



**VISION INSTITUTE OF TECHNOLOGY,  
SUBJECT: COST ACCOUNTING  
UNIT 2: LABOUR COST CONTROL**

❖ **MULTIPLE CHOICE QUESTION**

1. What is the key characteristic of direct labor?
  - a. Easily traced to specific products
  - b. Incurred during holidays
  - c. Variable in proportion to sales
  - d. Allocated to overhead costs
2. In a manufacturing company, examples of direct labor may include:
  - a. Supervisors
  - b. Quality control personnel
  - c. Machine operators
  - d. Maintenance staff
3. Direct labor costs are considered:
  - a. Fixed costs
  - b. Variable costs
  - c. Overhead costs
  - d. Both a and c
4. Indirect labor refers to the cost of labor that:
  - a. Can be easily traced to specific products
  - b. Contributes directly to the final product
  - c. Cannot be easily traced to a specific product
  - d. Is variable in nature
5. In a service-oriented business, examples of direct labor may involve employees:
  - a. Not directly delivering the service
  - b. Involved in the production process
  - c. Working flexible hours
  - d. Only working during peak demand
6. Indirect labor costs are considered overhead costs because:
  - a. They are easily traceable to specific products
  - b. They vary in direct proportion to production volume
  - c. They maintain the production environment
  - d. They contribute directly to the creation of the final product
7. What is the key identification feature of indirect labor?
  - a. Easily traced to specific products
  - b. Involvement in production tasks
  - c. Allocation to overhead costs
  - d. Variable in proportion to sales
8. Continuous monitoring and analysis help identify potential causes of:
  - a. Direct labor
  - b. Idle time
  - c. Overtime
  - d. Indirect labor
9. The wages and benefits of employees directly involved in the manufacturing or production process are classified as:
  - a. Variable costs
  - b. Direct costs
  - c. Indirect costs



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- d. Overhead costs
10. Flexible work arrangements, such as staggered work hours, aim to:
- Increase direct labor costs
  - Reduce idle time
  - Promote overtime
  - Eliminate indirect labor costs
11. Efficient scheduling involves:
- Maximizing idle time
  - Carefully planning work shifts
  - Ignoring historical data
  - Reducing direct labor costs
12. Task allocation and cross-training aim to:
- Increase idle time
  - Minimize direct labor
  - Seamlessly transition employees between tasks
  - Eliminate indirect labor
13. Flexible work arrangements can include:
- Fixed work hours
  - Remote work options
  - Reduced employee engagement
  - Limited employee motivation
14. Continuous monitoring and analysis help identify potential causes of:
- Increased direct labor costs
  - Decreased overtime
  - Idle time
  - Outsourced labor
15. The main goal of employee engagement and motivation is to:
- Increase idle time
  - Decrease direct labor costs
  - Reduce employee satisfaction
  - Minimize idle time
16. Cost control measures during slow periods may involve:
- Increasing labor costs
  - Temporary layoffs
  - Continuous monitoring
  - Ignoring production needs
17. The purpose of efficient scheduling is to ensure that employees are:
- Engaged in productive activities
  - Encouraged to take breaks
  - Disengaged during work hours
  - Assigned to indirect labor tasks
18. The implementation of flexible work arrangements allows businesses to:
- Increase direct labor costs
  - Align work schedules with operational needs
  - Eliminate indirect labor
  - Decrease employee satisfaction
19. Recognition programs, training opportunities, and a positive work environment contribute to:



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- a. Increased employee dissatisfaction
  - b. Reduced motivation
  - c. Increased idle time
  - d. Enhanced employee satisfaction and motivation
20. Implementing cost control measures during slow periods involves:
- a. Increasing direct labor costs
  - b. Temporary layoffs, furloughs, or adjustments to the workforce size
  - c. Continuous monitoring and analysis
  - d. Promoting overtime
21. What does holiday pay refer to?
- a. Additional compensation for working extra hours
  - b. Compensation for working during holidays
  - c. Fixed monthly salary
  - d. Overtime payment
22. The importance of accounting for holiday pay includes:
- a. Cost allocation to specific cost centers
  - b. Reducing labor costs
  - c. Ignoring legal obligations
  - d. Avoiding employee recognition
23. Overtime refers to:
- a. Standard working hours
  - b. Extra compensation for working more than regular hours
  - c. Holiday pay
  - d. Fixed fees for outsourced workers
24. The importance of accounting for overtime includes:
- a. Reducing project budgets
  - b. Monitoring and controlling labor costs
  - c. Ignoring cost control measures
  - d. Promoting idle time
25. Accurate tracking of holiday pay and overtime is essential for:
- a. Increasing labor costs
  - b. Controlling labor costs
  - c. Promoting continuous monitoring
  - d. Ignoring financial reporting
26. What is the role of holiday pay in cost allocation?
- a. Reducing costs
  - b. Ignoring cost centers
  - c. Appropriately distributing costs among relevant areas
  - d. Promoting idle time
27. Overtime accounting helps allocate additional labor costs to:
- a. Fixed costs
  - b. Specific projects
  - c. Indirect labor
  - d. Outsourced workers
28. The financial impact of extra compensation can be assessed through:
- a. Efficient scheduling



