

ICWA Interview Questions And Answers Guide.



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ICWA Job Interview Preparation Guide.

Question # 1

Explain the difference between marginal cost and marginal costing?

Answer:-

Marginal Cost is the amount at any given volume of output by which aggregate costs are changed if the volume of output is increased or decreased by one unit. The aggregate costs consists of both, fixed cost and variable cost. In simple words, marginal cost indicates the per unit variable cost. Marginal Costing is on the other hand is the ascertainment, by differentiating between fixed costs, variable costs, of the marginal costs and of the effect on profit of changes in volume and type of output.

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Question # 2

Define sunk cost?

Answer:-

Sunk cost indicates the historical cost which has been incurred in the past. This type of cost is not relevant in the decision making process. For example-while deciding about the replacement of a machine, the depreciated book value of the machine may not be relevant in the form of sunk cost.

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Question # 3

Define cost accountancy?

Answer:-

Cost accountancy is the application of Costing and Cost accounting principles, methods, and techniques to the science, art and practice of cost control and the ascertainment of profitability as well as the presentation of information for the purpose of managerial decision making.

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Question # 4

List the objectives of cost accountancy?

Answer:-

Following are the objective of cost accountancy:

- * Ascertainment of cost and profitability with the help of various principles, methods and techniques.
- * Cost control
- * Presentation of information to enable managerial decision making.

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Question # 5

Define cost center?

Answer:-

Cost center is defined as a location, person, or item of equipment in relation to which costs may be ascertained and used for the purpose of cost control. Identification of a cost center is a prerequisite for the successful implementation of the cost accounting process as the costs are ascertained and controlled with respect to the cost centers. In many cases cost centers are termed as Responsibility Centers.

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Question # 6

List the types of cost centers?

Answer:-

Types of cost centers:

- * Impersonal cost center - consists of location or item of equipment. Example-department, branch etc.
- * Personal cost center - consists of a person or a group of persons. Example - finance manager, sales manager etc.
- * Production cost center - is the one where the production activity is carried on. For example, paint shop, a machine shop, etc.



* Service cost centers - is the one which assists the production activity. For example, store department, internal transport department, labour office, accounts department, etc.

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Question # 7

List the different types of cost?

Answer:-

Following are the different types of cost:

- * Direct Cost
- * Indirect Cost
- * Fixed Cost
- * Variable
- * Semi-variable cost
- * Controllable cost
- * Uncontrollable cost
- * Normal cost
- * Abnormal cost

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Question # 8

Define uncontrollable cost?

Answer:-

Uncontrollable cost indicates that cost which cannot be controlled by a specific number of persons in the organization.

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Question # 9

Define controllable cost?

Answer:-

Controllable cost indicates that cost which can be controlled by a specific number of persons in the organization

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Question # 10

Define normal cost?

Answer:-

Normal cost indicates that cost which is normally incurred at a certain level of output under normal circumstances.

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Question # 11

Define abnormal cost?

Answer:-

Abnormal cost indicates that cost which is normally not incurred at a certain level of output under normal circumstances.

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Question # 12

Define variable cost in ICWA?

Answer:-

Variable indicated that portion of the total cost which varies directly with the level of production. The higher the volume of production, the higher the variable cost and vice versa, though per unit variable cost remains constant at all the levels of production.

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Question # 13

Define semi-variable cost in ICWA?

Answer:-

Semi-variable cost indicates that portion of the total cost which is partly fixed and partly variable in relation to the volume of production.

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Question # 14

Define fixed cost in ICWA?

Answer:-

Fixed Cost indicates that portion of total cost which remains constant at all the levels of production. As the volume of production increases, per unit fixed cost may reduce, but not the total fixed cost.

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Question # 15

Define indirect cost in ICWA?

Answer:-

Indirect cost also termed as Overhead. It indicates that cost which cannot be identified with the individual cost center. It consists of indirect material cost, indirect labour cost and indirect expenses.

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Question # 16

Define direct cost in ICWA?

Answer:-

Direct Cost also termed as Prime cost. It indicates that cost which can be identified with the individual cost center. It consists of direct material cost, direct labor cost and direct expenses.

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Question # 17

Tell me about those factors which should be considered before installing a costing system?

