Cost Accounting Job Interview Questions And Answers

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Cost Accounting Interview Questions And Answers Guide.

Question - 1:

How to get the basic understanding of cost accounting?

Ans:

To get a basic understanding of cost accounting I recommend reading the managerial accounting topics found in the second half of an introductory accounting textbook. Such a textbook is often 1,200+ pages in length since it covers both financial and managerial accounting. (A textbook containing only financial accounting topics is not helpful.) A person in the U.S. should be able to obtain a 5-year-old edition of a 1,200-page introductory accounting textbook from a re-seller on Amazon.com for approximately $5.

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Question - 2:

Define production volume variance?

Ans:

The production volume variance is associated with a standard costing system used by some manufacturers. This variance indicates the difference between:
1) the company's budgeted amount of fixed manufacturing overhead costs
2) the amount of the fixed manufacturing overhead costs that were assigned to (or absorbed by) the company's production output.

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Question - 3:

Define incremental cost?

Ans:

An incremental cost is the increase in total costs resulting from an increase in production or other activity.

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Question - 4:

Define net incremental cash flows in cost accounting?

Ans:

Net incremental cash flows are the combination of the cash inflows and the cash outflows occurring in the same time period, and between two alternatives. For example, a company could use the net incremental cash flows to decide whether to invest in new, more efficient equipment or to retain its existing equipment.

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Question - 5:

Define variable cost?

Ans:

A variable cost is a constant amount per unit produced or used. Therefore, the total amount of the variable cost will change proportionately with volume or activity. Generally, a product's direct materials are a variable cost.

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Question - 6:

Define contribution margin?

Ans:

In accounting contribution margin is defined as revenues minus variable expenses. In other words, the contribution margin reveals how much of a company's revenues will be contributing (after covering the variable expenses) to the company's fixed expenses and net income. The contribution margin can be presented as:
1) The total amount for the company
2) The amount for each product line
3) The amount for a single unit of product
4) As a ratio or percentage of net sales

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Question - 7:

What happend when a fixed cost remains constant in total?

Ans:

When a fixed cost remains constant in total, the fixed cost per unit of output or input will change inversely with the change in the quantity of output or input. For instance, if the rent of the production facility is fixed at $120,000 per year and there are 30,000 machine hours of good output during the year, the rent will be $4 ($120,000/30,000) per machine hour. If there are 40,000 machine hours during the year, the rent will be $3 ($120,000/40,000) per machine hour.

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Question - 8:

Define fixed cost?

Ans:

A fixed cost is one that does not change in total within a reasonable range of activity. For example, the rent for a production facility is a fixed cost if the rent will not change when there are reasonable changes in the amount of output or input. If there is a need to double the output the rent will change when the company occupies additional work space.

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Question - 9:

Define independent variable?

Ans:

In accounting, an independent variable is ideally a factor that causes a change in the total amount of the dependent variable. In other words, an independent variable should be something that drives a mixed cost to increase or decrease.

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Question - 10:

Define dependent variable in cost accounting?

Ans:

In accounting, a dependent variable is likely to be the total of a mixed cost that will change as the result of several factors. A factor that causes the change in the total cost is referred to as the independent variable.

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Question - 11:

List some examples of indirect manufacturing costs?

Ans:

* Depreciation, repairs and maintenance, electricity, etc. for the production facilities and equipment.
* Salaries, wages and fringe benefits of the indirect manufacturing personnel such as production supervisors, material handlers, quality assurance, and other factory support personnel.
* Factory supplies, outside services pertaining to manufacturing, and other manufacturing related costs.

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Question - 12:

Define indirect manufacturing costs under traditional cost accounting?

Ans:

Under traditional cost accounting, the indirect manufacturing costs are spread or allocated to the products manufactured based on direct labor hours, direct labor costs, or production machine hours. However, in recent decades the indirect manufacturing costs have increased significantly and are less likely to be caused by the quantity of direct labor or production machine hours.

