



# MANAGEMENT

# ACCOUNTING

# 250+ MCQS

# WITH SOLUTION



CMA 6-2

⇒ MGIT. ACCOUNTING

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# INTERMEDIATE EXAMINATION

June 2024

P-12(MA)  
Syllabus 2022

## MANAGEMENT ACCOUNTING

Time Allowed: 3 hours

Full Marks: 100

*The figures in the margin on the right-hand side indicate full marks.*

*Where considered necessary, suitable assumptions may be made  
and clearly indicated in the answer.*

*All working notes should form part of your answer.*

### Section-A (Compulsory)

#### 1. Choose the correct option:

2×15=30

(i) Which one of the following statements is false?

(A) Management accountant uses cost accounting tools and techniques for planning and decision making.

(B) Management accounting is mostly historical in its approach and it projects the past.

(C) Cost accounting system can be installed without management accounting.

(D) Management accounting focuses on wealth maximization.

(ii) According to DU-Pont Methodology, the parameter(s) that drive Return on Equity (ROE) is / are \_\_\_\_\_.

(A) Operating performance

(B) Asset usage performance

(C) Financial Leverage

(D) All of the above

- (iii) Which one of the following Responsibility Centers, is an Organizational Unit whose manager is responsible for managing revenues and current expenses?
- (A) Investment Center
  - (B) Revenue Center
  - (C) Profit Center
  - (D) Cost of Expense Center
- (iv) The Laplace Criterion is the feature of which of the following?
- (A) Deterministic Model
  - (B) Decision making under certainty
  - (C) Decision making under uncertainty
  - (D) Optimization
- (v) Bon, a division of BANT Ltd. a manufacturing company, has total assets of ₹ 12,00,000 and an Operating Income of ₹ 3,00,000. What is the Division's Residual Income (RI) if the cost of capital is 15%?
- (A) ₹ 1,80,000
  - (B) ₹ 1,50,000
  - (C) ₹ 1,20,000
  - (D) ₹ 60,000
- (vi) An employee of DOXIN Ltd. took 5 hours to complete the first unit job in the assembly line. Using a 80% incremental unit time learning model, the time to be taken to complete the second unit job will be \_\_\_\_\_.
- (A) 4 hours
  - (B) 3 hours
  - (C) 2 hours
  - (D) 5 hours

- (vii) In the factory of DOSN Ltd., using Standard Costing System, the details of overhead expenditure for the month of May'24 are as under:

	Standard (₹)	Actual (₹)
Fixed Overheads	80,000	85,000
Variable Overheads	1,20,000	1,15,000
Output (units)	40,000	?

If Fixed overhead volume variance is ₹ 4,000 (Adv.), identify the Actual Output (in units).

- (A) 38000 units  
(B) 41000 units  
(C) 42000 units  
(D) Insufficient information
- (viii) FBT Ltd. is presently operating at 60% capacity and producing 600 units. The Cost structure at 60% Level of Activity is: Material ₹ 50 per unit, Labour ₹ 25 per unit, Direct expenses ₹ 5 per unit, Factory overheads ₹ 20,000 (60% variable) and Administration expenses ₹ 15,000 (60% fixed). What will be the Total Cost per unit for production at 80% capacity?
- (A) ₹ 1,05,000  
(B) ₹ 131.25  
(C) ₹ 126.25  
(D) None of the above
- (ix) SNG Ltd. is choosing which of three products P, Q and R to make and has calculated likely payoffs under three possible scenarios (A<sub>1</sub>, A<sub>2</sub> or A<sub>3</sub>), giving the following payoff table:

Profit/(Loss) Scenarios	Product Chosen		
	P	Q	R
A <sub>1</sub>	40	80	20
A <sub>2</sub>	80	100	150
A <sub>3</sub>	100	(20)	70

Using maximax, identify the product which would be chosen by the company.

- (A) Product P  
(B) Product Q  
(C) Product R  
(D) None of the above

- (x) A \_\_\_\_\_ is defined as a budget continuously updated by adding a further accounting period when the earlier accounting period has expired.
- (A) Zero base budget
  - (B) Step-up budget
  - (C) Rolling budget**
  - (D) Performance budget
- (xi) In \_\_\_\_\_ both fixed and variable costs are considered for product costing and inventory valuation.
- (A) Marginal Costing
  - (B) Relevant Costing
  - (C) Absorption Costing**
  - (D) Activity Based Costing
- (xii) M/s Unicorn Limited sold 200 units and 300 units of its product in 2023 and 2024 respectively. If total overhead for 2023 and 2024 is ₹ 10,000 and ₹ 12,000 respectively, the fixed overhead would be \_\_\_\_\_.
- (A) ₹ 6,000**
  - (B) ₹ 4,000
  - (C) ₹ 8,000
  - (D) ₹ 10,000
- (xiii) If P/V Ratio is 20%, Selling price per unit is ₹ 50, Margin of safety is 2000 units and Fixed cost is ₹ 30,000, the actual sales quantity is \_\_\_\_\_.
- (A) 4000 units
  - (B) 6000 units
  - (C) 5000 units**
  - (D) 7000 units
- (xiv) A Limited produces 500 units of product in 7500 hours against standard hours of 8000. If standard rate per hour is ₹ 50, then labour efficiency variance will be ₹ \_\_\_\_\_.
- (A) 25,000 (F)**
  - (B) 25,000 (A)
  - (C) 40,000 (F)
  - (D) 50,000 (F)

(xv) Expected returns of two mutually exclusive project is 15%. The S.D. of return of Project-1 is 20% while S.D. of return of Project-2 is 10%. The Coefficient of variation of Project-1 and Project-2 are \_\_\_\_\_.

