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- Offers regular classes along with dedicated revision sessions.
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CMA Final

Hyderabad

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- After the completion of exams, students will undergo specialized job-oriented training.
- This exclusive industry-focused training sets the institution apart from other colleges.

1. INTRODUCTION

1. Management Accounting
 - A. Accumulates, summarizes and analyses the available data.
 - B. Is primarily concerned with the requirements of the management.
 - C. Makes Corporate Planning and Strategy effective.
 - D. All of the above**
2. Management accounting can be viewed as _____.
 - A. Marketing-oriented Accounting
 - B. Management-oriented Accounting**
 - C. Accounting-oriented Management
 - D. Manager-oriented Accounting
3. The main objective of management accounting is _____.
 - A. To maintain the accounting records
 - B. To know the amount due from customers and suppliers
 - C. To ascertain analyse and interpret the results of business operations**
 - D. To record all the business transactions
4. _____ is the study of managerial aspects of financial accounting
 - A. Cost accounting
 - B. Financial accounting
 - C. Management accounting**
 - D. Business accounting
5. The purpose of management accounting is to help _____ make decisions
 - A. Managers**
 - B. Investors
 - C. Marketers
 - D. Banks
6. Management accounting assists the management in _____.
 - A. Planning
 - B. Directing
 - C. Controlling
 - D. All of the above**
7. 'Period of lost relevance' is the _____ of the evolution of management accounting.
 - A. 1st stage
 - B. 2nd stage
 - C. 3rd stage**
 - D. 4th stage
8. Creation of value through effective use of resources is the focus area of the _____.
 - A. 1st stage
 - B. 2nd stage

- C. 3rd stage
 - D. 4th stage**
- 9. Just in time management and Activity based costing developed during the _____
 - A. 1st stage
 - B. 2nd stage
 - C. 3rd stage**
 - D. 4th stage
- 10. Management accounting deals with _____ data
 - A. Qualitative
 - B. Quantitative
 - C. Both qualitative and quantitative**
 - D. Non-financial

2. ACTIVITY BASED COSTING

1. Which of the following is a correct definition of activity-based management?
 - A. An approach to the costing and monitoring of activities which involves tracing resource consumption and costing final outputs. Resources are assigned to activities and activities to cost objects based on consumption estimates. The latter utilize cost drivers to attach activity costs to outputs.
 - B. The identification and evaluation of the activity drivers used to trace the cost of activities to cost objects. It may also involve selecting activity drivers with potential to contribute to the cost management function with particular reference to cost reduction.
 - C. A method of budgeting based on an activity framework and utilizing cost driver data in the budget-setting and variance feedback processes.
 - D. A system of management which uses activity-based cost information for a variety of purposes including cost reduction, cost modeling and customer profitability analysis.**
2. Which of the following characteristics would be an indicator that a company would benefit from switching to activity based costing?
 - A. Only one homogenous product is produced on a continuous basis
 - B. The existing cost system is reliable and has produced excellent results
 - C. Overhead costs are high and increasing and no one seems to know why**
 - D. The costs of implementing ABC out-weigh the benefits
3. According to the Chartered Institute of Management Accountants (CIMA), cost attribution to cost units on the basis of benefits received from indirect activities e.g. ordering, setting up, and assuring quality is known as:
 - A. Absorption costing
 - B. Marginal costing

- C. Activity-based costing**
 - D. Job costing
- 4. In an ABC system, which of the following is likely to be classified as a batch level activity?
 - A. Machine set-up**
 - B. Product design
 - C. Inspection of every item produced
 - D. Production manager's work
- 5. Activity based costing:
 - A. Uses a plant wide overhead rate to assign overhead
 - B. Is not expensive to implement
 - C. Typically applies overhead costs using direct labour hours
 - D. Uses multiple activity rates**
- 6. Which of the following activities is not a batch level activity?
 - A. Processing purchase orders
 - B. Designing products**
 - C. Receive raw materials from suppliers
 - D. Setting up equipment
- 7. Which of the following is not included in batch level activities?
 - A. Material ordering cost
 - B. Machine set-up cost
 - C. Inspection cost
 - D. Designing the product**
- 8. Assigning overhead using ABC often:
 - A. Shifts overhead costs from high-volume products to low-volume products**
 - B. Shifts overhead costs from low-volume products to high-volume products
 - C. Provides the same results as traditional costing
 - D. Requires one predetermined overhead rate
- 9. In Activity Based Costing:
 - A. Non-manufacturing costs may not be assigned to products
 - B. Some manufacturing costs may be excluded from product costs**
 - C. Allocation bases are the same as those used in traditional costing methods
 - D. Similar to traditional costing, ABC only uses one overhead cost pool
- 10. In an ABC system, the allocation bases that are used for applying costs to services or procedures are called:
 - A. Cost Pool
 - B. Cost Driver**
 - C. Cost Absorption
 - D. Cost Object

11. Which of the following would not be deducted from sales in a management report prepared using ABC?
 - A. Direct materials
 - B. Direct labour
 - C. Variable selling and administration costs
 - D. Shipping costs**
12. an item for which cost measurement is required e.g. product, job or a customer
 - A. Cost Pool
 - B. Cost Driver
 - C. Cost Absorption
 - D. Cost Object**
13. Which of the following is different in ABC when compared to traditional costing?
 - A. Traditional costing and ABC costing usually yield very similar product costs
 - B. In an ABC costing system, costs are only assigned to products that actually required work that gave rise to a particular cost**
 - C. In ABC, batch-level costs are applied to products using unit-level bases
 - D. Under traditional costing, batch-level costs are shifted from high-volume products to low-volume products
14. Process of Cost allocation under Activity Based Costing is
 - A. Cost of Activities—Activities—Cost Driver - Cost allocated to cost objects
 - B. Cost Driver — Cost of Activities— Cost allocated to cost objects - Activities
 - C. Activities— Cost of Activities—Cost Driver - Cost allocated to cost objects**
 - D. Activities—Cost Driver - Cost allocated to cost objects — Cost of Activities
15. Cost of maintaining a building is
 - A. Unit Level Cost
 - B. Batch Level Cost
 - C. Product Level Cost
 - D. Facility Level Cost**
16. ----- should be subtracted from net product revenues instead of an arbitrary and illogical apportionment.
 - A. Facility Level Cost
 - B. Product Level Cost
 - C. Organizational Level Cost**
 - D. High Level Cost
17. The basis of apportionment of overheads which takes into account the profitability of various departments is called:
 - A. FIFO basis
 - B. LIFO basis
 - C. Ability to pay basis
 - D. Activity basis**
18. Which of the following is the main cost driver of customer order processing activity?

- A. Flow of the product from the assembly line
 - B. Order value**
 - C. Number of problem suppliers
 - D. Number of machine charges
- 19. Painting the product would be an example of which activity level groups
 - A. Facility-level activity
 - B. Product-level activity
 - C. Unit-level activity**
 - D. Batch-level activity
- 20. Which of the following tasks is not normally associated with an activity-based costing system?
 - A. Calculation of cost application rates
 - B. Identification of cost pools
 - C. Preparation of allocation matrices**
 - D. Identification of cost drivers
- 21. All of the following are examples of batch level activities except:
 - A. Purchase order processing
 - B. Setting up equipment
 - C. The clerical activity associated with processing purchase orders to produce an order for a standard product
 - D. Worker recreational facilities**
- 22. Plant depreciation is an example of which activity-level group?
 - A. Unit-level activity
 - B. Facility-level activity**
 - C. Batch-level activity
 - D. Product-level activity
- 23. Under activity-based costing, 'material ordering' is considered as —
 - A. Unit-level activity
 - B. Batch level activity**
 - C. Product level activity
 - D. Facility level activity
- 24. Samsung an appliance manufacturer is developing a new line of ovens that uses controlled-laser technology. Research and testing costs associated with the new ovens is said to arise from a:
 - A. Unit Level Activity
 - B. Competitive Level Activity
 - C. Facility Level Activity
 - D. Product Sustaining Activity**
- 25. The salaries of a manufacturing plant's management are said to arise from:
 - A. Unit Level Activities

- B. Batch Level Activities
 - C. Product Sustaining Activities
 - D. Facility Level Activities**
26. The division of activities into unit level, batch level, product sustaining level, and facility level categories is commonly known as a
- A. Cost Object
 - B. Cost Application Method
 - C. Cost Hierarchy**
 - D. Cost Estimation Method
27. The main reason for the usage of Activity Based Costing, by replacing the traditional costing system is that:
- A. The overhead recovery rates used in traditional costing systems are inappropriate for decision-making.
 - B. The companies deal with more number of products at present**
 - C. No scope for cause and effect relationship in traditional costing
 - D. The new manufacturing technology needs information for feedback of performance even the product is in progress.
28. Costs that are caused by a group of things being made or processed at a single time are referred to as:
- A. Product-level costs
 - B. Cost pool
 - C. Organizational-level costs
 - D. Batch level costs**
29. The following statements have been made in relation to activity-based costing:
- (1) A cost driver is a factor which causes a change in the cost of an activity
 - (2) Traditional absorption costing tends to under-estimate overhead costs for high volume products
- Which of the above statements is/are true?
- A. 1 only**
 - B. 2 only
 - C. Neither 1 nor 2
 - D. Both 1 and 2
30. Which of the following statements is true about activity-based costing (ABC)?
- A. ABC is a costing method designed to provide managers with cost information for strategic and other decisions that potentially affect capacity and therefore "fixed" costs**
 - B. ABC is an ordinary a replacement, rather than a supplement for, the company's usual costing system
 - C. Most organizations that use ABC have only one costing system that serves the needs of external reports and internal decision-making