View All Answers

Question - 13:

Define in-direct materials in cost accounting?

Ans:

Indirect materials such as oil for greasing the baking pans, etc. will likely be viewed as part of the manufacturing supplies and will be allocated to products along with other manufacturing overhead.

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Question - 14:

Define indirect manufacturing costs?

Ans:

Indirect manufacturing costs are a manufacturer's product costs other than direct materials and direct labor. Indirect manufacturing costs are also referred to as manufacturing overhead, factory overhead, factory burden, or burden.

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Question - 15:

Define direct materials in cost accounting?

Ans:

Direct materials are the traceable matter used in manufacturing a product. The direct materials for a manufacturer of dessert products will include flour, sugar, eggs, milk, vegetable oil, spices, and other ingredients in the recipes. In manufacturing, the direct materials are listed in each product's bill of materials.

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Question - 16:

Define the coefficient of correlation, When coefficient of correlation is squared?

Ans:

When the coefficient of correlation is squared, it becomes the coefficient of determination. This means that an r of +0.80 or -0.80 will result in a coefficient of determination of 0.64 or 64%. This tells you that 64% of the change in the total of the dependent variable is associated with the change in the independent variable. An r of +0.20 or -0.20 indicates that only 4% (0.20 x 0.20) of the change in the dependent variable is explained by the change in the independent variable.

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Question - 17:

Define the coefficient of correlation When in a negative amount?

Ans:

When the coefficient of correlation is negative, such as -0.80, there is an inverse relationship. An increase in the independent variable will mean a decrease in the dependent variable. A decrease in the independent variable will mean an increase in the dependent variable.

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Question - 18:

Define the coefficient of correlation When in a positive amount?

Ans:

When the coefficient of correlation is a positive amount, such as +0.80, it means an increase in the independent variable will result in an increase in the dependent variable. Also, a decrease in the independent variable will mean a decrease in the dependent variable.

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Question - 19:

Describe the coefficient of correlation?

Ans:

In simple linear regression analysis, the coefficient of correlation (or correlation coefficient) is a statistic which indicates the relationship between the independent variable and the dependent variable. The coefficient of correlation is represented by r and it has a range of -1.00 to +1.00.

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Question - 20:

How coefficient of determination is symbolized?

Ans:

The coefficient of determination is symbolized by r-squared, where r is the coefficient of correlation. Hence, a coefficient of determination of 0.64 or 64% means that the coefficient of correlation was 0.8 or 80%. (The range for the coefficient of correlation is -1 to +1, and therefore the range for the coefficient of determination is 0 to +1.)

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Question - 21:

Define coefficient of determination?

Ans:

The coefficient of determination is a statistic which indicates the percentage change in the amount of the dependent variable that is "explained by" the changes in the independent variables.

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Question - 22:

Describe sales mix?

Ans:

Sales mix is the relative proportion or ratio of a business's products that are sold. Sales mix is important because a company's products are likely to vary in their profitability.

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Question - 23:

List the contribution margin ratio facts?

Ans:

* Selling price per unit
* Fixed manufacturing costs per month

* Variable manufacturing costs per unit
* Fixed SG&A expenses per month
* Variable SG&A expenses per unit
* Fixed interest expense per month

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Question - 24:

Describe the contribution margin ratio?

Ans:

The contribution margin ratio is the percentage of sales, service revenues or selling price that remains after all variable costs and variable expenses have been covered. In other words, the contribution margin ratio is the percentage of revenues that is available to cover a company's fixed costs, fixed expenses, and profit. (The contribution margin ratio is different from the gross margin ratio or gross profit percentage and cannot be computed directly from the reported amounts on the company's external income statement.)

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Question - 25:

Define simple linear regression analysis?

Ans:

Simple linear regression analysis is a statistical tool for quantifying the relationship between just one independent variable (hence "simple") and one dependent variable based on past experience (observations). For example, simple linear regression analysis can be used to express how a company's electricity cost (the dependent variable) changes as the company's production machine hours (the independent variable) change.