(A) Project-1 = 0.75 and Project-2 = 0.90

(B) Project-1 = 1.33 and Project-2 = 0.66

(C) Project-1 = 1.43 and Project-2 = 0.86

(D) Project-1 = 1.39 and Project-2 = 0.56

### SECTION - B

Answer any five questions out of seven questions given. Each question carries 14 marks

14×5=70

2. (a) Distinguish between Financial Accounting and Management Accounting. 7
- (b) BONT Ltd., is following Activity Based Costing. The budgeted overheads and cost driver volumes of the company are as follows:

Cost Pool	Budgeted Overheads (₹)	Cost Driver	Budgeted Volume
Material Procurement	11.60 Lakhs	No. of Orders	2200
Material Handling	5.00 Lakhs	No. of Movements	1360
Maintenance	19.40 Lakhs	Maintenance hours	16800
Set-up	8.30 Lakhs	No. of Set-ups	1040
Quality Control	3.52 Lakhs	No. of Inspections	1800
Machinery	14.40 Lakhs	No. of Machine hours	48000

The company has produced a batch of 5200 components AXL 6. Its material cost was ₹ 2.60 Lakhs and labour cost was ₹ 4.90 Lakhs.

The usage of activities for the said batch are as follows:

Material Orders	52	Maintenance hours	1380
Material Movements	36	Quality Control inspections	56
Set-ups	50	Machine hours	3600

Required:

- (i) Calculate the cost driver rates that are used for tracing the appropriate amount of overheads to the said batch (approximate rates to whole number).
- (ii) Ascertain the cost of batch of components AXL 6 using Activity Based Costing (ABC). 7

INTERMEDIATE EXAMINATION

December 2023

P-12(MA)  
Syllabus 2022

MANAGEMENT ACCOUNTING

Time Allowed: 3 Hours

Full Marks: 100

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*All working notes should form part of your answer.*

SECTION-A (COMPULSORY)

1. Choose the correct option.

2×15=30

(i) Which of the following would decrease unit contribution margin the most?

(A) 10% decrease in selling price

(B) 10% increase in variable costs

(C) 10% decrease in variable costs

(D) 10% decrease in fixed costs

(ii) Which one of the following statements best demonstrates the concept of the learning curve?

(A) Learning curve is a linear cost behavior influenced by learning.

(B) Learning curve is a judgmental method of estimating costs when learning is present.

(C) A learning curve is a percentage by which average time per unit produced decreases as output doubles.

(D) A learning curve is a percentage by which average time falls as output increases by one unit.

(iii) AB Ltd. uses standard costing system. The following information pertains to direct labour for Product X for the month of March, 2023:

Standard rate per hour ₹ 8; Actual rate per hour ₹ 8.40

Standard hours allowed for actual production is 2000 hours

Labour Efficiency variance = ₹ 1,600 (Adverse)

What were the actual hours worked?

(A) 1,800 Hours

(B) 1,810 Hours

(C) 2,200 Hours

(D) 2,190 Hours

- (iv) Economic value added (EVA) is a concept that is closely related to residual income. EVA is computed by
- (A) subtracting the adjusted total cost of capital from the adjusted after-tax income.
  - (B) subtracting adjusted after-tax income from total divisional investment.
  - (C) dividing adjusted after-tax income by adjusted divisional investment.
  - (D) dividing adjusted after-tax income by adjusted total cost of capital.
- (v) Expected value in decision analysis is
- (A) a standard deviation using the probabilities as weights.
  - (B) the square root of the squared deviations.
  - (C) a measure of the difference between the best possible outcome and the outcome of the original decision.
  - (D) an arithmetic mean using the probabilities as weights.
- (vi) M/s SP Limited sells Glucon P at a selling price of ₹ 100 per unit. Variable cost per unit is ₹ 80 and Fixed cost for the year is ₹ 3,00,000. Actual quantity sold during the year is 1,00,000 boxes of Glucon P. The Break Even Point (Units) and Margin of Safety (Units) will be
- (A) BEP (Units) will be 20,000 units and MOS (Units) will be 80,000 units.
  - (B) BEP (Units) will be 10,000 units and MOS (Units) will be 90,000 units.
  - (C) BEP (Units) will be 15,000 units and MOS (Units) will be 85,000 units.
  - (D) BEP (Units) will be 50,000 units and MOS (Units) will be 50,000 units.
- (vii) Standard output is 1,000 units and actual output is 800 units. Standard price per Kg is ₹ 2 and Actual price per Kg is ₹ 3. Standard quantity per unit is 4 Kg. If actual quantity is 4,000 kgs, the Material Cost Variance will be
- (A) ₹ 1,600 (F)
  - (B) ₹ 1,600 (A)
  - (C) ₹ 5,600 (A)
  - (D) ₹ 3,200 (A)
- (viii) \_\_\_\_\_ is the budget which incorporates all functional budgets, which is finally approved, adopted & employed.
- (A) Zero Base Budget
  - (B) Rolling Budget
  - (C) Master Budget
  - (D) Performance Budget

