

Previous Year Questions (PYQs) on Material Costing



Introductory Note

This document contains following 3 sections –

Section A – Under this section, you will find the memory based previous year questions which were asked in SEBI, PFRDA and IFSCA. This section will enable you to test your knowledge based on different concepts and for your comfort, we have segregated the questions according to the different examinations. The questions have been arranged in the following manner

1. SEBI Grade A - Here, you will find all the previous year questions, which were asked in the Phase 1 and Phase 2 of SEBI Grade A exam, starting from 2020 onwards.
2. PFRDA Grade A – Here, you will find all the previous year questions, which were asked in phase 1 and Phase 2 of PFRDA Grade A exam, starting from 2021 onwards.
3. IFSCA Grade A - Here, you will find all the previous year questions, which were asked in phase 1 of IFSCA Grade A exam, starting from 2023 onwards.

If there is no question in this document on any exam for a particular year or years, it means no question was asked for that exam in that year(s) or exam itself was not conducted in that year.

Section B - In this section, you will find the answer key for all the questions, and it will enable you to check your marks and understand your performance accordingly.

Section C – This section contains a detailed explanation to every question, and herein you will be able to understand the concept in the best holistic manner as possible.

Section A

Questions asked in Phase 1 and Phase 2 from SEBI Grade A exam, starting from 2020 onwards

Question 1 – Which of the following is a technique of Inventory Management? **SEBI Grade A – Phase 2 - 2020**

- A. ABC Analysis
- B. Standard Costing
- C. Marginal Costing
- D. Process Costing
- E. None of the above

Question 2 – Calculate the value of closing stock using Simple price moving average method.

1st December - purchased 100 units @ Rs. 20

2nd December - purchased 200 units @ Rs 22

5th December - Issued 250 units to department X. **SEBI Grade A – Phase 2 - 2022**

- A. 1050
- B. 1100
- C. 900
- D. 500
- E. None of the above

Question 3 – Who is responsible if raw material purchases are more expensive than expected? **SEBI Grade A – Phase 2 - 2024**

- A. Production Manager
- B. Finance Manager
- C. Purchase Manager
- D. Marketing Manager
- E. Operations Manager

Questions asked in Phase 1 and Phase 2 from PFRDA Grade A exam, starting from 2021 onwards

No questions were asked in the PFRDA Grade A exam from this topic.

Questions asked in Phase 1 from IFSCA Grade A exam, starting from 2023 onwards

Question 1. Which of the following method for calculation of inventory should be used in case there are large fluctuations in purchase price? **IFSCA Grade A – Phase 1 - 2023**

- A. FIFO Method
- B. LIFO Method
- C. Weighted Average Method
- D. Specific Identification Method
- E. All of the above



Section B

Answer Key

SEBI Grade A questions

Question Number	Answer
Question 1	Option A
Question 2	Option A
Question 3	Option C

IFSCA Grade A Questions

Question Number	Answer
Question 1	Option C

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Section C

Explanation SEBI Grade A questions

Question 1 – Which of the following is a technique of Inventory Management? **SEBI Grade A – Phase 2 - 2020**

- A. ABC Analysis
- B. Standard Costing
- C. Marginal Costing
- D. Process Costing
- E. None of the above

Answer – Option A

Explanation -

ABC Analysis inventory categorization technique splits subjects into three categories to identify items that have a heavy impact on overall inventory cost.

- Category A serves as your most valuable products that contribute the most to overall profit.
- Category B is the products that fall somewhere in between the most and least valuable.
- Category C is for the small transactions that are vital for overall profit but don't matter much individually to the company altogether.

Hence, Option A is the correct answer. All other options are incorrect.

Additional Information:

- **Standard Costing:** It is the practice of substituting an expected cost for an actual cost in the accounting records. It involves the creation of estimated (i.e., standard) costs for some or all activities within a company. **Hence, Option B is incorrect.**
- **Marginal Costing:** It refers to an increase or decrease in the total cost of production due to a change in the quantity of the desired output. It is variable, depending on the inclusion of resources required to produce or deliver additional unit(s) of a product or service. **Hence, Option C is incorrect.**

- **Process Costing:** It is an accounting method typically used by companies that mass produce very similar or identical products or units of output. **Hence, Option D is incorrect.**

Question 2 – Calculate the value of closing stock using Simple price moving average method.

1st December - purchased 100 units @ Rs. 20

2nd December - purchased 200 units @ Rs 22

5th December - Issued 250 units to department X. **SEBI Grade A – Phase 2 - 2022**

- A. 1050
- B. 1100
- C. 900
- D. 500
- E. None of the above

Answer – Option A

Explanation –

Simple average is an average of price without considering the quantities involved.

Average price = $(20+22)/2 = 21$

Closing Balance = Average Price x Closing Inventory

Closing inventory, also referred to as ending inventory, refers to the amount of inventory a business has left on the shelves and in stock at the end of the accounting year.

Closing Inventory = $100+200 - 250$ (Issued to Department X)

= 50

Therefore, Closing Balance = Average Price x Closing Inventory = $21 \times 50 = 1050$

Hence, Option A is the correct answer. All other options are incorrect.

Question 3 – Who is responsible if raw material purchases are more expensive than expected? **SEBI Grade A – Phase 2 - 2024**

- A. Production Manager
- B. Finance Manager
- C. Purchase Manager
- D. Marketing Manager
- E. Operations Manager

Answer – Option C

Explanation –

- **The Purchase Manager is responsible for procuring raw materials**, negotiating with suppliers, and ensuring that the materials are bought at the best possible price.
- If the raw material is purchased at a higher cost than expected, it is typically due to decisions made or not made by the Purchase Manager, such as failing to negotiate effectively or missing better pricing opportunities.

Hence, **Option C is the correct answer. All other options are incorrect.**

Explanation

SEBI Grade A questions

Question 1. Which of the following method for calculation of inventory should be used in case there are large fluctuations in purchase price? **IFSCA Grade A – Phase 1 - 2023**

- A. FIFO Method
- B. LIFO Method
- C. Weighted Average Method
- D. Specific Identification Method
- E. All of the above

Answer: C

Explanation:

- When there are significant fluctuations in purchase prices of inventory items, the **Weighted Average Method** is often used. This method calculates the average cost of the inventory by taking into account the weighted average cost of all units available for sale. It helps in reducing the impact of price fluctuations by averaging the costs over a specific period, providing a more stable and consistent cost basis for inventory valuation.

Hence **Option C is the correct answer**