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- b. Continuous monitoring
  - c. Overtime accounting
  - d. Task allocation
29. Compliance with labor laws regarding holiday pay and overtime reduces the risk of:
- a. Legal issues and penalties
  - b. Continuous monitoring
  - c. Increased idle time
  - d. Employee recognition
30. Allocating holiday pay and overtime costs to specific cost centers is crucial for:
- a. Reducing labor costs
  - b. Accurate budgeting
  - c. Promoting inefficient scheduling
  - d. Ignoring legal considerations
31. Casual workers are often employed on a:
- a. Long-term basis
  - b. Short-term basis
  - c. Fixed schedule
  - d. Overtime basis
32. The cost structure for casual workers often includes:
- a. Fixed salaries with benefits
  - b. Variable wages without benefits
  - c. Overtime payments
  - d. Continuous monitoring costs
33. Outsourced workers are engaged through:
- a. Staggered work hours
  - b. Continuous monitoring
  - c. Contractual agreements
  - d. Efficient scheduling
34. The flexibility of the cost structure for casual workers allows businesses to:
- a. Increase fixed costs
  - b. Adjust hours based on demand
  - c. Eliminate overtime
  - d. Ignore cost control measures
35. Accurate costing for casual workers includes tracking:
- a. Only wages
  - b. Any applicable benefits and related expenses
  - c. Only variable costs
  - d. Fixed costs
36. Outsourcing allows businesses to access:
- a. A limited pool of skills
  - b. Specialized skills without long-term commitments
  - c. Only general skills
  - d. A large pool of casual workers
37. The importance of tracking costs associated with casual workers is crucial for:
- a. Ignoring financial reporting
  - b. Accurate budgeting
  - c. Reducing labor costs



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- d. Increasing idle time
38. Contractual agreements with outsourced workers may include:
- Fixed fees, variable fees, or a combination of both
  - Only fixed fees
  - Continuous monitoring fees
  - Overtime fees
39. Allocating costs to specific projects or cost centers for casual workers helps in:
- Promoting inefficient scheduling
  - Accurate budgeting
  - Reducing employee engagement
  - Ignoring cost transparency
40. Tracking and allocating costs associated with outsourcing provide transparency into:
- The total cost of labor
  - Only direct labor costs
  - Continuous monitoring costs
  - Overtime costs
41. Casual workers and outsourced workers often have different cost structures compared to:
- Direct labor
  - Indirect labor
  - Regular employees
  - Efficient scheduling
42. The goal of allocating costs to specific projects or departments for outsourced services is to:
- Increase project budgets
  - Promote idle time
  - Evaluate performance and efficiency
  - Reduce employee motivation
43. The unique financial implications of casual workers and outsourced workers are understood through:
- Ignoring cost structures
  - Continuous monitoring
  - Accurate tracking and allocation
  - Reducing employee satisfaction
44. Casual workers are typically employed without the same level of:
- Job security or benefits as regular full-time employees
  - Job security as regular full-time employees
  - Fixed work hours as regular full-time employees
  - Employee engagement as regular full-time employees
45. The cost structure for casual workers tends to be more:
- Fixed
  - Variable
  - Indirect
  - Overtime-based
46. Outsourced workers are hired to perform specific tasks or services on behalf of a business through:
- Legal obligations
  - Continuous monitoring
  - Contractual agreements