- (ix) M/s Shibaji Limited has Capital Employed of ₹ 4,50,000 and its Operating Income for the year ended 31-03-2023 is ₹ 1,00,000. If the minimum expected rate of return is 14%, the Residual Income (RI) of the Company is
- (A) ₹ 35,000  
(B) ₹ 43,000  
(C) ₹ 40,000  
(D) ₹ 37,000
- (x) M/s Dutta Rubber manufactured 10,000 units of Biodegradable disposable containers at the Material cost of ₹ 6 per unit. The Direct labour cost is ₹ 15 per unit out of which  $\frac{2}{3}$  is fixed. Factory overhead cost is ₹ 20 per unit of which 60% is fixed. The labour used for manufacturing Biodegradable disposable containers can be used to manufacture another product having selling price per unit of ₹ 40 and Material cost of ₹ 10 per unit. The Relevant Cost (RC) of manufacturing Biodegradable disposable containers is
- (A) ₹ 66  
(B) ₹ 44  
(C) ₹ 36  
(D) ₹ 32
- (xi) Fixed cost is Relevant Cost if it is \_\_\_\_\_.
- (A) Discretionary  
(B) Sunk  
(C) Unavoidable  
(D) Periodic
- (xii) 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) Both (A) & (C) above
- (xiii) M/s NABARD Limited has provided you the following data for the financial year 2022-23. Break Even Point (in ₹) = 2,66,666.67. Selling price per unit is ₹ 100 and Variable Cost per unit is ₹ 70. Fixed Cost is ₹ 80,000. If the selling price per unit is reduced by 10% in the next year, what will the new Break Even Point (in ₹)?
- (A) ₹ 3,56,058  
(B) ₹ 3,60,000  
(C) ₹ 3,88,556  
(D) ₹ 3,57,548

(xiv) M/s Agartala Plastics Private Limited has provided you the information of its packaging division. Fixed Assets = ₹ 10,00,000 & Current Assets = ₹ 10,00,000. Annual Fixed Cost of the packaging division is ₹ 16,00,000, Variable Cost per unit is ₹ 10. If the budgeted volume per year = 8,00,000 units and Return on Investment is 18%, the Transfer Price of the packaging division will be

(A) ₹ 11.60

(B) ₹ 12.45

(C) ₹ 13.40

(D) ₹ 10.90

(xv) Under Marginal Costing, the Opening & Closing stock is valued at which of the following basis?

(A) Opening stock is valued at variable cost & closing stock is valued at total cost.

(B) Opening stock is valued at total cost & closing stock is valued at variable cost.

(C) Both Opening & Closing stock is valued at variable cost.

(D) Both Opening & Closing stock is valued at total cost.

### SECTION-B

Answer any five questions out of seven questions given. Each question carries 14 marks.

14×5=70

2. (a) Briefly discuss the scope of Management Accounting.

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(b) Following are the data of three product lines of a departmental store for the year 2022-23:

	Cake	Pizza	Soft Drinks
Revenues	₹ 30,24,750	₹ 52,51,500	₹ 19,83,750
Cost of goods sold	₹ 22,50,000	₹ 37,50,000	₹ 15,00,000
Cost of bottles returned	—	—	₹ 30,000
Number of purchase orders placed	360	840	360
Number of deliveries received	660	2,190	300
Hours of shelf-stocking time	2,700	5,400	540
Items sold	3,06,000	11,04,000	1,26,000



Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

## SECTION – A (Compulsory)

1. Choose the correct option:

[15 x 2 = 30]

- (i) Which of the following is not a characteristic of management accounting?
- (a) Forward-looking
  - (b) Historical orientation**
  - (c) Internal focus
  - (d) Decision - making
- (ii) The break-even point is where:
- (a) Total costs equal total revenue**
  - (b) Total revenue exceeds total costs
  - (c) Variable costs equal fixed costs
  - (d) Contribution margin is negative
- (iii) Variance analysis is used to:
- (a) Identify the root causes of inefficiencies**
  - (b) Calculate contribution margin
  - (c) Prepare financial statements
  - (d) Determine break-even point
- (iv) Which of the following is not a relevant cost information in a make or buy decision in short run (i.e., in marginal costing)?
- (a) Burglary
  - (b) Fire**
  - (c) Marine
  - (d) None of the above
- (v) If Sales - ₹ 9,00,000 ; Margin of safety = 40% ; P/V Ratio = 2/3, then what is the Break-even Sales?
- (a) ₹ 4,50,000
  - (b) ₹ 3,60,000
  - (c) ₹ 5,40,000**
  - (d) ₹ 6,00,000
- (vi) Sale for two consecutive months, of a company are ₹3,80,000 and ₹ 4,20,000. The company's net profits for these months amounted to ₹ 24,000 and ₹ 40,000 respectively. There is no change in contribution/sales ratio or fixed costs. The contribution/sales ratio of the company \_\_\_\_\_ is.



- (a) 1/3  
(b) 2/5  
(c) 1/4  
(d) 3/8
- (vii) Standard Cost is \_\_\_\_\_ a cost.  
(a) Pre-determined  
(b) Actual  
(c) Historical  
(d) Short-term
- (viii) Which of the following budgets should be prepared first?  
(a) Production Budget  
(b) Purchase Budget  
(c) Master Budget  
(d) Sales Budget
- (ix) Labour Turnover \_\_\_\_\_  
(a) The number of people working in the current period  
(b) The number of people who left the organisation in the previous period  
(c) Rate of change of labour force  
(d) The rate of the change in the wages of the labour force
- (x) The per unit expenses of the \_\_\_\_\_ portion varies with the volume of production while portion remains the same with volume.  
(a) Fixed; Variable  
(b) Variable; Fixed  
(c) Variable; Semi-Variable  
(d) Fixed; Semi-Variable
- (xi) Which method of costing is commonly used by companies that produce unique products or services?  
(a) Process costing  
(b) Job costing  
(c) Batch costing  
(d) Both A and C
- (xii) Material price variance is calculated by \_\_\_\_\_.  
(a) Standard Price × Actual Quantity - Actual Price × Actual Quantity  
(b) Standard Price × Actual Quantity - Actual price × Standard Quantity  
(c) Actual Price × Actual Quantity - Standard price × Standard Quantity  
(d) Actual price × Standard Quantity - Standard price × Standard Quantity
- (xiii) Calculate the material price variance from the following:  
Actual Quantity - 2.5 kgs



MANAGEMENT ACCOUNTING

Standard Price - ₹ 3 per kg

Actual Price - ₹ 5 per kg

Standard Quantity - 4.5 kgs

(a) ₹ 3(F)

**(b) ₹ 5(A)**

(c) ₹ 12(A)

(d) ₹ 6 (F)

(xiv) Which budgeting technique involves preparing budgets from the bottom of the organization hierarchy to the top?

