adjusts for

- A) Different activity levels
- B) Fixed only
- C) No changes
- D) Historical

Correct Answer: A

Explanation: Recalculates costs at actual output, better for dynamic financial environments.

246. Zero-based budgeting starts from

- A) Scratch, justifying every expense
- B) Previous year

C) Incremental

D) Fixed base

Correct Answer: A

Explanation: Promotes efficiency, useful in cost-cutting for pension regulators.

247. Cash budget forecasts

A) Cash inflows/outflows

B) Profits

C) Sales only

D) Material

Correct Answer: A

Explanation: Ensures liquidity, critical for pension fund cash management.

248. Master budget integrates

A) All functional budgets

B) One only

C) None

D) Variances

Correct Answer: A

Explanation: Includes sales, production, etc., for overall planning in organizations.

249. Bin card in material control records

A) Quantity movements

B) Value

C) Prices

D) Suppliers

Correct Answer: A

Explanation: Physical stock check, complements stores ledger.

250. Perpetual inventory system is

- A) Continuous stock taking
- B) Annual
- C) Periodic
- D) No checking

Correct Answer: A

Explanation: Detects discrepancies timely, for accurate costing.

251. Halsey premium plan for labor incentive is

- A) 50% of time saved * rate
- B) 33%
- C) 100%
- D) None

Correct Answer: A

Explanation: Encourages efficiency, balances worker-employer benefits.

252. Rowan plan shares

- A) $\text{Time saved} / \text{Time allowed} * \text{time taken} * \text{rate}$
- B) Fixed bonus
- C) No sharing
- D) Overtime

Correct Answer: A

Explanation: Protects against loose standards in labor costing.

253. Under-absorption of overheads means

A) Actual < Applied

B) Actual > Applied

C) Equal

D) None

Correct Answer: A

Explanation: Charged to costing P&L, affects product costs.

254. Batch costing is for

A) Small lots of identical items

B) Unique jobs

C) Processes

D) Contracts

Correct Answer: A

Explanation: Costs per batch, e.g., standardized reports in finance.

255. Operating costing applies to

A) Services like transport

B) Manufacturing

C) Jobs

D) Processes

Correct Answer: A

Explanation: Cost per unit service, relevant for pension service providers.

256. P/V ratio in marginal costing is

A) $\text{Contribution} / \text{Sales} * 100$

B) $\text{Fixed} / \text{Sales}$

C) $\text{Variable} / \text{Sales}$

D) Profit / Volume

Correct Answer: A

Explanation: Measures profitability, higher better for pension margins.

257. Margin of safety is

A) Actual sales - Break-even sales

B) Fixed costs

C) Contribution

D) Variable costs

Correct Answer: A

Explanation: Indicates risk buffer, key in financial planning.

258. In non-integral accounts, reconciliation starts with

A) Costing profit, adjust differences to match financial profit

B) No adjustment

C) Sales

D) Assets

Correct Answer: A

Explanation: Items like stock valuation differences reconciled.

259. Ideal standard in standard costing is

A) Perfect conditions, motivational but unattainable

B) Practical

C) Basic

D) Current

Correct Answer: A

Explanation: Sets high benchmarks for efficiency.

260. Mix variance in material is

- A) When proportions differ from standard
- B) Price only
- C) Usage
- D) Yield

Correct Answer: A

Explanation: $(\text{Standard mix} - \text{Actual mix}) * \text{Standard price}$, for multi-material costs.

261. Calendar variance in overheads is

- A) Due to working days difference
- B) Expenditure
- C) Efficiency
- D) Capacity

Correct Answer: A

Explanation: Adjusts for holidays, in fixed overhead analysis.

262. Responsibility accounting assigns

- A) Costs to controllable centers
- B) All costs
- C) No assignment
- D) Fixed only

Correct Answer: A

Explanation: Enhances accountability in pension departments.

263. Performance budget focuses on

- A) Outputs and outcomes

B) Inputs only

C) Fixed

D) Flexible

Correct Answer: A

Explanation: Links resources to results, for effective public sector like PFRDA.

264. Reorder level is

A) Max usage * Max lead time

B) Min level + consumption

C) EOQ

D) Danger level

Correct Answer: A

Explanation: Prevents stockouts, crucial for operational continuity.

265. Idle time cost is

A) Abnormal, charged to costing P&L

B) Normal, to overheads

C) Ignored

D) To material

Correct Answer: A

Explanation: If controllable, treated separately in labor costing.

266. Blanket overhead rate is

A) Single rate for whole factory

B) Departmental

C) Machine

D) Labor

Correct Answer: A

Explanation: Simple but less accurate for diverse operations.