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- d. Efficient scheduling
47. The main benefit of outsourcing is accessing:
- A limited pool of skills
  - General skills without long-term commitments
  - Specialized skills without long-term commitments
  - Fixed work hours
48. The financial impact of casual workers and outsourced workers can be assessed through:
- Task allocation
  - Accurate tracking and allocation
  - Increased employee satisfaction
  - Ignoring financial reporting
49. Casual workers are often paid on a(n):
- Annual basis
  - Monthly basis
  - Hourly basis
  - Overtime basis
50. The importance of tracking and allocating costs associated with outsourcing is crucial for:
- Ignoring cost transparency
  - Efficient scheduling
  - Evaluating the performance of regular employees
  - Assessing the cost-effectiveness of outsourcing arrangements
51. What is Labour Turnover?
- The rate at which employees join a company
  - The rate at which employees leave a company and are replaced
  - The total number of employees in a company
  - The average time an employee spends in a company
52. How is Labour Turnover calculated?
- $(\text{Number of Employees Hired} / \text{Total Employees}) \times 100$
  - $(\text{Number of Employees Who Left} / \text{Total Employees}) \times 100$
  - $(\text{Number of Employees Who Left} / \text{Average Number of Employees}) \times 100$
  - $(\text{Number of Employees Hired} / \text{Average Number of Employees}) \times 100$
53. Why is understanding the reasons for turnover important?
- To increase turnover rates
  - To implement effective retention strategies
  - To reduce employee satisfaction
  - To avoid exit interviews
54. What is a key strategy to reduce turnover and minimize labour costs?
- Increasing workloads
  - Offering competitive compensation and benefits
  - Ignoring workplace issues
  - Decreasing communication with employees
55. How is Labour Turnover calculated using the provided formula?
- $(\text{Number of Employees Who Left} / \text{Total Employees}) \times 100$
  - $(\text{Number of Employees Who Left} / \text{Average Number of Employees}) \times 100$
  - $(\text{Number of Employees Hired} / \text{Average Number of Employees}) \times 100$
  - $(\text{Average Number of Employees} / \text{Number of Employees Who Left}) \times 100$
56. What does the Labour Turnover Rate measure?



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- a. Employee satisfaction
  - b. The rate at which employees leave a company
  - c. The rate at which employees are hired
  - d. Company profits
57. What is the purpose of exit interviews in the context of Labour Turnover?
- a. To increase turnover
  - b. To understand reasons behind employee departures
  - c. To avoid communication with departing employees
  - d. To calculate the Labour Turnover Rate
58. Which factor does NOT contribute to reducing turnover, as mentioned in the information?
- a. Improving work environment
  - b. Competitive compensation and benefits
  - c. Ignoring workplace issues
  - d. Providing career development opportunities
59. What does the Labour Turnover Rate formula include?
- a. (Number of Employees Hired / Average Number of Employees)
  - b. (Number of Employees Who Left / Total Employees)
  - c. (Average Number of Employees / Number of Employees Who Left)
  - d. (Number of Employees Who Left / Average Number of Employees)
60. Why is continuous monitoring of turnover important?
- a. To ignore industry benchmarks
  - b. To identify trends and assess retention strategies
  - c. To increase turnover rates
  - d. To avoid adjustment of strategies
61. In hourly wages, how are employees paid?
- a. A fixed amount monthly
  - b. A fixed rate per hour worked
  - c. A commission based on sales
  - d. A share of company profits
62. What is a potential drawback of hourly wages mentioned in the information?
- a. Predictable and stable labor costs
  - b. Overtime may result in additional costs
  - c. Common in industries with consistent workloads
  - d. Suitable for part-time positions only
63. In which industry is piece-rate payment common?
- a. Information technology
  - b. Manufacturing or piecework-oriented industries
  - c. Retail
  - d. Banking
64. What is the purpose of bonuses and incentives in wage payment?
- a. To increase fixed labor costs
  - b. To motivate employees and improve productivity
  - c. To decrease overall compensation
  - d. To complicate the reimbursement process
65. What is a characteristic of deferred compensation?
- a. Paid out immediately
  - b. Withheld and paid out at a later date, such as retirement