(a) Top-down budgeting

(b) Zero-based budgeting

(c) Incremental budgeting

**(d) Bottom-up budgeting**

(xv) A manufacturing company budgets to produce 10,000 units during a period. It expects to incur ₹50,000 in fixed overhead costs and ₹3 per unit in variable overhead costs. If the actual production turns out to be 9,500 units, what is the company's flexible budget overhead cost?

(a) ₹74,500

(b) ₹77,000

(c) ₹79,500

**(d) ₹78,500**

Answer:

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
b	a	a	b	c	b	a	d	c	a
(xi)	(xii)	(xiii)	(xiv)	(xv)					
b	a	b	d	d					

SECTION – B

(Answer any 5 questions out of 7 questions given. Each question carries 14 marks.)

[5 x 14 = 70]

2. (a) Globalisation brought about significant changes in the business environment. Along with the changes the roles of the management accountant had to be redefined. In the following lines, discuss some of the impacts of the new business environment on management accounting.

[7]



Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

SECTION – A (Compulsory)

1. Choose the correct option: [15 x 2 = 30]
- (i) \_\_\_\_\_ is the study of managerial aspects of financial accounting.
- a. Cost accounting
  - b. Financial accounting
  - c. Management accounting
  - d. Business accounting
- (ii) 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
- (iii) 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
- (iv) 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
- (v) What will be the 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



## MANAGEMENT ACCOUNTING

- c. Amount of sales < B.E.P, therefore no margin of safety  
d. None of the above
- (vi) 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
- (vii) 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

- (viii) 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
- (ix) Which one of the following is not considered as a method of Transfer Pricing?  
a. Negotiated Transfer Pricing  
b. Market Price Based Transfer Pricing  
c. Fixed Cost Based Transfer Pricing  
d. Opportunity Cost Based Transfer Pricing
- (x) If standard cost > actual, then it is:  
a. Not favourable



- b. Favourable  
c. Neither favourable nor not favourable  
d. None of the above.
- (xi) 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)
- (xii) 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
- (xiii) The following ratios have been calculated for a company:
- |                         |     |
|-------------------------|-----|
| Gross profit margin     | 42% |
| Operating profit margin | 28% |
| Gearing (debt/equity)   | 40% |
| Asset turnover          | 65% |
- What is the return on capital employed for the company?  
a. 27.3%  
b. 18.2%  
c. 11.2%  
d. 16.8%
- (xiv) Which of the following is responsibility center?  
a. Expense center  
b. Profit center  
c. Investment center  
d. All of the above.
- (xv) The minimum expected opportunity loss (EOL) is  
a. Equal to EVPI  
b. Minimum regret  
c. Equal to EMV  
d. Both (A) and (B)



Time Allowed: 3 Hours

Full Marks: 100

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SECTION – A

1. Multiple Choice Questions:

[15 x 2 = 30]

- (i) \_\_\_\_\_ is the study of managerial aspects of financial accounting
- Cost accounting
  - Financial accounting
  - Management accounting
  - Business accounting
- (ii) 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:
- ₹2,75,000
  - ₹3,00,000
  - ₹3,30,000
  - ₹3,45,000
- (iii) Cost attribution to cost units on the basis of benefit received from indirect activities, such as ordering, setting-up, assuring quality is known as:
- Allocation
  - Activity-based costing
  - Always better control
  - Absorption
- (iv) What is Margin of Safety if Sales is 20,000 units and B.E.P is 15,000 units?
- 15000 units
  - 5000 units
  - 10000 units
  - 20000 units
- (v) Fixed cost per unit decrease when
- Production volume increases
  - Production volume decreases
  - Variable costs per unit decreases
  - Prime costs per unit decreases



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- (vi) 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:
- 20%
  - 40%
  - 30%
  - 25%
- (vii) 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?
- Make
  - Buy
  - Sell
  - None of the above
- (viii) Which one of the following is not considered as a method of Transfer Pricing?
- A Negotiated Transfer Pricing
  - B Market Price Based Transfer Pricing
  - C Fixed Cost Based Transfer Pricing
  - D Opportunity Cost Based Transfer Pricing
- (ix) 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
- 8,000 kgs
  - 6,400 Kgs
  - 64,000 Kgs
  - None of these
- (x) 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
- ₹ 2,440 (A)
  - ₹ 1,440 (A)
  - ₹ 1,440 (F)
  - ₹ 2,300 (F)
- (xi) Given Production at 60% activity, 600 units, Material ₹50 per unit, Labour ₹ 20 per unit, Direct expenses ₹5 per unit, Factory overheads ₹20,000 (60% variable) and Administration expenses ₹15,000 (60% fixed). What will be the total cost per unit for production at 80% capacity?
- ₹ 1,01,000
  - ₹ 126.25
  - ₹ 122



d. ₹ 1,22,000

(xii) \_\_\_\_\_ 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

(xiii) If the time taken to produce the first unit of a product is 4000 hrs, what will be the total time taken to produce the 5<sup>th</sup> to 8<sup>th</sup> unit of the product, when a 90% learning curve applies?