Answer:-

- * Nature of the Product
- * Nature of the Organization
- * Manufacturing Process
- * Simplicity and Cost
- * Reporting Systems

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Question # 18

List the elements of costs?

Answer:-

Elements of costs:

- * Material Cost
- * Labor Cost
- * Expenses

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Question # 19

What is labor cost in ICWA?

Answer:-

Labor cost is the cost of remuneration paid to the employees of the organization. It can be direct or indirect. Direct labor cost indicates that labor cost which can be identified with the individual cost center and is incurred for those employees who are engaged in the manufacturing process. Indirect labor cost indicates that labor cost which cannot be identified with the individual cost center and is incurred for those employees who are not engaged in the manufacturing process but only assist in the same.

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Question # 20

What is material cost in ICWA?

Answer:-

Material Cost is the cost of commodities and material used by the organization. It can be direct and indirect material. Direct material indicates that material which can be identified with the individual cost center and which becomes an integral part of the finished goods. Indirect material indicates that material which cannot be identified with the individual cost center. This material assists the manufacturing process and does not become an integral part of finished goods.

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Question # 21

Define expenses in ICWA?

Answer:-

Expenses is the cost of services provided to the organization. It can be direct or indirect. Direct expenses are those expenses which can be identified with the individual cost centers. Indirect expenses are those expenses which cannot be identified with that individual cost centers.

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Question # 22

List the main consequences of overstocking in ICWA?

Answer:-

- * It will block a large amount of working capital.
- * More storage facilities will be required.
- * Risk of deterioration of quality and obsolescence of material.
- * More attention will be required in material handling and up keeping.
- * Additional Insurance cost.



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Question # 23

Explain the difference between Bin Card and Stores Ledger?

Answer:-

- * Bin Card is a quantitative record of receipts, issues and closing balance of an item of material. Whereas Stores ledger records not only quantities received or issued or in stock but also the financial expressions of the same.
- * Bin Card is maintained by stores department while stores ledger is maintained by costing department.
- * Maintenance of stores ledger provides a second check on maintenance of bin cards.

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Question # 24

List the element wise classification overhead in ICWA?

Answer:-

- * Indirect Material
- * Indirect Labor
- * Indirect Expenses

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Question # 25

List the normality wise classification overhead in ICWA?

Answer:-

Normality wise Classification:

- * Normal Overheads
- * Abnormal Overheads

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Question # 26

List the control-ability wise classification overhead in ICWA?

Answer:-

Control-ability wise Classification:

- Controllable Overheads
- Uncontrollable Overheads

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Question # 27

List the variability wise classification overhead in ICWA?

Answer:-

- * Fixed Overheads
- * Variable Overheads
- * Semi-variable Overheads

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Question # 28

List the function wise classification overhead in ICWA?

Answer:-

- * Factory Overheads
- * Administration Overheads
- * Selling and Distribution Overheads

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Question # 29

List the various ways to classify overhead?

Answer:-

- * Element wise Classification
- * Function wise Classification
- * Variability wise Classification
- * Control-ability wise Classification
- * Normality wise Classification

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Question # 30

List the limitations of marginal costing?

Answer:-



- * The classification of total cost as variable cost and fixed cost is difficult as no cost can be completely variable or completely fixed.
- * Fixed costs are eliminated for the valuation of inventory of finished goods and semi-finished goods in spite of the fact that they might have been actually incurred.
- * It does not provide any standard for the evaluation of performance.
- * Fixation of selling price on marginal cost basis may be useful for short term only and may be dangerous in the long run.
- * It does not consider the fixed overheads.
- * It can be used for assessment of profitability only in the short run.

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Question # 31

Explain the difference between simple average method and weighted average method?

Answer:-

Under Simple average method the simple average of the prices of the lots available for making the issues is considered for pricing the issues. After the receipt of new lot, a new average price is worked out. This method is suitable if the material is received in uniform quantity.

Under Weighted average method the price of each lot and the quantity of the same is considered. This method proves to be very useful in the event of varying prices and quantities. It is very simple to calculate.

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Question # 32

Explain what are business cycles and what role do the Federal Reserve and Federal Government have in trying to control them?