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- c. Tied to sales or performance metrics
  - d. Common in industries requiring frequent travel
66. What is the purpose of incentive plans?
- a. To decrease employee engagement
  - b. To reward employees for achieving specific goals
  - c. To create a negative work environment
  - d. To discourage performance improvement
67. What type of incentive plan involves employees receiving a share of the company's profits?
- a. Bonuses
  - b. Profit-Sharing
  - c. Commission
  - d. Stock Options
68. What is a potential impact of incentive plans on labour costs?
- a. Increasing fixed costs
  - b. Reducing overall compensation
  - c. Introducing variable costs linked to performance
  - d. Making labour costs more predictable
69. How do incentive plans benefit organizations?
- a. By discouraging employee performance
  - b. By reducing competitive advantage
  - c. By aligning individual and team goals with organizational objectives
  - d. By avoiding additional expenses
70. What is a challenge associated with incentive plans?
- a. Lack of cost management
  - b. Lack of fairness and transparency
  - c. Lack of measurable metrics
  - d. Lack of communication
71. Which is NOT a type of incentive plan mentioned in the information?
- a. Recognition Programs
  - b. Stock Options
  - c. Flexible Benefits
  - d. Hourly Wages
72. What does Profit-Sharing in incentive plans align with?
- a. Employee engagement
  - b. Company profits
  - c. Fixed salary
  - d. Overtime payments
73. What is the importance of clear objectives in the implementation of incentive plans?
- a. To confuse employees
  - b. To avoid employee understanding
  - c. To discourage employee participation
  - d. To define the goals and criteria for earning incentives
74. How often should incentive plans be evaluated according to the information?
- a. Never
  - b. Periodically
  - c. Weekly
  - d. Annually





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75. What is a key consideration in the implementation of incentive plans?
- a. Lack of tailoring to roles
  - b. Lack of clear objectives
  - c. Lack of regular evaluation
  - d. Lack of alignment with organizational goals

**ANSWER**

1. Easily traced to specific products
2. Machine operators
3. Variable costs
4. Cannot be easily traced to a specific product
5. b. Involved in the production process
6. c. They maintain the production environment
7. c. Allocation to overhead costs
8. b. Idle time
9. b. Direct costs
10. b. Reduce idle time
11. b. Carefully planning work shifts
12. c. Seamlessly transition employees between tasks
13. b. Remote work options
14. c. Idle time
15. Enhanced employee satisfaction and motivation
16. b. Temporary layoffs
17. a. Engaged in productive activities
18. Align work schedules with operational needs
19. Enhanced employee satisfaction and motivation
20. b. Temporary layoffs, furloughs, or adjustments to the workforce size
21. b. Compensation for working during holidays
22. Cost allocation to specific cost centers
23. Extra compensation for working more than regular hours
24. Monitoring and controlling labor costs
25. b. Controlling labor costs
26. c. Appropriately distributing costs among relevant areas
27. b. Specific projects
28. c. Overtime accounting
29. Legal issues and penalties
30. Accurate budgeting
31. Short-term basis
32. b. Variable wages without benefits
33. c. Contractual agreements
34. b. Adjust hours based on demand
35. b. Any applicable benefits and related expenses
36. b. Specialized skills without long-term commitments
37. b. Accurate budgeting
38. Fixed fees, variable fees, or a combination of both



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39. Accurate budgeting
40. The total cost of labor
41. Regular employees
42. Evaluate performance and efficiency
43. Accurate tracking and allocation
44. Job security or benefits as regular full-time employees
45. Variable
46. Contractual agreements
47. Specialized skills without long-term commitments
48. Accurate tracking and allocation
49. Hourly basis
50. Assessing the cost-effectiveness of outsourcing arrangements
51. b. The rate at which employees leave a company and are replaced.
52. c.  $(\text{Number of Employees Who Left} / \text{Average Number of Employees}) \times 100$ .
53. b. To implement effective retention strategies.
54. c. Ignoring workplace issues.
55. c.  $(\text{Number of Employees Who Left} / \text{Average Number of Employees}) \times 100$ .
56. b. The rate at which employees leave a company.
57. b. To understand reasons behind employee departures.
58. c. Ignoring workplace issues.
59. c.  $(\text{Average Number of Employees} / \text{Number of Employees Who Left})$ .
60. b. To identify trends and assess retention strategies.
61. b. A fixed rate per hour worked.
62. b. Overtime may result in additional costs.
63. b. Manufacturing or piecework-oriented industries.
64. b. To motivate employees and improve productivity.
65. b. Withheld and paid out at a later date, such as retirement.
66. b. To reward employees for achieving specific goals.
67. b. Profit-Sharing.
68. c. Introducing variable costs linked to performance.
69. c. By aligning individual and team goals with organizational objectives.
70. b. Lack of fairness and transparency.
71. Hourly Wages.
72. b. Company profits.
73. To define the goals and criteria for earning incentives.
74. b. Periodically.
75. Lack of alignment with organizational goals.