- a. 10,500 hours
- b. 12,968 hours
- c. 9,560 hours
- d. 10,368 hours

(xiv) 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

(xv) 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

Answer:

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)	(xiii)	(xiv)	(xv)
c	c	b	b	a	c	b	c	a	b	b	a	d	a	a



Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

## SECTION – A (Compulsory)

1. Choose the correct alternative:

[15 x 2 = 30]

(i) Management accounting deals with \_\_\_\_\_ data.

A. Qualitative

B. Quantitative

C. Both qualitative and quantitative

D. Non-financial

(ii) 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

(iii) 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

(iv) 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.

(v) 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



## MANAGEMENT ACCOUNTING

- (vi) 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
- (vii) 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
- (viii) 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%
- (ix) 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%
- (x) 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



MANAGEMENT ACCOUNTING

- (xi) Standard costing is a tool, which replaces the bottleneck of the \_\_\_\_\_ costing.
- A. Present
  - B. Future
  - C. Historical**
  - D. None of the above
- (xii) 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
- (xiii) 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
- (xiv) 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.
- (xv) 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

Answer:

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)	(xiii)	(xiv)	(xv)
C	C	C	A	C	A	B	C	C	B	C	B	C	A	C



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

## MANAGEMENT ACCOUNTING (PAPER - 12)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
1	Management Accounting _____.	Accumulates, summarizes and analyses the available data.	Is primarily concerned with the requirements of the management.	Makes Corporate Planning and Strategy effective.	All of the above ✓
2	Management accounting can be viewed as _____.	Marketing-oriented Accounting	Management-oriented Accounting ✓	Accounting-oriented Management	Manager-oriented Accounting
3	The main objective of management accounting is _____.	To maintain the accounting records	To know the amount due from customers and suppliers	To ascertain analyse and interpret the results of business operations ✓	To record all the business transactions
4	_____ is the study of managerial aspects of financial accounting _____.	Cost accounting	Financial accounting	Management accounting ✓	Business accounting
5	The purpose of management accounting is to help _____ make decisions	Managers ✓	Investors	Marketers	Banks
6	Management accounting assists the management in _____	Planning	Directing	Controlling	All of the above ✓
7	'Period of lost relevance' is the _____ of the evolution of management accounting.	1st stage	2nd stage	3rd stage ✓	4th stage
8	_____ criteria are a set of standards for a company's behaviour used by socially conscious investors to screen potential investments.	JIT	AMT	ESG ✓	ABC
9	Management accounting information helps managers formulate strategy by answering which of the following questions?	Who are the most important customers, and how can the company deliver value to the customers?	What is most critical capability of the company which may be technology, production, or marketing?	How can we leverage it for new strategic initiatives?	All of the above ✓
10	Management accounting with specific focus on environmental issues is becoming increasingly important in organizations as environmental costs are large in many organisations. There are three specific reasons for this, which are _____.	Environmental costs are often high in the many manufacturing organisations	Regulatory requirements often impose huge fines for non-compliance	Both 1 and 2 ✓	Companies are increasingly realizing that being socially and environmentally responsible declines their image and this has positive impact on their bottom line.
11	Management accounting is concerned with data collection from _____.	internal sources	external sources	internal and external sources ✓	nternal or external sources



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## MANAGEMENT ACCOUNTING (PAPER - 12)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
12	Management Accounting is concerned with accounting information, which is useful to the management — This definition is given by _____.	Robert N. Antho 	Brown and Howard	CIMA	The Institute of Chartered Accountants of England and Wales
13	The primary objective of Management Accounting is to _____.	maximize profits	minimize losses	maximize profits or minimize losses	All of the above 
14	Which of the following is a correct definition of activity-based management?	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.	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	A method of budgeting based on an activity framework and utilizing cost driver data in the budget- setting and variance feedback processes.	A system of management which uses activity-based cost information for a variety of purposes including cost reduction, cost modeling and customer profitability analysis 
15	Which of the following characteristics would be an indicator that a company would benefit from switching to activity based costing?	Only one homogenous product is produced on a continuous basis	The existing cost system is reliable and has produced excellent results	Overhead costs are high and increasing and no one seems to know why 	The costs of implementing ABC out-weigh the benefits
16	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:	Absorption costing	Marginal costing	Activity-based costing 	Job costing
17	In an ABC system, which of the following is likely to be classified as a batch level activity?	Machine set-up 	Product design	Inspection of every item produced	Production manager's work
18	Activity based costing	Uses a plant wide overhead rate to assign overhead	Is not expensive to implement	Typically applies overhead costs using direct labour hours	Uses multiple activity rates 
19	Which of the following activities is not a batch level activity?	Processing purchase orders	Designing products 	Receive raw materials from suppliers	Setting up equipment
20	Which of the following is not included in batch level activities?	Material ordering cost	Machine set-up cost	Inspection cost	Designing the product 