- D. In practice, ABC can only be done one way correctly, meaning that different "flavors" are not allowed
- 31. To calculate activity rates, all of the following are necessary except:
 - A. Determine the total activity for each cost pool that would be required to produce the current product mix
 - B. Determine the total activity for each cost pool that would be required to serve present customers
 - C. Calculate activity rates by dividing the total cost for each activity by its total activity
 - D. Calculate activity rates by dividing the total cost for each activity by the percentage of the activity allocated to the product**
- 32. Activity-based costing:
 - A. Uses a plant-wide overhead rate to assign overhead
 - B. Is not expensive to implement
 - C. Typically applies overhead costs using direct labor-hours
 - D. Uses multiple activity rates**
- 33. Cost attribution to cost units on the basis of benefit received from indirect activities, such as ordering, setting-up, assuring quality is known as:
 - A. Allocation
 - B. Activity-based costing**
 - C. Always better control
 - D. Absorption
- 34. In activity-based costing, the allocation basis used for applying costs to services or products is called—
 - A. Cost driver**
 - B. Cost object
 - C. Allocation
 - D. Application
- 35. In activity-based costing, an item for which cost measurement is required is called—
 - A. Cost driver
 - B. Cost object**
 - C. Allocation
 - D. Cost pool
- 36. A homogeneous cost pool is one that:
 - A. Does not change over time
 - B. Needs many activity drivers to be allocated to a cost object
 - C. Can be explained with a single activity driver**
 - D. Has only one type of material assigned to it
- 37. Review cost of commercial loan applications is cost.
 - A. Unit level**

- B. Facility level
- C. Batch level
- D. Product sustaining
- 38. In Traditional absorption costing system cost are first traced to:
 - A. Activities
 - B. Organizational unit**
 - C. Products
 - D. Cost centers
- 39. An Activity-Based Costing, an inspection of the product is a ----- level activity:
 - A. Unit
 - B. Batch**
 - C. Product
 - D. Facility
- 40. ABC is defined as cost attribution to _____ on the basis of benefit received from indirect activities.
 - A. Cost units**
 - B. Cost objects
 - C. Cost centres
 - D. Production units
- 41. Which of the following is not a correct match?

Activity	Cost Drivers
A. Production scheduling	Number of production runs
B. Dispatching	No. of Dispatch orders
C. Goods receiving	Goods received order
D. Inspection	Machine hours
- 42. Basic types of cost pool allocations include:
 - A. Allocation of costs to segments, products, and services**
 - B. Determining inputs for CVP models
 - C. Establishing cash flows for capital budgeting analyses
 - D. Reallocation of costs among service departments
- 43. Activity based cost systems would probably provide the greatest benefits for organizations that use
 - A. Job order costing**
 - B. Process costing
 - C. Standard costing
 - D. Historical costing
- 44. Under a traditional costing system, which of the following costs would likely be classified as indirect with respect to the various products manufactured?
 - A. Plant maintenance
 - B. Factory supplies

- C. Machinery depreciation
D. All of the above
45. PKS Ltd. is changing from a traditional costing system to an activity based system. As a result of this action, which of the following costs would likely change from indirect to direct?
- A. Direct materials, factory supplies
 B. Production setup, finished-goods inspection & direct materials
C. Production setup, finished-goods inspection and product shipping
 D. All of the above
46. Which of the following statements about activity based costing is false?
- A. Activity based costing cannot be used by service businesses.**
 B. In comparison with traditional costing systems, activity based costing tends to use more cost pools and more cost drivers.
 C. In comparison with traditional costing systems, activity based costing results in less cost averaging of various diversified activities.
 D. In comparison with traditional-costing systems, activity based costing results in more costs being classified as direct costs.
47. Which of the following is least likely to be classified as a batch level activity in an activity based costing system?
- A. Quality assurance
 B. Receiving and inspection
C. Property taxes
 D. Production set-up

48. A company makes two products using the same type of materials and skilled workers. The following information is available:

Particulars	Product A	Product B
Budgeted volume (units)	1,000	2,000
Material per unit (₹)	10	20
Labour per unit (₹)	5	20

Fixed costs relating to material handling amount to ₹1,00,000. The cost driver for these costs is the volume of material purchased.

General fixed costs, absorbed on the basis of labour hours, amount to ₹1,80,000.

Using activity-based costing, what is the total fixed overhead amount to be absorbed into each unit of product B (to the nearest whole ₹)?

- A. ₹113
B. ₹120
 C. ₹40
 D. ₹105
49. A company uses traditional standard costing system. The inspection and set-up costs are actually ₹1,760 against a budget of ₹2,000. ABC system is being implemented and

accordingly the number of batches is identified as the cost driver for inspection and set up. The budgeted production is 10,000 units in batches of 1,000 units whereas actually 9,000 units were produced in 11 batches. The cost per batch under ABC system will be

- A. ₹160
- B. ₹200**
- C. ₹180
- D. ₹220

50. X Company uses activity-based costing for Product B and Product D. The total estimated overhead cost for the parts administration activity pool was ₹5,50,000 and the expected activity was 2000 part types. If Product D requires 1200 part types, the amount of overhead allocated to product D for parts administration would be:

- A. ₹2,75,000
- B. ₹3,00,000
- C. ₹3,30,000**
- D. ₹3,45,000

51. Fast Ltd. manufactures three types of products A, B, and C following ABC System. During a period, the company incurred ₹73,000 as inspection cost and it was worked for 10, 20 and 9 production runs respectively for producing products A, B, and C. The inspection costs for product B under the ABC system was:

- A. ₹ 15,000
- B. ₹ 40,000**
- C. ₹ 18,000
- D. ₹ 24,000

52. A company manufactures and sells packaging machines. It recently introduced activity-based costing to refine its existing system. Each packaging machine requires direct materials costs of ₹50,000; 50 equipment parts; 12 machine hours; 15 assembly line hours and 4 inspection hours. The details about the cost pools, allocation bases and allocation rates are given below:

Indirect cost pool	Cost allocation base	Budgeted allocation rate
Material handling	No. of component parts	₹8 per part
Machining	Machine hours	₹68 per machine hour
Assembly	Assembly line hours	₹75 per assembly hour
Inspection	Inspection hours	₹104 per inspection hour

The company has received an order for 40 can-packaging machines from a customer. Using activity-based costing, indirect costs allocated to the order of the customer would be:

- A. ₹1,30,850
- B. ₹1,25,280**

- C. ₹1,15,050
D. ₹1,10,280
53. A company operates an activity based costing (ABC) system to attribute its overhead costs to cost objects. In its budget for the year-ending 31st August, 2022. The company expected to place a total of 2000 purchase orders at a total cost of ₹1,00,000. This activity and its related costs were budgeted to occur at a constant rate throughout the budget year which is divided into 13 four week periods. During the four-week period ended 30th June 2021, a total of 200 purchase orders were placed at a cost of ₹ 9,000. The over recovery of these costs for the four-week period was
- A. ₹ 2,000
B. ₹ 3,000
C. ₹1,500
D. ₹ 1,000

3. DECISION MAKING TOOLS

1. The following information relate to ABC
- | | | |
|--------------------|--------|--------|
| Activity level | 60% | 80% |
| Variable costs (₹) | 12,000 | 16,000 |
| Fixed costs (₹) | 20,000 | 22,000 |
- The differential cost for 20% capacity is
- A. ₹4,000
B. ₹2,000
C. ₹6,000
D. ₹5,000
2. A company manufactures 500 units of product AX the material cost to manufacture is ₹ 1,50,000, Labour cost ₹2,65,000. Material reordering cost is ₹4,500, Material handling cost is ₹2,500 Material order - 35, Material movement - 20. Total Material cost under Activity based costing is.
- A. ₹554
B. ₹4,22,000
C. ₹1,57,000
D. ₹1,084
3. To obtain the break-even point in rupee sales value, total fixed costs are divided by:
- A. Variable cost per unit;
B. Contribution margin per unit;
C. Fixed cost per unit;
D. Profit/volume ratio.
4. The break-even point is the point at which:
- A. There is no profit, no loss;