Answer:-

It is very important that you understand that the Federal Reserve is not a government institution. It does not take its orders from the federal government. Yes, they put their hand in and try to change the course of the U.S. Economy.

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Question # 33

Explain the advantage of mixed economy system?

Answer:-

Advantages are:

- 1) People can make their own decisions
- 2) The government has limited control, which is good for structure
- 3) Provides freedoms such as Enterprise, ownership, Social Welfare, Profit Earnings, Political Freedom
- 4) All national resources are utilized under mixed economy.
- 5) It will activate the government support and direction.

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Question # 34

Explain what are the advantages of regional integration?

Answer:-

Most economic experts cite that regional integration allows disadvantaged countries to realize economies of scale, compete on a broader (often global) platform and increase overall economic efficiency. The Deputy Managing Director of the International Monetary Fund states that regional integration 'enables participating countries to pool their resources and avail themselves of regional institutional and human resources, in order to attain a level of technical and administrative competence that would not be possible on an individual basis'.

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Question # 35

Explain GNI per capita?

Answer:-

A measure of the wealth is earned by nations through economic activities all around the world.

Gross National Income comprises the total value of goods and services produced within a country (i.e. its Gross Domestic Product), together with its income received from other countries (notably interest and dividends), and less similar payments made to other countries. It is also known as GNP.

$GNI = \text{Gross Domestic Product} + \text{Net property income from abroad.}$

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Question # 36

Explain what are the differences between absolute advantage and comparative advantage?

Answer:-

Absolute advantage and comparative advantage are two basic concepts to international trade. Under absolute advantage, one country can produce more output per unit of productive input than another can. With comparative advantage, if one country has an absolute (dis)advantage in every type of output, the other might benefit from specializing in and exporting those products, if any exist.

A country has an absolute advantage economically over another, in a particular good, when it can produce that good at a lower cost. Using the same input of resources, a country with an absolute advantage will have greater output. Assuming this one good is the only item in the market, beneficial trade is impossible. An absolute advantage is one where trade is not mutually beneficial, as opposed to a comparative advantage where trade is mutually beneficial.

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Question # 37

Explain what kind of market demand and supply information would be useful to you in deciding upon a business strategy?

Answer:-



Market Demand and Supply Information:

A customer-filled form of the following fields will be of great use.

- 1) Do you need product urgently
- 2) How many times have you visited our store
- 3) Was the proper information provided to you
- 4) Were you attended properly
- 5) Can you afford to pay more for a quick delivery
- 6) Have you ever used our product
- 7) How do you know about our product

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Question # 38

Explain what are the differences between perfect competition and monopoly competition?

Answer:-

In a monopoly, you are gaining an unfair advantage over any competition because you own so many infrastructures. Monopolies used to be known as trusts, which is why you sometimes hear of Anti-Trust Law violations.

At one time, AT&T owned every phone line, every phone and every piece of phone equipment in the country. They monopolized the industry; how could you compete with them when they owned everything? Similarly, the Post Office has an excellent infrastructure for delivering mail, but they do not have a monopoly because FedEx and UPS and DHL have all found ways to carve out a healthy piece of the parcel moving business, so although UPS always grumbles about the Post Office, they do OK in competition.

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Question # 39

Explain an Oligopoly?

Answer:-

Oligopoly is a market where the supply is controlled by a small group of companies. In this condition, the actions of one company will have a material effect on the entire market for a product.

Several characteristics of an Oligopoly:

- 1) Substantial barriers to entry
- 2) Market dominated by a few large firms
- 3) Differentiated products
- 4) Price rigidity

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Question # 40

Explain the average standard of living in Africa?

Answer:-

It is extremely low. Africa is the most impoverished continent on the face of the planet. The average African has scarce access to safe drinking water and most commonly lacks plumbing. "Informal housing" is the rule with electricity and safe transportation remaining luxuries. Even life style attributes taken for granted by the average Mexican or Russian are out of reach for many Africans. In terms of employment, many Africans are unemployed or employed in agriculture.

Sub-Saharan Africa in particular is one of the world's poorest regions. According to the World Bank 74.9% of the population lived on less than \$2 a day in 2003; 44% lived on less than \$1 a day.

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