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## MANAGEMENT ACCOUNTING (PAPER - 12)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
21	Assigning overhead using ABC often:	Shifts overhead costs from high-volume products to low-volume product ✓	Shifts overhead costs from low-volume products to high-volume products	Provides the same results as traditional costing	Requires one predetermined overhead rate
22	In Activity Based Costing	Non-manufacturing costs may not be assigned to products	Some manufacturing costs may be excluded from product costs ✓	Allocation bases are the same as those used in traditional costing methods	Similar to traditional costing, ABC only uses one overhead cost pool
23	In an ABC system, the allocation bases that are used for applying costs to services or procedures are called:	Cost Pool	Cost Driver ✓	Cost Absorption	Cost Object
24	Which of the following would not be deducted from sales in a management report prepared using ABC?	Direct materials	Direct labour	Variable selling and administration costs	Shipping costs ✓
25	an item for which cost measurement is required e.g. product, job or a customer	Cost Pool	Cost Driver	Cost Absorption	Cost Object ✓
26	Which of the following is different in ABC when compared to traditional costing?	Traditional costing and ABC costing usually yield very similar product costs	In an ABC costing system, costs are only assigned to products that actually required work that gave rise to a particular cost ✓	In ABC, batch-level costs are applied to products using unit-level bases	Under traditional costing, batch-level costs are shifted from high-volume products to low-volume products
27	Process of Cost allocation under Activity Based Costing is	Cost of Activities—Activities—Cost Driver – Cost allocated to cost objects	Cost Driver — Cost of Activities— Cost allocated to cost objects – Activities	Activities— Cost of Activities—Cost Driver – Cost allocated to cost objects ✓	Activities—Cost Driver – Cost allocated to cost objects — Cost of Activities
28	Cost of maintaining a building is:	Unit Level Cost	Batch Level Cost	Product Level Cost	Facility Level Cost ✓
29	should be subtracted from net product revenues instead of an arbitrary and illogical apportionment.	Facility Level Cost	Product Level Cost	Organizational Level Cost ✓	High Level Cost
30	The basis of apportionment of overheads which takes into account the profitability of various departments is called:	FIFO basis	LIFO basis	Ability to pay basis	Activity basis ✓
31	Which of the following is the main cost driver of customer order processing activity?	Flow of the product from the assembly line	Order value ✓	Number of problem suppliers	Number of machine charges
32	Painting the product would be an example of which activity level groups	Facility-level activity	Product-level activity	Unit-level activity ✓	Batch-level activity
33	Which of the following tasks is not normally associated with an activity-based costing system?	Calculation of cost application rates	Identification of cost pools	Preparation of allocation matrices ✓	Identification of cost drivers



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## MANAGEMENT ACCOUNTING (PAPER - 12)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
34	All of the following are examples of batch level activities except:	Purchase order processing	Setting up equipment	The clerical activity associated with processing purchase orders to produce an order for a standard product	Worker recreational facilities ✓
35	A cost driver -	is a force behind the overhaed cost	is an allocation base	is a transaction that is a significant determinant of cost	is all of the above ✓
36	Which of these is NOT a cost driver For the Activity Design of products, services & Processes ?	Number of Products in design	Number of Parts per product	Number of employee Training Programmes ✓	Number of engineering Hours
37	Which of these in NOT a Cost driver for Marketing and sales Function ?	Number of advertisements/Insertions	Number of research projects ✓	Number of Sales personnel	sales Revenue
38	Which of these in NOT a Cost driver for Customer Service Activity ?	Number of service calls	Number of Products serviced	Hours spent on servicing products	sales Revenue ✓
39	Plant depreciation is an example of which activity-level group?	Unit-level activity	Facility-level activity ✓	Batch-level activity	Product-level activity
40	Under activity-based costing, 'material ordering' is considered as —	Unit-level activity	Facility-level activity	Batch-level activity ✓	Product-level activity
41	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:	Unit Level Activity	Competitive Level Activity	Facility Level Activity	Product Sustaining Activity ✓
42	A homogeneous cost pool is one that:	Does not change over time	Needs many activity drivers to be allocated to a cost object	Can be explained with a single activity driver ✓	Has only one type of material assigned to it
43	An Activity-Based Costing, an inspection of the product is a level activity:	Unit	Batch ✓	Product	Facility
44	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	₹ 160	₹ 200 ✓	₹ 180	₹ 220



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## MANAGEMENT ACCOUNTING (PAPER - 12)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
45	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:	₹ 2,75,000	₹ 3,00,000	₹ 3,30,000 ✓	₹ 3,45,000
46	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	₹ 15,000	₹ 40,000 ✓	₹ 18,000	₹ 24,000
47	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	₹ 2,000	₹ 3,000	₹ 1,500	₹ 1,000 ✓
48	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.	₹ 554	₹ 4,22,000	₹ 1,57,000 ✓	₹ 1,084
49	To obtain the break-even point in rupee sales value, total fixed costs are divided by:	Variable cost per unit;	Contribution margin per unit;	Fixed cost per unit;	Profit/volume ratio. ✓
50	The break-even point is the point at which:	There is no profit, no loss;	Contribution margin is equal to total fixed cost;	Total revenue is equal to total cost;	All of the above. ✓



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## MANAGEMENT ACCOUNTING (PAPER - 12)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
51	The primary difference between a fixed budget and a variable (flexible) budget is that a fixed budget:	includes only fixed costs, while a variable budget includes only variable costs.	is concerned with only further acquisitions of fixed costs, while a variable budget is concerned with expenses which vary with sales.	cannot be changed after the period begins, while a variable budget can be changed after the period begins.	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). ✓
52	Margin of safety is referred to as:	Excess of actual sales over fixed expenses;	Excess of actual sales over variable expenses;	Excess of actual sales over break-even sales; ✓	Excess of budgeted sales over fixed costs.
53	Contribution margin is known as	Marginal income ✓	Gross profit	Net income	Net profit
54	Fixed cost per unit decrease when	Production volume increases ✓	Production volume decreases	Variable costs per unit decreases	Prime costs per unit decreases
55	Within a relevant range, the amount of variable costs per unit	Differs at each production level	Remains constant at each production level ✓	Increases as production increases	Decreases as production increases
56	Margin of safety is referred to as	Excess of budgeted or actual sales over the variable expenses and fixed expense, at break-even.	Excess of budgeted or actual sales revenue over the fixed expenses.	Excess of actual sales over budgeted sales. ✓	Excess of sales revenue over the variable expenses
57	Under marginal costing system, the contribution margin discloses the excess of	Revenue over fixed costs	Projected revenues over the break-even point	Revenues over variable costs ✓	Variable costs over fixed costs
58	A decrease in sales price	does not affect the break-even point	lowers the fixed cost	Increases the break-even point ✓	lowers the break-even point
59	Determine Margin of safety if Profit is ₹15,000 and P/V ratio is 40%.	₹ 37,500 ✓	₹ 33,000	₹ 38,000	None of the above
60	What is Margin of Safety if Sales is 20,000 units and B.E.P is 15,000 units?	15000 units	5000 units ✓	10000 units	20000 units
61	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.	₹ 73,500	₹ 75,000	₹ 5,000	₹ 37,500 ✓
62	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%?	₹ 1,50,000 ✓	₹ 1,00,000	₹ 2,00,000	None of the above
63	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	₹ 20,000	₹ 50,000 ✓	₹ 70,000	₹ 10,000