- B. Contribution margin is equal to total fixed cost;
 - C. Total revenue is equal to total cost;
 - D. All of the above.
5. The primary difference between a fixed budget and a variable (flexible) budget is that a fixed budget:
- A. includes only fixed costs, while a variable budget includes only variable costs.
 - B. is concerned with only further acquisitions of fixed costs, while a variable budget is concerned with expenses which vary with sales.
 - C. cannot be changed after the period begins, while a variable budget can be changed after the period begins.
 - D. is a plan for a single level of sales (or other measure of activity), while a variable budget consists of several plans, one for each of several levels of sales (or other measures of activity).**
6. Margin of safety is referred to as:
- A. Excess of actual sales over fixed expenses;
 - B. Excess of actual sales over variable expenses;
 - C. Excess of actual sales over break-even sales;**
 - D. Excess of budgeted sales over fixed costs.
7. Contribution margin is known as
- A. Marginal income**
 - B. Gross profit
 - C. Net income
 - D. Net profit
8. Fixed cost per unit decrease when
- A. Production volume increases**
 - B. Production volume decreases
 - C. Variable costs per unit decreases
 - D. Prime costs per unit decreases
9. Within a relevant range, the amount of variable costs per unit
- A. Differs at each production level
 - B. Remains constant at each production level**
 - C. Increases as production increases
 - D. Decreases as production increases
10. Margin of safety is referred to as
- A. Excess of budgeted or actual sales over the variable expenses and fixed expense at breakeven
 - B. Excess of budgeted or actual sales revenue over the fixed expenses.
 - C. Excess of actual sales over budgeted sales.**
 - D. Excess of sales revenue over the variable expenses.
11. Under marginal costing system, the contribution margin discloses the excess of
- A. Revenue over fixed costs

- B. Projected revenues over the break-even point
- C. Revenues over variable costs**
- D. Variable costs over fixed costs
- 12. A decrease in sales price
 - A. does not affect the break-even point
 - B. lowers the fixed cost
 - C. Increases the break-even point**
 - D. lowers the break-even point
- 13. Determine Margin of safety if Profit is ₹15,000 and P/V ratio is 40%.
 - A. ₹37,500**
 - B. ₹33,000
 - C. ₹38,000
 - D. None of the above
- 14. What is Margin of Safety if Sales is 20,000 units and B.E.P is 15,000 units?
 - A. 15000 units
 - B. 5000 units**
 - C. 10000 units
 - D. 20000 units
- 15. Calculate margin of safety if sales is ₹3,00,000 and B.E.P is ₹ 4,50,000.
 - A. ₹1,00,000**
 - B. ₹1,50,000
 - C. Amount of sales < B.E.P, therefore no margin of safety
 - D. None of the above
- 16. Determine sales in rupees for desired profit if fixed cost is ₹10,000, Variable cost is ₹30,000, Sales is ₹50,000 and desired profit is ₹5,000.
 - A. ₹73,500
 - B. ₹75,000
 - C. ₹5,000
 - D. ₹37,500**
- 17. What will be sales in rupees for desired profit if fixed cost is ₹30,000, desired profit is ₹15,000 and P/V ratio is 30%?
 - A. ₹1,50,000**
 - B. ₹1,00,000
 - C. ₹2,00,000
 - D. None of the above
- 18. Calculate sales in rupees for desired profit if fixed cost is ₹10,000, selling price is ₹20 per unit, Variable cost is ₹15 per unit and desired profit is ₹1 per unit.
 - A. ₹20,000
 - B. ₹50,000**
 - C. ₹70,000

- D. ₹10,000
19. Determine sales in units for desired profit if Fixed cost is ₹15,000, desired profit is ₹5,000 Selling price per unit is ₹20 and Variable cost per unit is ₹16.
A. ₹5,000 units
 B. ₹5,000
 C. ₹10,000
 D. ₹10,000 units
20. What will be sales in units if fixed cost is ₹50,000 Contribution per unit is ₹60 and desired profit per unit is ₹10.
 A. ₹6,000 units
 B. ₹1,000
C. ₹1,000 units
 D. ₹6,000
21. Determine B.E.P in units and amount if Units produced if ₹10,000, Fixed cost is ₹40,000, Selling price is ₹50 per unit and Variable cost us ₹30 per unit.
 A. ₹40 per unit, ₹2,00,000
 B. ₹50 per unit, ₹10,00,000
C. ₹20 per unit, ₹1,00,000
 D. None of the above
22. Determine B.E.P if Sales is ₹1,00,000, Variable cost is ₹50,000 and Profit is ₹20,000.
A. ₹60,000
 B. ₹40,000
 C. ₹80,000
 D. None of the above
23. If the total cost of 1000 units is ₹ 60,000 and that of 1001 units is ₹60,400, then the increase of ₹400 in the total cost is:
 A. Prime cost
 B. All variable overheads
C. Marginal cost
 D. None of the above
24. Which of the following statements are true about marginal costing?
 A. In marginal costing, fixed costs are treated as product costs
 B. Marginal costing is not an independent system of costing
 C. The elements of cost in marginal costing are divided into fixed and variable components
D. Both b and c
25. The costing method where fixed factory overheads are added to inventory is called:
 A. Activity-based costing
B. Absorption costing
 C. Marginal costing

- D. All of the above
26. While computing profit in marginal costing:
- A. The fixed cost gets added to the contribution
 - B. The total marginal cost gets deducted from total sales revenue**
 - C. The total marginal cost gets added to total sales revenue
 - D. None of the above
27. Which of the following assumptions are made while calculating marginal cost?
- A. Total fixed cost is constant at all levels of output
 - B. Total variable cost varies according to the volume of output
 - C. All elements of cost can be divided into fixed and variable components
 - D. All of the above**
28. Contribution margin in marginal costing is also known as:
- A. Net income
 - B. Gross profit
 - C. Marginal income**
 - D. None of the above
29. The term 'Contribution' refers to the:
- A. Excess of selling price over variable cost per unit**
 - B. Difference between the selling price and total cost
 - C. Subscription towards raising capital
 - D. None of the above
30. Which of the following techniques of costing differentiates between fixed and variable costs?
- A. Marginal costing**
 - B. Standard costing
 - C. Absorption costing
 - D. None of the above
31. Fixed cost is also referred to as in the marginal costing technique:
- A. Total cost
 - B. Product cost
 - C. Period cost**
 - D. None of the above
32. Variable cost is also referred to as in the marginal costing technique:
- A. Total cost
 - B. Product cost**
 - C. Period cost
 - D. None of the above
33. The margin of safety, which is the difference between actual sales and break-even point, can be improved by:
- A. Lowering variable costs

- B. Lowering fixed costs
 - C. Increasing sales volumes
 - D. All of the above**
34. The profit/volume ratio in marginal costing can be improved by:
- A. Lowering fixed cost
 - B. Increasing the selling price**
 - C. Increasing variable cost
 - D. None of the above
35. Under marginal costing, the stock is valued at:
- A. Total Cost
 - B. Fixed Cost
 - C. Variable Cost**
 - D. None of the above
36. The profit at which total revenue is equal to the total cost is known as:
- A. Margin of safety
 - B. Break-even point**
 - C. Both a and b are incorrect
 - D. Both a and b are correct
37. The cost that does not fluctuate based on the volume of the production is known as:
- A. Variable cost
 - B. Fixed cost**
 - C. Semi-variable cost
 - D. None of the above
38. Fixed cost includes:
- A. Property taxes
 - B. Rent
 - C. Insurance premium
 - D. All of the above**
39. Variable cost includes:
- A. Cost of raw materials**
 - B. Salaries and wages
 - C. Electricity bills
 - D. All of the above
40. Marginal cost is equal to:
- A. Variable overheads
 - B. Prime cost plus variable overheads**
 - C. Prime cost minus variable overheads
 - D. None of the above
41. Marginal costing is also called:
- A. Variable costing**

- B. Total costing
- C. Marginal costing
- D. Activity based costing
- 42. What is the opportunity cost of making a component part in a factory given no alternative use of the capacity?
 - A. The variable manufacturing cost of the component
 - B. The total manufacturing cost of the component
 - C. The total variable cost of the component
 - D. Zero**
- 43. The difference in total cost that results from two alternative courses of action is called:
 - A. Relevant Cost
 - B. Opportunity Cost
 - C. Differential Cost**
 - D. Marginal Cost
- 44. Another name for 'Contribution' is:
 - A. Marginal Income**
 - B. Gross Profit
 - C. Net Income
 - D. None of the above
- 45. Relevant costs are:
 - A. unavoidable, future and measured by cash
 - B. avoidable, future and measured by cash
 - C. avoidable, future and measured by profit**
 - D. unavoidable, future and measured by profit
- 46. Which one of the following statements is true?
 - A. Non-cash costs are always relevant.
 - B. Opportunity costs are always relevant.**
 - C. Sunk costs are always relevant.
 - D. Committed costs are always relevant.
- 47. Which of the following costs would not be accounted for in a company's recordkeeping system?
 - A. an unexpired cost
 - B. an expired cost
 - C. a product cost
 - D. an opportunity cost**
- 48. A fixed cost is relevant if it is:
 - A. uncontrollable.
 - B. avoidable**
 - C. sunk.
 - D. a product cost.