View All Answers

Question - 26:

Explain relevant range in cost accounting?

Ans:

Relevant range refers to a limited span of volume or activity. To illustrate, let's assume that a manufacturer's monthly production volume is consistently between 10,000 and 13,000 units and between 20,000 and 25,000 machine hours. Within this range of activity it operates smoothly with the same amount of monthly fixed costs (say $200,000) for supervisors, rent, depreciation, etc. If the volume were to drop below this range, the company would reduce the number of supervisors, the space rented, etc. so that its total monthly fixed costs would be smaller. If the volume exceeds the range, the company would incur additional fixed costs for more supervisors, space, etc. Hence, this company's relevant range of activity is 10,000 to 13,000 units of product or 20,000 to 25,000 machine hours. It is only in this relevant range that the monthly fixed costs are $200,000.

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Question - 27:

Define standard cost?

Ans:

Standard cost has been described as a predetermined cost, an estimated future cost, an expected cost, a budgeted unit cost, a forecast cost, or a "should be" cost. Standard costs are often a part of a manufacturer's annual profit plan and operating budgets. Standard costs will be established for the following year's direct materials, direct labor, and manufacturing overhead. If standard costs are used, there will be:
* A standard cost for each unit of input (e.g., $30 per hour of direct labor)
* A standard quantity of each input for each unit of output (e.g., 3 hours of labor for each product)
* A standard cost for each unit of output (e.g., $30 X 3 hours = $90 of direct labor per product)

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Question - 28:

What is BEP?

Ans:

BEP- Break Event Point: It indicates no Loss and no Profit
The level of activity at which, total revenues equal total costs.
A point at which there is no profit and no loss.

View All Answers

Question - 29:

Describe some of the methods used to allocate support costs.

Ans:

Headcount or number of pc's per cost centre.

View All Answers

Question - 30:

What are variable costs?

Ans:

Variable costs are those that are directly proportionate with the quantity of production and or directly associated with the service.

View All Answers

Question - 31:

What is marginal cost?

Ans:

The marginal cost of an additional unit of output is the cost of the additional inputs needed to produce that output. More formally, the marginal cost is the derivative of total production costs with respect to the level of output.
Marginal cost and average cost can differ greatly. For example, suppose it costs $1000 to produce 100 units and $1020 to produce 101 units. The average cost per unit is $10, but the marginal cost of the 101st unit is $20
The Econ Model applications Perfect Competition and Monopoly emphasize the roles of average cost and marginal cost curves. The short movie Derive a Supply Curve (40 seconds) shows an excerpt from the Perfect Competition presentation that derives a supply curve from profit maximizing behavior and a marginal cost curve.

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Question - 32:

Explain cost sheet?

Ans:

Cost sheet is a statement of cost for a product for given period of time.

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Question - 33:

What is the difference between cost accounting and financial accounting?

Ans:

One of the basic differences cost accounting is helpfully in controlling the cost of production whereas financial accounting is concerned is helpfully in determining financial position of a concern .

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Question - 34:

What are fixed costs?

Ans:

The costs that are fixed irrespective of production are fixed costs. EX: Rent, Depreciation
Fix cost is those cost who not change in any time whether the production done or not it similar charge in every organization ex- salary of labor, supervisor factory rent insurance etc.

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Question - 35:

What is chargeback?

Ans:

A process in the industry where a wholesaler requests an amount that is the difference between the manufacturer's price to the wholesaler and the contract price to the resale customer.
The actual chargeback occurs when the wholesaler sells the manufacturer's product at contract price that is below wholesaler acquisition cost (WAC).
Especially evident in pharmaceutical industry.
In electronic commerce, a charge back is a reversal of a credit card transaction, which is usually initiated by the card issuer as requested by the cardholder. It may also be requested by the merchant. Charge backs usually occur due to fraudulent activity on the card (real or perceived), due to customer disputes, or from other authorization issues.