267. Equivalent production in process costing accounts for

- A) Work-in-progress completion percentage
- B) Finished only
- C) Losses
- D) No WIP

Correct Answer: A

Explanation: $\text{Cost per equivalent unit} = \text{Total cost} / \text{Equivalent units}$.

268. Angle of incidence in marginal costing graph shows

- A) Profitability rate post break-even
- B) Loss area
- C) Fixed costs
- D) Variable line

Correct Answer: A

Explanation: Steeper angle indicates higher P/V ratio.

269. Notional profit in contract costing is

- A) For incomplete contracts, portion recognized
- B) Actual profit
- C) Loss
- D) None

Correct Answer: A

Explanation: $\frac{2}{3} * \text{Cash received} / \text{Work certified if } > 50\% \text{ complete}$.

270. Cost ledger control account in non-integral is

- A) For double-entry in cost books
- B) Financial only
- C) No use
- D) Single entry

Correct Answer: A

Explanation: Mirrors general ledger adjustment account.

271. Revision variance in standard costing arises from

- A) Standard changes during period
- B) No changes
- C) Actuals
- D) Planning

Correct Answer: A

Explanation: Separates uncontrollable factors.

272. Capital budget evaluates

- A) Long-term investments
- B) Short-term
- C) Cash
- D) Sales

Correct Answer: A

Explanation: Using NPV, IRR, for pension IT systems.

273. Just-in-Time (JIT) in material control reduces

- A) Inventory holding costs
- B) Ordering

C) Quality

D) Suppliers

Correct Answer: A

Explanation: Pull system, minimizes stock, for lean costing.

274. Merrick differential piece rate has

A) Multiple rates based on efficiency

B) Single rate

C) Time-based

D) Bonus

Correct Answer: A

Explanation: 83%, 100%, 120% rates, incentivizes labor.

275. Step method for overhead allocation

A) Allocates service departments sequentially

B) Simultaneous

C) Direct

D) No allocation

Correct Answer: A

Explanation: One-way, ignores reciprocal services.

276. Abnormal loss in process costing is

A) Valued at good unit cost, to P&L

B) Normal, to units

C) Ignored

D) To scrap

Correct Answer: A

Explanation: Not burdened on production.

277. Key factor in marginal costing decisions is

- A) Limiting resource constraining output
- B) Unlimited
- C) Fixed costs
- D) Variable

Correct Answer: A

Explanation: Maximize contribution per key factor.

278. Overhead adjustment account in reconciliation for

- A) Absorption differences
- B) Stock
- C) Depreciation
- D) Interest

Correct Answer: A

Explanation: Over/under recovery adjusted.

279. Basic standard is

- A) Long-term, unchanged
- B) Short-term
- C) Ideal
- D) Current

Correct Answer: A

Explanation: For trend analysis over periods.

280. Sub-contract variance if outsourced

- A) Compared to internal cost
- B) No variance
- C) Material only
- D) Labor

Correct Answer: A

Explanation: Controls outsourcing decisions.

281. Rolling budget is

- A) Continuously updated, e.g., add next period
- B) Fixed
- C) Zero-based
- D) Flexible

Correct Answer: A

Explanation: For dynamic forecasting in finance.

282. VED analysis for inventory is

- A) Vital, Essential, Desirable
- B) Value-based
- C) Quantity
- D) ABC

Correct Answer: A

Explanation: Criticality focus, for spare parts in offices.

283. Gantt task and bonus plan

- A) Bonus on time saved, guaranteed minimum
- B) Piece rate
- C) No bonus

D) Overtime

Correct Answer: A

Explanation: Motivates without penalty.

284. Reciprocal service method uses

A) Simultaneous equations for allocation

B) Step

C) Direct

D) None

Correct Answer: A

Explanation: Accurate for mutual services.

285. Joint products in process costing require

A) Apportionment of common costs

B) No apportionment

C) Separate processes

D) By-products

Correct Answer: A

Explanation: By sales value, physical units, etc.

286. Indifference point compares

A) Costs under different alternatives

B) One only

C) Profits

D) Sales

Correct Answer: A

Explanation: Where total costs equal, for decision-making.

287. Pure financial items in reconciliation are

- A) Interest, dividends - in financial only
- B) Costing
- C) Both
- D) None

Correct Answer: A

Explanation: Adjusted in reconciliation statement.

288. Planning variance separates

- A) Uncontrollable from controllable
- B) Operational
- C) All controllable
- D) None

Correct Answer: A

Explanation: Ex-post adjustment in advanced variance.

289. Functional budgets include

- A) Sales, production, purchase
- B) Master only
- C) Cash
- D) Capital

Correct Answer: A

Explanation: Building blocks for master budget.

290. Danger level in inventory is

- A) Below minimum, urgent action

B) Reorder

C) Maximum

D) Average

Correct Answer: A

Explanation: Signals potential stockout crisis.