49. PQR Ltd. manufactures a single product which it sells for ₹ 40 per unit. Fixed cost is ₹ 60,000 per year. The contribution to sales ratio is 40%. PQR Ltd.'s Break Even Point in units is
- A. 3500
B. 3700
C. 3750
D. 4000
50. The break-even point of a manufacturing company is ₹1,60,000. Fixed cost is ₹48,000. Variable cost is ₹12 per unit. The PV ratio will be:
- A. 20%
B. 40%
C. 30%
D. 25%
51. Product A generates a contribution to sales ratio of 40%. Fixed cost directly attributable to Product A amounted to ₹60,000. The sales revenue required to achieve a profit of ₹15,000 is
- A. ₹ 2,00,000
B. ₹ 1,85,000
C. ₹1,87,500
D. ₹ 2,10,000
52. XYZ Ltd. makes a special gadget for the car it manufactures. The machine for the gadget works to full capacity and incur ₹15 Lakhs and ₹40 Lakhs respectively as Variable and Fixed Costs. If all the gadgets were purchased from an outside supplier, the machine could be used to produce other items, which would earn a total contribution of ₹ 25 Lakhs. What is the maximum price that XYZ Ltd. should be willing to pay to the outside supplier for the gadgets, assuming there is no change in Fixed Costs?
- A. ₹40 Lakhs**
B. ₹65 Lakhs
C. ₹25 Lakhs
D. ₹15 Lakhs
53. Zee Products Ltd. manufactures four products e.g. Product E, Product F, Product G and Product H using same raw materials. The input requirements for Products E, F, G and H are 1kg, 2kgs, 5kgs and 7kgs, respectively. Product-wise Selling Price and Variable Cost data are given hereunder:

Products	E	F	G	H
Selling Price (₹)	100	150	200	300
Variable Cost (₹)	50	70	100	125

Assuming raw material availability is a limiting factor, the correct ranking of the products would be:

- A. E, F, G & H
B. E, F, H & G
 C. F, E, G & H
 D. F, E, H & G
54. X Ltd. has 1000 units of an obsolete item which are carried in inventory at the original price of ₹ 50,000. If these items are reworked for ₹ 20,000, they can be sold for ₹ 36,000. Alternatively, they can be sold as a scrap for ₹6,000 in the market. In a decision model used to analyze the reworking proposal, the opportunity cost should be taken as
 A. ₹16,000
B. ₹6,000
 C. ₹30,000
 D. ₹20,000
55. The sales and profit of a firm for the year 2021 are ₹1,50,000 and ₹20,000 and for the year 2022 are ₹1,70,000 and ₹ 25,000 respectively. The P/V Ratio of the firm is
 A. 15%
 B. 20%
C. 25%
 D. 30%
56. A company has a break-even point when sales are ₹ 3,20,000 and variable cost at that level of sales are ₹2,00,000. How much would contribution margin increase or decrease if variable expenses are dropped by ₹30,000?
 A. Increase by 27.5%
B. Increase by 9.375%
 C. Decrease by 9.375%
 D. Increase by 37.5%
57. A radio manufacturer finds that while it costs ₹16.25 per unit to make a component, the same is available in the market at ₹5.75 each. Continuous supply is also fully assured. The break-up of costs per unit is as follows:
 Materials: ₹ 2.75
 Labour: ₹ 1.75
 Other variable expenses: ₹ 0.50 Depreciation & other fixed costs: ₹ 1.25 The best option for the manufacturer will be
A. To make
 B. To buy
 C. To sell
 D. None of the above
58. Dec 2021: In a purely competitive market, 10,000 pocket transistors can be manufactured and sold and certain profit is generated. It is estimated that 2.0 pocket transistors need to be manufactured and sold in a monopoly market to earn

the same profit. Profit under both conditions is targeted at ₹ 2,00,000. The variable cost per transistor is ₹ 100 and total fixed costs are ₹ 37,000. Unit selling price per transistor under monopoly condition will be:

- A. ₹ 218.50
 - B. ₹ 234.50
 - C. ₹ 267.25
 - D. ₹ 274.35
59. Mr. Mahesh has a sum of ₹ 3,00,000 which invested in a business. He wishes for a 15% return on his fund. It is revealed from the present cost data analysis that the variable cost of operation is 60% of sales and fixed costs are ₹ 1,50,000 p.a. On the basis of this information, you are required to find out the sales volume to earn a 15% return.
- A. ₹ 4.875 Lakhs
 - B. ₹ 4.675 Lakhs
 - C. ₹ 4.775 Lakhs
 - D. ₹ 5.875 Lakhs
60. A radio manufacturer finds that it costs ₹ 6.25 per unit to make component M-140 and the same is available in the market at ₹ 5.75 each. Continuous supply is also fully assured. The break-down cost per unit as follows: Materials ₹ 2.75, Labour ₹ 1.75 other variable expenses ₹ 0.50, Depreciation and other fixed cost ₹ 1.25. What would be your decision, if the supplier offered the component at ₹ 4.85 per unit?
- A. Make
 - B. Buy
 - C. Sell
 - D. None of the above
61. A firm has given the following data:
Fixed expenses at 50% ₹ 15,000, Fixed expenses when factory is close down ₹ 10,000, Additional expenses in closing down ₹ 1,000, Production at 50% capacity 5,000 units, contribution per unit ₹ 1. Advise whether to run the factory or close it down:
- A. Close
 - B. Run
 - C. Continue
 - D. None of the above
62. A company manufactures and sells three types of product namely A, B and C. Total sales per month is ₹ 80,000 in which the share of these three products are 50%, 30% and 20% respectively. The variable cost of these products is 60%, 50% and 40% respectively. The combined P/V Ratio will be:
- A. 49%
 - B. 48%

- C. 47%
- D. 50%
63. Which one of the following is not considered as a method of Transfer Pricing?
- Negotiated Transfer Pricing
 - Market Price Based Transfer Pricing
 - C. Fixed Cost Based Transfer Pricing**
 - Opportunity Cost Based Transfer Pricing
64. Method of pricing, when two separate pricing methods are used to price transfer of products from one subunit to another, is called:
- A. Dual pricing**
 - Functional pricing
 - Congruent pricing
 - Optimal pricing
65. The Eastern division sells goods internally to the Western division of the same company. The quoted external price in industry publications from a supplier near Eastern is ₹200 per ton plus transportation. It costs ₹ 20 per ton to transport the goods to Western. Eastern's actual market cost per ton to buy the direct materials to make the transferred product is ₹100. Actual per ton direct labour is ₹50. Other actual costs of storage and handling are ₹ 40. The company president selects a ₹220 transfer price. This is an example of:
- Negotiated transfer pricing.
 - Cost plus 20% transfer pricing.
 - Cost-based transfer pricing.
 - D. Market-based transfer pricing.**
66. Division P transfers its output to Division Q at variable cost. Once a year P charges a fixed fee to Q, representing an allowance for P's fixed costs. This type of transfer pricing system is commonly known as:
- Dual pricing
 - Negotiated transfer pricing
 - Opportunity cost based transfer pricing
 - D. Two-part tariff transfer pricing**
67. In which of the following circumstances is there a strong argument that profit centre accounting is a waste of time?
- When the transferred item is also sold on an external market
 - When the supplying division is based in a different country to head office
 - If the transferred item is a major product of the supplying division
 - D. If there is no similar product sold on an external market and the transferred item is a major product of the supplying division**
68. Popular method of transfer pricing is the .
- Opportunity cost pricing

- B. Negotiated pricing
C. Market based pricing
 D. Cost based pricing
69. Division under transfer pricing system is treated as
A. Profit centre
 B. System centre
 C. Investment centre
 D. Cost centre
70. Which of the following is/are not method of transfer pricing?
 A. Total cost method
 B. Marginal cost method
 C. Market price method
D. Skimming price method
71. M Group has two divisions, Division P and Division Q. Division P manufactures an item that is transferred to Division Q. The item has no external market and 6,000 units produced are transferred internally each year. The costs of each division are as follows?
- | | Division P | Division Q |
|----------------------|----------------|--------------|
| Variable Cost | ₹ 100 per unit | 120 per unit |
| Fixed cost each year | ₹1,20,000 | 90,000 |
- Head Office management decided that a transfer price should be set that provides a profit of ₹ 30,000 to Division P. What should be the transfer price per unit?
- A. ₹ 145
B. ₹ 125
 C. ₹ 120
 D. ₹ 135

4. DIVISIONAL PERFORMANCE MEASUREMENT

1. Minimax Ltd. fixes inter - divisional transfer prices for its products on the basis of cost plus a return on investment in the division. The budget for division X for 2022 - 23 appears as under -
- | | |
|---------------------------------------|-------------------------|
| Fixed Assets | 8,00,000 |
| Current Assets | 5,00,000 |
| Debtors | 2,00,000 |
| Annual fixed cost of the division | 8,00,000 |
| Variable cost per unit of the product | 10 |
| Budgeted volume | 4,00,000 units per year |
| Desired ROI | 28% |
- Transfer price for division X is
A. ₹ 13.05

