

Cost Practice Test Questions and Answers

1. What is the difference between direct costs and indirect costs?

- A) Direct costs are always higher than indirect costs
- B) Direct costs can be traced to specific products, indirect costs cannot
- C) Indirect costs are always variable, direct costs are fixed
- D) There is no difference between them

2. Which costing method assigns costs based on activities that drive cost consumption?

- A) Traditional costing
- B) Activity-based costing (ABC)
- C) Variable costing
- D) Standard costing

3. What is the break-even point in cost accounting?

- A) When fixed costs equal variable costs
- B) When total revenue equals total costs
- C) When profit margins are maximized
- D) When production efficiency is optimal

4. In variance analysis, what does a favorable variance indicate?

- A) Actual costs exceeded budgeted costs
- B) Actual costs were less than budgeted costs
- C) Production was below capacity
- D) Quality standards were not met

Answers: 1-B 2-B 3-B 4-B

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