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## MANAGEMENT ACCOUNTING (PAPER - 12)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
64	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.	₹5,000 units ✓	₹ 5,000	₹ 10,000	₹10,000 units
65	What will be sales in units if fixed cost is ₹50,000 Contribution per unit is ₹60 and desired profit per unit is ₹10.	₹6,000 units	₹ 1,000	₹1,000 units ✓	₹ 6,000
66	9. 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.	₹40 per unit, ₹2,00,000	₹50 per unit, ₹10,00,000	₹20 per unit, ₹1,00,000 ✓	None of the above
67	Determine B.E.P if Sales is ₹1,00,000, Variable cost is ₹50,000 and Profit is ₹20,000.	₹ 60,000 ✓	₹ 40,000	₹ 80,000	None of the above
68	Pv ratio will increase if there is -	a decrease in fixed cost	an increase in fixed cost	a decrease in selling price per unit	a decrease in variable cost per unit ✓
69	Under marginal costing ,the cost of product for inventory valuation includes	prime costs and variable factory overheads ✓	prime cost only	prime costs and Fixed factory overheads	prime costs and all factory overheads
70	period costs are :	variable cost	fixed cost ✓	prime cost	overheads cost
71	Marginal costs is taken as equal to	Prime Cost plus all variable overheads ✓	Prime Cost minus all variable overheads	Variable overheads	None of the above
72	Contribution margin is equal to	Sales - Fixed Cost - Profit	Profit + Variable Cost	Fixed Cost - Loss ✓	None of the above
73	It is pallned sell 1,00,000 units of product A at ₹12 per unit. Fixed Costs are ₹2,80,000 .To achive a profit of ₹2,00,000 what would the variable costs be ?	₹ 4,80,000	₹ 7,20,000 ✓	₹ 9,00,000	₹ 9,20,000
74	Factors which can change the break even point	change in total fixed costs	change in variable costs per unit	change in the selling price per unit	All of the above. ✓
75	net profit ratio is 12% and bep is 40 % of total sales compute pv ratio	60%	52%	28%	20% ✓
76	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:	Prime cost	All variable overheads	Marginal cost ✓	None of the above
77	Which of the following statements are true about marginal costing?	In marginal costing, fixed costs are treated as product costs	Marginal costing is not an independent system of costing	The elements of cost in marginal costing are divided into fixed and variable components	Both b and c ✓
78	The costing method where fixed factory overheads are added to inventory is called:	Activity-based costing	Absorption costing ✓	Marginal costing	All of the above



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## MANAGEMENT ACCOUNTING (PAPER - 12)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
79	While computing profit in marginal costing:	The fixed cost gets added to the contribution	The total marginal cost gets deducted from total sales revenue ✓	The total marginal cost gets added to total sales revenue	None of the above
80	Which of the following assumptions are made while calculating marginal cost	Total fixed cost is constant at all levels of output	Total variable cost varies according to the volume of output	All elements of cost can be divided into fixed and variable components	All of the above ✓
81	Contribution margin in marginal costing is also known as:	Net income	Gross profit	Marginal income ✓	None of the above
82	What is the opportunity cost of making a component part in a factory given no alternative use of the capacity?	The variable manufacturing cost of the component	The total manufacturing cost of the component	The total variable cost of the component	Zero ✓
83	The difference in total cost that results from two alternative courses of action is called:	Relevant Cost	Opportunity Cost	Differential Cost ✓	Marginal Cost
84	Relevant costs are:	unavoidable, future and measured by cash	avoidable, future and measured by cash	avoidable, future and measured by profit ✓	unavoidable, future and measured by profit
85	The profit at which total revenue is equal to the total cost is known as:	Margin of safety	Break-even point ✓	Both a and b are incorrect	Both a and b are correct
86	Which of the following costs would not be accounted for in a company's recordkeeping system?	an unexpired cost	an expired cost	a product cost	an opportunity cost ✓
87	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	3500	3700	3750 ✓	4000
88	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:	20%	40%	30% ✓	25%
89	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	₹ 2,00,000	₹ 1,85,000	₹ 1,87,500 ✓	₹ 2,10,000
90	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?	₹40 Lakhs ✓	₹65 Lakhs	₹25 Lakhs	₹15 Lakhs



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## MANAGEMENT ACCOUNTING (PAPER - 12)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
91	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	₹ 16,000	₹ 6,000 ✓	₹ 30,000	₹ 20,000
92	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	15%	20%	25% ✓	30%
93	Which one of the following is not considered as a method of Transfer Pricing	Negotiated Transfer Pricing	Market Price Based Transfer Pricing	Fixed Cost Based Transfer Pricing ✓	Opportunity Cost Based Transfer Pricing
94	Method of pricing, when two separate pricing methods are used to price transfer of products from one subunit to another, is called:	Dual pricing	Functional pricing ✓	Congruent pricing	Optimal pricing
95	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.	Market-based transfer pricing. ✓
96	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	Two-part tariff transfer pricing ✓
97	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	If there is no similar product sold on an external market and the transferred item is a major product of the supplying division ✓
98	Which one of the following is not considered as a method of Transfer Pricing?	Negotiated Transfer Pricing	Market Price Based Transfer Pricing ✓	Fixed Cost Based Transfer Pricing	Opportunity Cost Based Transfer Pricing