- B. ₹ 10.70
 - C. ₹ 8.70
 - D. ₹ 14.70
2. A company has two divisions. The divisions are identical in terms of the number and type of machines they have and the operations they carry out. However, one division was set up four years ago and the other was set up one year ago. Head office appraises the division using both return on the investment (ROI) and residual income (RI).
- Which of the following statements is correct in relation to the outcome of the appraisal for each division?
- A. Both ROI and RI will favour the older division**
 - B. ROI will favour the older division, but RI will treat each fairly
 - C. RI will favour the newer division and ROI will favour the older division
 - D. Both RI and ROI will favour the newer division
3. Residual income is a better measure for performance evaluation of an investment center manager than return on investment because:
- A. The problems associated with measuring the assets base are eliminated.
 - B. Desirable investment decisions will not be rejected by divisions that already have a high ROI.**
 - C. Only the gross book value of assets needs to be calculated.
 - D. Returns do not increase as assets are depreciated.
4. A company that is seeking to increase ROI should attempt to decrease:
- A. Sales.
 - B. Turnover.
 - C. Margin.
 - D. Average operating assets.**
5. Which of the following would be considered an operating asset in return on investment computations?
- A. Land being held for plant expansion.
 - B. Treasury stock.
 - C. Accounts receivable.**
 - D. Common stock.
6. Which of the following would be an argument for the use of net book value in the computation of operating assets in return on investment calculations?
- A. It allows the manager to replace old, worn- out equipment with a minimum adverse impact on ROI.
 - B. It allows ROI to decrease over time as assets get older.
 - C. It is consistent with how plant and equipment items are reported on the balance sheet.**

- D. It eliminates both age of equipment and method of depreciation as factors in ROI computations.
7. According to Kaplan and Norton, what should be the main perspective of the balanced scorecard?
- A. Financial.**
 - B. Customer.
 - C. Internal business process.
 - D. Learning and growth.
8. According to Norton and Kaplan, the balanced scorecard should be used as
- A. A control system.
 - B. A diagnostic system.
 - C. A strategic system.**
 - D. A and B.
9. The various stakeholders include vendors, employees, distributors, customers, stockholders and society. According to Norton and Kaplan, which of these should be represented on the balanced scorecard?
- A. All stakeholders are important and should be included.
 - B. All except society which is too general to be included.
 - C. Only employees, customers and stockholders.
 - D. Only those are vital for achieving the company's strategy.**
10. Norton and Kaplan recommend that a separate balanced scorecard be developed for
- A. Each department within the company.
 - B. Each product line within the company.
 - C. Each division or business unit with the company.**
 - D. The whole company.
11. Norton and Kaplan argue that balanced scorecard measurements should
- A. Clearly indicates the person responsible.
 - B. Be linked.
 - C. Be reinforcing.
 - D. Both B. and C.**
12. Advocates of which of the following theories would be the most likely to criticize the balanced scorecard concept?
- A. Japanese management theory.
 - B. Deming's theory of management.
 - C. JIT management theory.
 - D. Goldratt's theory of constraints**
13. In the Balanced Scorecard, Kaplan and Norton describe four perspectives that need to be balanced for companies to become and remain competitive. Which perspective places more emphasis on investing in employees?
- A. Financial.**

- B. Customer.
 - C. Internal business processes.
 - D. Learning & growth.**
14. According to Kaplan & Norton, which of the balanced scorecard perspectives is first in the chain of cause and effect relationships?
- A. Financial.
 - B. Customer.
 - C. Internal business processes.
 - D. Learning & growth.**
15. According to Kaplan & Norton, which of the balanced scorecard perspectives serves as the focus of the other perspectives?
- A. Financial.**
 - B. Customer.
 - C. Internal business processes.
 - D. Learning & growth.
16. Which of the following is not one of the main parts of the Kaplan-Norton balanced scorecard concept?
- Balancing:
- A. Financial and non-financial measurements.
 - B. Cash flows and non-cash flows.**
 - C. Short term and long term measurements.
 - D. Leading and lagging indicators.

5. STANDARD COSTING

1. Which of the following is true of standards?
- A. Standards represent a benchmark or a norm
 - B. Standards relate to input quantity
 - C. Standards relate to input cost
 - D. All of the above**
2. Standards that can be attained only under the best circumstances are referred to as:
- A. Attainable standards
 - B. Budget standards
 - C. Ideal standards**
 - D. Practical standards
3. Who is most likely to be held responsible for a material price variance?
- A. Line workers
 - B. Production supervisors**
 - C. Purchasing managers

- D. Production schedulers
4. Cost variance is the difference between
 - A. The standard cost and marginal cost
 - B. The standards cost and budgeted cost
 - C. The standards cost and the actual cost**
 - D. None of these
5. Standard costing is a tool, which replaces the bottleneck of the costing.
 - A. Present
 - B. Future
 - C. Historical**
 - D. None of the above
6. If standard cost > actual, then it is
 - A. Not favourable
 - B. Favourable**
 - C. Neither favourable nor not favourable
 - D. None of the above
7. From cost control point of view the standard most commonly used is:
 - A. Expected standard**
 - B. Theoretical standard
 - C. Normal standard
 - D. Basic standard
8. When more than one material is used in the manufacture of a product, which of the following variances arises:
 - A. Material yield variance
 - B. Material mix variance**
 - C. Material price variance
 - D. Material usage variance
9. Which of the following equations can be used to calculate a material quantity variance?
 - A. $(AQ \times AP) - (AQ \times SP)$
 - B. $(AP \times SP) - (AQ \times SP)$
 - C. $(AQ \times SP) - (SQ \times SP)$**
 - D. $(AQ \times SP) - (AQ \times AP)$
10. Which of the following equations can be used to calculate a material price variance?
 - A. $(AQ \times AP) - (AQ \times SP)$**
 - B. $(AP \times SP) - (AQ \times SP)$
 - C. $(AQ \times SP) - (SQ \times SP)$
 - D. $(AQ \times SP) - (AQ \times AP)$
11. Which of the following is not likely to be a reason of unfavourable direct labour efficiency variance?

- A. Increase in direct materials prices**
 - B. Frequent break downs during production process
 - C. Lack of proper supervision
 - D. Use of old, outdated or faulty equipment
12. Which of the following is a purpose of standard costing?
- A. To determine profit at different levels
 - B. To determine break-even point
 - C. To control costs**
 - D. To allocate cost with more accuracy
13. Which of the following activities is the Standard Costing System used for?
- A. It is a basis for implementing cost control and fixing the price of products through variance analysis**
 - B. It helps to ascertain the cost-volume relationship between products manufactured by the business
 - C. It helps to establish the breakeven point for the products manufactured by the company
 - D. None of the above
14. Which of the following activities is true under the Standard Costing System?
- A. The overhead volume variance is always beneficial
 - B. The idle time variance is never favourable**
 - C. To calculate the overall costs, a company can either use budgetary control or standard costing but not both of those techniques
 - D. The overhead efficiency variance plus overhead expense variance is equal to the overhead budget variance for variable overheads
15. A standard cost is a carefully unit cost which is prepared for each cost unit.
- A. Pre-determined**
 - B. Absorbed
 - C. Apportioned
 - D. None
16. Setting of standard involves effective utilization of .
- A. Men
 - B. Material
 - C. Machines
 - D. All of the above**
17. The standard cost card contains quantities and costs for
- A. Direct material only.
 - B. Direct labour only.
 - C. Direct material and direct labour only.
 - D. Direct material, direct labour, and overhead.**
18. Standards differ from budgets in that:

- A. Budgets but not standards may be used in valuing inventories.
 - B. Budgets but not standards may be journalized and posted.
 - C. Budgets are a total amount and standards are a unit amount.**
 - D. Only budgets contribute to management planning and control.
19. Standard Costs:
- A. Are imposed by governmental agencies.
 - B. Are predetermined unit costs which companies use as measures of performance.**
 - C. Can be used by manufacturing companies but not by service or not-for-profit companies.
 - D. All of the above.
20. The advantages of standard costs include all of the following except:
- A. Management by exception may be used.
 - B. Management planning is facilitated.
 - C. They may simplify the costing of inventories.
 - D. Management must use a static budget.**
21. Normal standards:
- A. Allow for rest periods, machine breakdowns, and setup time.**
 - B. Represent levels of performance under perfect operating conditions.
 - C. Are rarely used because managers believe they lower workforce morale.
 - D. Are more likely than ideal standards to result in unethical practices.
22. The setting of standards is:
- A. A managerial accounting decision.
 - B. A management decision.**
 - C. A worker decision.
 - D. Preferably set at the ideal level of performance.
23. Which of the following is correct about the total overhead variance?
- A. Budgeted overhead and budgeted overhead applied are the same.
 - B. Total actual overhead is composed of variable overhead, fixed overhead, and period costs.
 - C. Standard hours actually worked are used in computing the variance.
 - D. Standard hours allowed for the work done is the measure used in computing the variance.**
24. Which of the following is incorrect about variance reports?
- A. They facilitate "management by exception."
 - B. They should only be sent to the top level of management.**
 - C. They should be prepared as soon as possible.
 - D. They may vary in form, content, and frequency among companies.
25. Which of the following is incorrect about a standard cost accounting system?
- A. It is applicable to job order costing.