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Question - 36:

What is CMMI?

Ans:

Capability Maturity Model Integration (CMMI) is a process improvement approach that provides organizations with the essential elements of effective processes.
It can be used to guide process improvement across a project, a division, or an entire organization. CMMI helps integrate traditionally separate organizational functions, set process improvement goals and priorities, provide guidance for quality processes, and provide a point of reference for appraising current processes.

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Question - 37:

What is CMM?

Ans:

CMM is an internationally recognized standard for measuring the maturity of an organization's software development processes and has become the primary benchmark multinational corporations use to judge IT service providers ' abilities to deliver high quality software. Bleum is now one of only a few companies in China to be assessed SEI CMM Level 5.
The Capability Maturity Model (CMM) was developed under the guidance of the Software Engineering Institute (SEI) of Carnegie Mellon University in the U.S. It is organized into five maturity levels with SEI CMM Level 5 being the highest. By operating at this high a CMM level, customers ' benefit from Bleum's ability to consistently deliver high quality software on schedule, which ultimately results in a lower total cost of software ownership due to less rework and easier maintenance.

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Question - 38:

Explain the information about cost sheets?

Ans:

Cost sheet consists of the direct and indirect expenses incurred in producing a given product and classifying the expenses incurred according to office, administration, selling and distribution overheads.

View All Answers

Question - 39:

What is the marginal cost?

Ans:

Marginal Cost (MC):
The marginal cost of an additional unit of output is the cost of the additional inputs needed to produce that output. More formally, the marginal cost is the derivative of total production costs with respect to the level of output.
Marginal cost and average cost can differ greatly. For example, suppose it costs $1000 to produce 100 units and $1020 to produce 101 units. The average cost per unit is $10, but the marginal cost of the 101st unit is $20
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View All Answers

Question - 40:

Explain some of the methods used to allocate support costs?

Ans:

Headcount or number of pc's per cost center.

View All Answers

Question - 41:

What is the difference between Expenses and Expenditure?

Ans:

The difference between expenses and expenditure. Expense is the outflow from a profit oriented organization while expenditure is the outflow from non-profit organization.

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Question - 42:

Tell me about your experience in cost accounting?

Ans:

Referring any books or questions wont give any experience, here experience, i think means, the level or the grade of Cost A/C works done etc.

View All Answers

Question - 43:

What is BEP in Cost Accounting?

Ans:

The level of activity at which total revenues equal total costs.
A point at which there is no profit and no loss.

View All Answers

Question - 44:

What are the variable costs?

Ans:

Variable costs are those that are directly proportionate with the quantity of production and or directly associated with the service.
Variable costs are the costs that change depending on how many products you sell or how many services you provide.

View All Answers

Question - 45:

What is the cost sheet?

Ans:

Cost sheet is a statement of cost for a product for given period of time.

View All Answers

Question - 46:

What is difference between cost accounting and financial accounting?

Ans:

The difference between "cost accounting" and "financial accounting are terms refer to the accounting techniques used internally by a company's management to determine the costs of running the business and help in decision making. For example, reports that compare budgeted to actual expenses are commonly used to monitor the successful management of a specific department or store within a larger enterprise.

View All Answers

Question - 47:

What is Cost Accounting?

Ans:

This can be described as the process of accumulating, measuring, analyzing, interpreting and reporting cost information that is both useful and relevant to the internal and external stakeholders of a business entity. External stakeholders are those who have a vested financial interest in a business or company. For example banks (loans), financial houses (mortgages), investors (investments), etc. Internal stakeholders are the business or company directors, managers, division heads, etc.
One of the many benefits of cost accounting is that it turns data into information, knowledge and wisdom about a business entity's operations that is useful for:
* measuring performance
* reducing or managing costs
* determining the fees or prices for goods and services
* deciding to authorize, modify or discontinue a program or activity

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