- B. It is applicable to process costing.
 - C. It reports only favourable variances.**
 - D. It keeps separate accounts for each variance.
26. Generally accepted accounting principles allow a company to:
- A. Report inventory at standard cost but cost of goods sold must be reported at actual cost.
 - B. Report cost of goods sold at standard cost but inventory must be reported at actual cost.
 - C. Report inventory and cost of goods sold at standard cost as long as there are no significant differences between actual and standard cost.**
 - D. Report inventory and cost of goods sold only at actual costs; standard costing is never permitted.
27. What is the labour rate variance if standard hours for 100 units of output are 400 @ ₹ 2 per hour and actual hours taken are 380 @ ₹ 2.25 per hour?
- A. ₹120 (A)
 - B. ₹100 (A)
 - C. ₹95 (A)**
 - D. ₹ 25 (F)
28. Standard quantity of material for one unit of output is 10 kgs @ ₹ 8 per kg . Actual output during a given period is 800 units. The standards quantity of raw material
- A. 8,000 kgs**
 - B. 6,400 Kgs
 - C. 64,000 Kgs
 - D. None of these
29. Standard price of material per kg is ₹ 20, standard usage per unit of production is 5 kg. Actual usage of production 100 units is 520 kgs, all of which was purchase at the rate of ₹ 22 per kg. Material cost variance is
- A. ₹ 2,440 (A)
 - B. ₹ 1,440 (A)**
 - C. ₹ 1,440 (F)
 - D. ₹ 2,300 (F)
30. To produce a particular batch of product, F Corporation paid its workers ₹ 12.00 per hour for 4,000 hours of work. The standards for the quantity of work represented by the batch were ₹ 12.50 per hour and 4,400 hours. What was the labour efficiency variance?
- A. 2,000.00 (F)
 - B. 5,000.00 (F)**
 - C. 5,000.00 (A)
 - D. 2,000.00 (A)

31. The firm's direct-labour rate variance was ₹ 4,800 unfavourable. Actual labour was 24,000 direct labour hours, at a cost of ₹ 1,68,000 for 25,000 units of finished product requiring 1 hour of direct labour each, at standard. What is the standard rate per direct labour hour?
 - A. ₹ 7.20
 - B. ₹ 6.80**
 - C. ₹7.00
 - D. Cannot be determined from the information given
32. During the month of December actual direct labour cost amounted to ₹ 39,550, the standard direct labour rate was ₹ 10 per hour and the direct labour rate variance amounted to ₹ 450 favourable. The actual direct labour hours worked was:
 - A. 3,955 hours
 - B. 4,000 hours**
 - C. 3,910 hours
 - D. 4,500 hours
33. XYZ factory working for 50 hours per week employs hundred workers on a job work. The standard output is 200 units per gang hour and standard rate is ₹ 1 per hour. During a week in June, five employees were paid @ ₹ 1.20 per hour and ten employees were paid @ 80 paise per hour. Rest of the employees was paid @ standard hour rate. The actual number of units produced was 10,200. Determine labour cost variance
 - A. ₹ 100 favourable
 - B. ₹ 150 unfavourable
 - C. ₹ 150 favourable**
 - D. ₹ 100 unfavourable
34. In producing product ZZ, 14,800 direct labor hours were used at a rate of ₹ 8.20 per hour. The standard was 15,000 hours at ₹ 8.00 per hour. Based on these data, the direct labour:
 - A. Quantity variance is ₹ 1,600 favourable.**
 - B. Quantity variance is ₹ 1,600 unfavourable.
 - C. Price variance is ₹ 2,960 favourable.
 - D. Price variance is ₹ 3,000 unfavourable.

6. BUDGET

1. What is the name given to a budget that has been prepared by re-evaluating activities and comparing the incremental costs of those activities with their incremental benefits?
 - A. Incremental budget
 - B. Rolling budget
 - C. Zero base budget**
 - D. Flexible budget

2. A budget is an instrument of management used as an aid in the
 - A. Planning
 - B. Programming
 - C. Control of business activity
 - D. All of the above**
3. Following may be regarded as a summary budget
 - A. Production budget
 - B. Master budget
 - C. Cash budget
 - D. Sales budget
4. Purchases budget is prepared using the information from
 - A. Capital expenditure budget
 - B. Materials budget**
 - C. Both (A) and (B)
 - D. None of the above
5. Following budget may be compiled on departmental basis
 - A. Production budget
 - B. Purchase budget
 - C. Materials budget**
 - D. All of the above
6. Production budget is based upon
 - A. Sales budget
 - B. Factory capacity
 - C. Availability of raw material and labour
 - D. All of the above**
7. Budget includes
 - A. Income
 - B. Expenditure
 - C. Employment of capital**
 - D. All of the above
8. Functional budget is subsidiary to
 - A. Variable budget
 - B. Fixed budget
 - C. Master budget
 - D. All of the above**
9. A budget should be
 - A. Rigid
 - B. Flexible**
 - C. Both (A) and (B)
 - D. None of the above

10. The object of budgetary control is
 - A. Planning**
 - B. Forecasting
 - C. Organizing
 - D. Directing
11. The budget which is dynamic is .
 - A. Flexible budget
 - B. Sales budget**
 - C. Cash budget
 - D. Purchase budget
12. The process of budgeting helps in the control of
 - A. Cost of production
 - B. Liquidity
 - C. Capital Expenditure
 - D. All of the above**
13. Plant utilization budget and Manufacturing overhead budgets are types of
 - A. Production budget
 - B. Sales budget
 - C. Cost budget**
 - D. None of the above
14. R&D budget and Capital expenditure budget are examples of
 - A. Short-term budget
 - B. Current budget
 - C. Long-term budget**
 - D. None of the above
15. The scare factors is also known as
 - A. Key factor**
 - B. Abnormal factor
 - C. Linking factor
 - D. None of the above
16. A budgeting process which demands each manager to justify his entire budget in detail from beginning is
 - A. Functional budget
 - B. Master budget
 - C. Zero base budgeting**
 - D. None of the above
17. While preparing sales budget, which of the following factors are considered?
 - A. Non-operational factors
 - B. Environmental factors**
 - C. Both a and b

- D. None of the above
18. provides an estimate of the capital amount that may be required for buying fixed assets needed for meeting production requirements.
- A. Production budget
 - B. Cash budget**
 - C. Capital expenditure budget
 - D. None of the above
19. is designed after assessment of the volume of output to be produced during budget period.
- A. Cost budget**
 - B. Sales budget
 - C. Production budget
 - D. None of the above
20. is the first step of budgetary system and all other budgets depends on it.
- A. Cost budget
 - B. Sales budget**
 - C. Production budget
 - D. None of the above
21. also known as subsidiary budgets.
- A. Master budget
 - B. Functional budget**
 - C. Cost budget
 - D. None of the above
22. contains the picture of total plans during the budget period and it comprises information relating to sales, profit, cost, production etc.
- A. Master budget**
 - B. Functional budget
 - C. Cost budget
 - D. None of the above
23. is stated as a budget which is made to change as per the levels of activity attained.
- A. Fixed budget
 - B. Flexible budget**
 - C. Both a and b
 - D. None of the above
24. is prepared for single level of activity and single set of business conditions.
- A. Fixed budget**
 - B. Flexible budget
 - C. Both a and b
 - D. None of the above

25. On the basis of period, budgets may be classified into groups.
 - A. Five
 - B. Four
 - C. Three**
 - D. Two
26. Which of the following statements are not true about budget, budgeting & budgetary control?
 - A. Budgetary control works on the basis of best option
 - B. Budget is one of the important mediums of communication
 - C. Budgeting develops the quality of objectivity in planning
 - D. None of the above**
27. Which of the following statements are true about budget, budgeting & budgetary control?
 - A. Budgeting is business estimates for future periods
 - B. Budget is the process of preparing business estimates
 - C. Budgetary control is the means to achieve performance on the basis of budget**
 - D. None of the above
28. Which of the following statements are true about budget, budgeting & budgetary control?
 - A. Budgetary control is a wider concept whereas Budget and budgeting are narrower concepts
 - B. If there is budgeting or budget, it is not necessary that there should be budgetary control also
 - C. If there is budgetary control, budgeting and budget are must
 - D. All of the above**
29. According to George R. Terry, may be described as a process of finding out what is being done and comparing actual results with the corresponding budget data in order to approve accomplishment.
 - A. Budgetary control**
 - B. Budget
 - C. Budgeting
 - D. None of the above
30. Which of the following are not the objectives of Budgeting?
 - (A) To express the objectives of the firms in qualitative terms.
 - (B) To prepare base for evaluation of work performance.
 - (C) To co-ordinate organizational and managerial units of the firm.
 - (D) To develop a strong appraisal of objectives and policies of firm.
 - A. A, B and C
 - B. B, C and D
 - C. D, C and A
 - D. None of the above**

31. Production at 60% activity is ₹ 600 units, if flexible budget needs to be calculated at 80% activity what will be units produced?
A. ₹ 800
 B. ₹ 600
 C. ₹1200
 D. ₹ 1000
32. Given Production at 60% activity, 600 units, Material ₹ 50 per unit, Labour ₹ 20 per unit, Direct expenses Rs 5 per unit, Factory overheads ₹ 20,000 (60% variable) and Administration expenses Rs 15,000 (60% fixed). What will be the total cost per unit for production at 80% capacity?
A. ₹1,01,000
B. ₹ 126.25
 C. ₹122
 D. ₹1,22,000
33. A factory produces two types of articles Y and Z. Article Y takes 8 hours to make and Z takes 16 hours. In a month (25 days x 8 hours) 600 units of X and 400 units of Z are produced. Given budgeted hours 8000 per month and men employed are 50. Determine Activity ratio, Capacity ratio and efficiency ratio.
A. 112%, 140%, 140%
 B. 140%, 112%, 140%
C. 140%, 140%, 112%
 D. None of the above
34. Given the budgeted output in second quarter are 8,000 units. In the first quarter, Fixed overheads were ₹40,000; Variable overheads were ₹ 5 per unit (₹ 40,000) and semi variable were ₹ 20,000 (60% varying @ ₹ 3 per unit). Determine the total manufacturing overhead budget for the second quarter.
A. ₹ 1,12,000
 B. 1,12,000 units
 C. Insufficient data
 D. None of the above
35. ABC Company plans a sale of 96,000 units of TV product line in the first fiscal quarter, 1,20,000 TV units in second quarter, and 1,32,000 units and 1,50,000 units in third and fourth quarter, and 1,56,000 units in the first quarter of next year. Given that at the beginning of first fiscal quarter, the company has 16,000 units in stock. Also, at the end of each quarter, ABC Company wants to maintain an inventory equal to one-sixth of the sales for the next fiscal quarter. Determine units to be manufactured in first and second quarter of the year.
A. 10,00,000 and 1,35,000
B. 10,00,000 and 1,22,000
 C. Insufficient data
 D. None of the above

7. RESPECTIVE ACCOUNTING

1. In a responsibility accounting system, managers are accountable for:
 - A. Incremental costs.
 - B. Product costs but not for period costs.
 - C. Costs over which they have control.**
 - D. Variable costs but not for fixed costs.
2. In designing a responsibility accounting system, one should keep in mind a certain characteristic of each cost. This characteristic is:
 - A. The degree of cost controllability by the manager;**
 - B. How the cost behaves with respect to volume;
 - C. The accuracy of cost allocation;
 - D. All of the above.
3. Which of the following statements are true about responsibility accounting?
 - A. Responsibility accounting results in inter-departmental conflicts**
 - B. In responsibility center more focus is paid on products, processes or jobs
 - C. No focus is paid on controlling costs
 - D. None of the above
4. Which concept (or concepts) listed below is (are) consistent with traditional responsibility accounting?
 - A. Vertical structure.**
 - B. Cross functional measurements.
 - C. Bottom up control.
 - D. A and B.
5. In profit center revenue represents a monetary measure of output emanating from a profit center in a given period irrespective whether
 - A. The revenue is realized or not
 - B. The output is sold or not
 - C. Both A and B**
 - D. None of the above
6. Which type of responsibility center has the greatest amount of autonomy?
 - A. Revenue center.
 - B. Cost center.
 - C. Profit center.
 - D. Investment center.**
7. Which of the following is responsibility center?
 - A. Expense center
 - B. Profit center
 - C. Investment center
 - D. All of the above**

8. The characteristics of a responsibility system for a JIT, or lean organization include
 - A. Competition between subsystems.
 - B. Independence of subsystems.
 - C. Cross functional measurements.**
 - D. A and B.
9. The responsibility centers, for control purposes, may be classified into types.
 - A. Five
 - B. Three**
 - C. Four
 - D. None of the above
10. The area of focus on responsibility center is
 - A. Quantum of sales
 - B. Quantum of production
 - C. Optimum utilization of resources**
 - D. All of the above
11. In responsibility cost accounting the costs in focus are
 - A. Controllable costs**
 - B. Uncontrollable costs
 - C. Both A and B
 - D. None of the above
12. In responsibility accounting, responsibilities of various groups or individuals are identified in terms of
 - A. Work
 - B. Revenue
 - C. Cost
 - D. All of the above**
13. Responsibility Accounting is also known as
 - A. Profitability accounting
 - B. Activity accounting
 - C. Both A and B**
 - D. None of the above
14. Which of the following represent arguments against traditional responsibility accounting?
 - A. It tends to promote competition between segments of a company.
 - B. It tends to promote subsystem, or local optimization.
 - C. It tends to ignore many of the interdependencies within an organization.
 - D. All of the above.
15. Which of the following characteristics is not associated with traditional responsibility accounting?

- A. Assumes optimization of the parts will optimize the whole.
 - B. Assumes independence of the parts.
 - C. Places emphasis on the performance of individuals.
 - D. Attempts to control processes.**
16. Responsibility Accounting is also known as
- A. Profitability accounting
 - B. Activity accounting
 - C. Both A and B**
 - D. None of the above
17. Responsibility Accounting is also called Accounting
- A. Profitability**
 - B. Management
 - C. Authority
 - D. None of these
18. Responsibility accounting is used for
- A. cost control**
 - B. planning
 - C. decision making
 - D. pricing
19. The performance of investment centre is based on
- A. Cost of the centre
 - B. Profit of the centre
 - C. Profit and investment of the centre**
 - D. Revenue of the centre
20. In responsibility accounting the organization is divided into different centers
- A. Responsibility**
 - B. Cost
 - C. Profit
 - D. None of these
21. A cost centre is a segment of the organization where the manager is responsible for
- A. Costs
 - B. Inputs
 - C. A or B**
 - D. None of these
22. Both costs and revenues are measured in centers
- A. Cost
 - B. Profit**
 - C. Revenue
 - D. All of these

23. A centre where the manager is responsible for sales is
 - A. Cost centre
 - B. Revenue centre**
 - C. Investment centre
 - D. Sales Centre
24. The performance of investment centre is based on
 - A. Cost of the centre
 - B. Profit of the centre
 - C. Profit and investment of the centre**
 - D. Revenue of the centre
25. There are three departments A, B and C in a company. The sales of A, B and C are ₹ 3,52,000, ₹ 2,88,000 and ₹ 1,60,000, respectively. The variable costs of A, B and C are ₹ 2,40,000, ₹ 1,76,000 and ₹ 1,44,000 respectively. The direct fixed costs of A, B and C are ₹ 28,000, ₹ 22,400 and ₹ 12,800. Rank the different departments on basis of relative profitability.
 - A. A- Rank 3, B- Rank 1 and C- Rank 2**
 - B. A- Rank 2, B- Rank 1 and C- Rank 3
 - C. A- Rank 3, B- Rank 2 and C- Rank 1
 - D. Insufficient data
26. In a control report of Department X, it is mentioned as indirect materials are ₹1,000, indirect labour ₹900, Overtime Charges ₹100, Depreciation on equipment ₹500, Allocated factory overhead (38% of factory space) ₹4,300, Allocated overhead of repair shop is ₹ 1,200. Determine total costs treating department X as a responsibility center.
 - A. ₹ 3,200**
 - B. ₹ 2,200
 - C. ₹ 1,200
 - D. None of the above

8. DECISION THEORY

1. A type of decision-making environment is
 - A. Certainty
 - B. Uncertainty
 - C. Risk
 - D. All of these**
2. Which of the following criterion is not used for decision-making under uncertainty?
 - A. Maximin
 - B. Maximax
 - C. Minimax
 - D. Minimize expected loss**

3. Decision theory is concerned with
 - A. Methods of arriving at an optimal decision
 - B. Selecting optimal decision in a sequential manner
 - C. Analysis of information that is available
 - D. All of these**
4. Which of the following criterion is not applicable to decision-making under risk?
 - A. Maximize expected return
 - B. Maximize return**
 - C. Minimize expect regret
 - D. Knowledge of likelihood occurrence of each state of nature
5. The minimum expected opportunity loss (EOL) is
 - A. Equal to EVPI
 - B. Minimum regret
 - C. Equal to EMV
 - D. Both (A) and (B)**
6. The expected value of perfect information (EVPI) is
 - A. Equal to expected regret of the optimal decision under risk**
 - B. The utility of additional information
 - C. Maximum expected opportunity loss
 - D. None of the above
7. The value of the coefficient of optimism (a) is needed while using the criterion of
 - A. Equally likely
 - B. Maximin
 - C. Realism**
 - D. Minimax
8. The decision-maker's knowledge and experience may influence the decision-making process when using the criterion of
 - A. Maximax
 - B. Maximax regret
 - C. Realism**
 - D. Maximin
9. The difference between the expected profit under conditions of risk and the expected profit with perfect information is called
 - A. The expected value of perfect information**
 - B. Expected marginal loss
 - C. None of the above
 - D. Any one of the above
10. A situation in which a decision maker knows all of the possible outcomes of a decision and also knows the probability associated with each outcome is referred to as
 - A. Certainty.

- B. Risk.
 - C. Uncertainty.
 - D. Strategy.
11. Which of the following methods of selecting a strategy is consistent with risk averting behaviour?
 - A. **If two strategies have the same expected profit, select the one with the smaller standard deviation.**
 - B. If two strategies have the same standard deviation, select the one with the smaller expected profit.
 - C. Select the strategy with the larger coefficient of variation.
 - D. All of the above are correct.
 12. Which one of the following does not measure risk?
 - A. Coefficient of variation
 - B. Standard deviation
 - C. **LPP**
 - D. All of the above are measures of risk.
 13. A situation in which a decision maker must choose between strategies that have more than one possible outcome when the probability of each outcome is unknown is referred to as
 - A. Diversification.
 - B. Certainty.
 - C. Risk.
 - D. **Uncertainty.**
 14. If a decision maker is risk averse, then the best strategy to select is the one that yields the
 - A. Highest expected payoff.
 - B. Lowest coefficient of variation.
 - C. **Highest expected utility.**
 - D. Lowest standard deviation.
 15. Circumstances that influence the profitability of a decision are referred to as
 - A. Strategies.
 - B. A payoff matrix.
 - C. **States of nature.**
 - D. the marginal utility of money.
 16. A strategy that yields an expected monetary payoff of zero is called a
 - A. Risk-neutral strategy.
 - B. **Fair game.**
 - C. Zero-sum game.
 - D. Certainty equivalent

17. A matrix that, for each state of nature and strategy, shows the difference between a strategy's payoff and the best strategy's payoff is called
 - A. A maximin matrix.
 - B. A minimax regret matrix.**
 - C. A payoff matrix.
 - D. An expected utility matrix.
18. The sequence of possible managerial decisions and their expected outcome under each set of circumstances can be represented and analysed by using
 - A. The minimax regret criterion.
 - B. A decision tree.**
 - C. A payoff matrix.
 - D. Simulation.
19. The expected value of perfect information is calculated by subtracting:
 - A. The minimum expected opportunity loss from the expected opportunity loss with perfect information.**
 - B. The maximum EMV from the minimum expected opportunity loss.
 - C. EVSI from the expected return with perfect information.
 - D. The maximum EMV from the expected return with perfect information.
20. The maximin criterion is a feature of which of the following?
 - A. Deterministic model
 - B. Decision-making under uncertainty**
 - C. Optimization
 - D. Decision-making under certainty
21. A company is choosing which of three new products to make (A, B or C) and has calculated likely payoffs under three possible scenarios (I, II or III), giving the following payoff table.
Using maximax, which product would be chosen?

Profit (Loss) Scenario	Product Chosen		
	A	B	C
I	20	80	10
II	40	70	100
III	50	(10)	40

- A. Product A
 - B. Product B
 - C. Product C**
 - D. None of the Products
22. ABC Co is trying to set the sales price for one of its products. Three prices are under consideration, and expected sales volumes and costs are as follows.

Price per unit	₹4	₹4.30	₹4.40
Expected sales volume (units)			
Best possible	16,000	14,000	12,500

Most likely	14,000	12,500	12,000
Worst possible	10,000	8,000	6,000

Fixed costs are ₹20,000 and variable costs of sales are ₹2 per unit.

Which price should be chosen?

A. ₹ 4

B. ₹4.30

C. ₹4.40

D. Insufficient data

23. Suppose a manager has to choose between mutually exclusive options A and B, and the probable outcomes of each option are as follows.

Option A		Option B	
Probability	Profit (₹)	Probability	Profit (₹)
0.8	5,000	0.1	(2,000)
0.2	6,000	0.2	5,000
\$ \$		0.6	7,000
		0.1	8,000

The expected value (EV) of profit will be:

A. ₹ 6,000

B. ₹ 4,500

C. ₹ 5,800

D. None of the above

24. ABC stocks a weekly lifestyle magazine. The owner buys the magazines for ₹0.30 each and sells them at the retail price of ₹0.50 each.

At the end of the week unsold magazines are obsolete and have no value. The estimated probability distribution for weekly demand is shown below.

Weekly demand in units	Probability
20	0.20
30	0.55
40	0.25
	1.00

What is the expected value of demand?

A. 30

B. 20

C. 25

D. None of the above

25. A manager has to choose between mutually exclusive options C and D and the probable outcomes of each option are as follows.

Options C		Options D	
Probability	Cost	Probability	Cost
	₹		₹
0.29	15,000	0.03	14,000
0.54	20,000	0.30	17,000
0.17	30,000	0.35	21,000
		0.32	24,000

Both options will produce an income of ₹30,000. Which should be chosen?

- A. Option C
- B. Option D
- C. No Option
- D. Both the Options

26. Suppose a businessman is trying to decide which of three mutually exclusive projects to undertake. Each of the projects could lead to varying net profit under three possible scenarios.

	D	E	F
Scenarios			
I	100	80	60
II	90	120	85
III	(20)	10	85

Which Project is to be selected?

- A. D
- B. E
- C. F
- D. Insufficient data

27. A company is considering which one of three alternative courses of action, A, B and C to take. The profit or loss from each choice depends on which one of four economic circumstances, I, II, III or IV will apply. The possible profits and losses, in thousands of pounds, are given in the following payoff table. Losses are shown as negative figures.

		Action		
		A	B	C
Circumstance	I	70	60	70
	II	-10	20	-5
	III	80	0	50
	IV	60	100	115

Required:

State which action would be selected using each of the maximax and maximin criteria?

- A. A
- B. B
- C. C
- D. All of the above

28. Suppose that a manager is trying to decide which of three mutually exclusive projects to undertake. Each of the projects could lead to varying net profits which are

classified as outcomes I, II and III. The manager has constructed the following payoff table or matrix (a conditional profit table):

Project	I	II	III
A	₹50,000	₹65,000	₹80,000
B	₹70,000	₹60,000	₹75,000
C	₹90,000	₹80,000	₹55,000
Probability	0.2	0.6	0.2

Required:

Which project would be chosen using EV?

- A. A
- B. B
- C. C
- D. None of the above

29. A manager is trying to decide which of three mutually exclusive projects to undertake. Each of the projects could lead to varying net costs which the manager calls outcomes I, II and III. The following payoff table or matrix has been constructed:

		I (Worst)	II (Most likely)	III (Best)
Project	A	50	85	130
	B	70	75	140
	C	90	100	110

Which project should be undertaken under minimax regret rules?

- A. A
- B. B
- C. C
- D. Insufficient data

30. The management of LT Company must choose whether to go ahead with either of two mutually exclusive projects: A or B. The expected profits are as follows:

	Profit if there is strong demand	Profit/(loss) if there is weak demand
Option A	₹4,000	₹(1,000)
Option B	₹1,500	₹ 500
Probability of demand	0.3	0.7

Ascertain what the decision would be, based on expected values, if no information about demand were available.

- A. A
- B. B
- C. A and B
- D. None



Siva Dinesh, **36**LPA
Company: **EY GDS**



Krishna, **36**LPA
Company: **Deloitte**



V.Krishna, **22**LPA
Company: **Central Books**



Preeti, **20.5**LPA
Company: **Accenture**



B. Bhargav, **20.5**LPA
Company: **Vedanta Ltd**



Karthik, **17**LPA
Company: **BDO**



Harish, **16**LPA
Company: **K&M LLP**



Ravi Teja, **15**LPA
Company: **Deloitte**



Uday Krishna, **15**LPA
Company: **NHPC Limited**



Jayanth, **14.5**LPA
Company: **LN & CO**



Sai, **14**LPA
Company: **KPMG**



J Prakash, **13**LPA
Company: **M&C Associates**



M. Alekhya, **12**LPA
Company: **Deloitte**



Keerthi, **11**LPA
Company: **KPMG**



Lahari, **10.25**LPA
Company: **Accenture**



Sai Pradeep, **9**LPA
Company: **KPI Ltd.**



S. Sekhar, **8.6**LPA
Company: **EPI Ltd.**



Ram Sai, **8**LPA
Company: **Thirumala Dairy**

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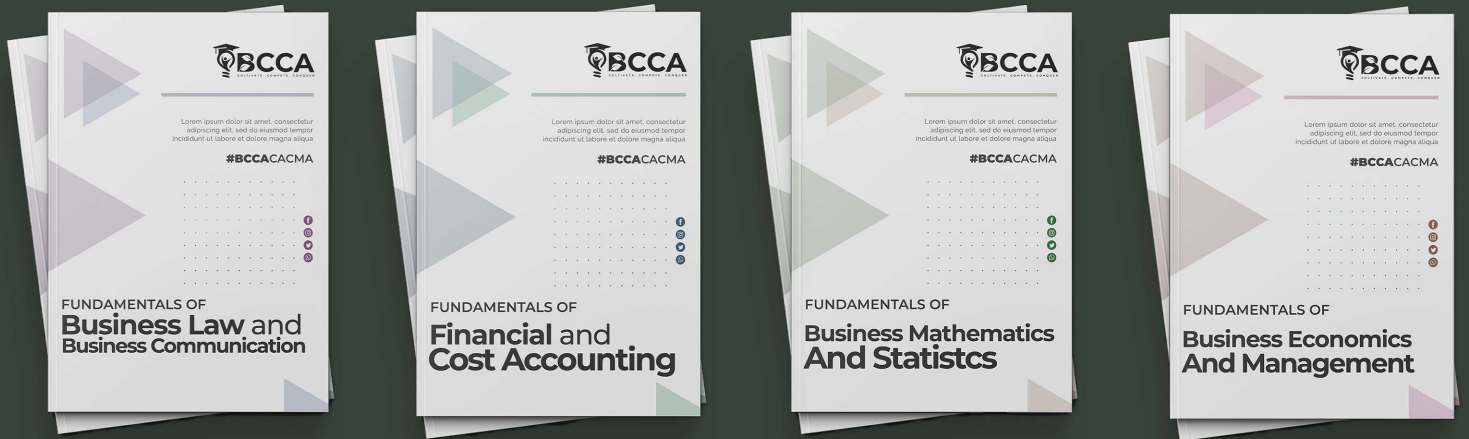
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