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## MANAGEMENT ACCOUNTING (PAPER - 12)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
99	Method of pricing, when two separate pricing methods are used to price transfer of products from one subunit to another, is called:	dual pricing ✓	functional pricing	congruent pricing	optimal pricing
100	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? Variable Cost Division P ₹100 per unit Division Q ₹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?	₹ 145	₹ 125 ✓	₹ 120	₹ 135
101	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 _____	₹ 13.05 ✓	₹ 10.70	₹ 8.70	₹ 14.70
102	BC Company fixes the inter-divisional transfer prices for its products on the basis of cost, plus a return on investment in the division. The Budget for Division for Alpha for the year 2021-22 appears as under: Fixed Assets ₹5,00,000 Current assets ₹3,00,000 Debtors ₹2,00,000 Annual Fixed Cost of the Division ₹8,00,000 Variable Cost per unit of Product ₹10 Budgeted Volume 4,00,000 units per year Desired ROI 28% on ₹10,00,000 Determine the transfer Price for Alpha.	12.7 ✓	17.2	27.1	11.7
103	The _____ method of transfer pricing was introduced in order to overcome the problems caused by using marginal cost	dual price ✓	Two-Part Transfer Pricing	Negotiated Transfer Pricing	none of them
104	Transfer pricing methods may be classified	under 3 pricing method ✓	under 4 pricing method	under 5 pricing method	under 7 pricing method



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105	Which of the following is true of standards?	Standards represent a benchmark or a norm	Standards relate to input quantity	Standards relate to input cost	All of the above ✓
106	Standards that can be attained only under the best circumstances are referred to as:	Attainable standards	Budget standards	Ideal standards ✓	Practical standards
107	Who is most likely to be held responsible for a material price variance?	Line workers	Production supervisors	Purchasing managers ✓	Production schedulers
108	Cost variance is the difference between	The standard cost and marginal cost	The standards cost and budgeted cost	The standards cost and the actual cost ✓	None of these
109	Standard costing is a tool, which replaces the bottleneck of the ___ costing.	Present	Future	Historical ✓	None of the above
110	If standard cost > actual, then it is:	Not favourable	Favourable ✓	Neither favourable nor not favourable	None of the above
111	From cost control point of view the standard most commonly used is:	Expected standard ✓	Theoretical standard	Normal standard	Basic standard
112	When more than one material is used in the manufacture of a product, which of the following variances arises:	Material yield variance	Material mix variance ✓	Material price variance	Material usage variance
113	Which of the following equations can be used to calculate a material quantity variance?	$(AQ \times AP) - (AQ \times SP)$	$(AP \times SP) - (AQ \times SP)$	$(AQ \times SP) - (SQ \times SP)$ ✓	$(AQ \times SP) - (AQ \times AP)$
114	Which of the following equations can be used to calculate a material price variance?	$(AQ \times AP) - (AQ \times SP)$ ✓	$(AP \times SP) - (AQ \times SP)$	$(AQ \times SP) - (SQ \times SP)$	$(AQ \times SP) - (AQ \times AP)$
115	Which of the following is not likely to be a reason of unfavourable direct labour efficiency variance?	Increase in direct materials prices ✓	Frequent break downs during production process	Lack of proper supervision	Use of old, outdated or faulty equipment
116	Which of the following is a purpose of standard costing?	To determine profit at different levels	To determine break-even point	To control costs ✓	To allocate cost with more accuracy
117	Which of the following activities is the Standard Costing System used for?	It is a basis for implementing cost control and fixing the price of products through variance analysis ✓	It helps to ascertain the cost-volume relationship between products manufactured by the business	It helps to establish the breakeven point for the products manufactured by the company	None of the above
118	Which of the following activities is true under the Standard Costing System?	The overhead volume variance is always beneficial	The idle time variance is never favourable	To calculate the overall costs, a company can either use budgetary control or standard costing but not both of those techniques ✓	The overhead efficiency variance plus overhead expense variance is equal to the overhead budget variance for variable overheads
119	A standard cost is a carefully _____ unit cost which is prepared for each cost unit.	Pre-determined ✓	Absorbed	Apportioned	None
120	Setting of standard involves effective utilization of ____.	Men ✓	Material	Machines	All of the above ✓



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121	The standard cost card contains quantities and costs for	Direct material only	Direct labour only	Direct material and direct labour only	Direct material, direct labour, and overhead
122	Standards differ from budgets in that:	Budgets but not standards may be used in valuing inventories	Budgets but not standards may be journalized and posted	Budgets are a total amount and standards are a unit amount	Only budgets contribute to management planning and control
123	Standard Costs:	Are imposed by governmental agencies	Are predetermined unit costs which companies use as measures of performance	Can be used by manufacturing companies but not by service or not-for-profit companies	All of the above
124	The advantages of standard costs include all of the following except:	Management by exception may be used	Management planning is facilitated	They may simplify the costing of inventories	Management must use a static budget
125	Normal standards:	Allow for rest periods, machine breakdowns, and setup time	Represent levels of performance under perfect operating conditions	Are rarely used because managers believe they lower workforce morale	Are more likely than ideal standards to result in unethical practices
126	The setting of standards is:	A managerial accounting decision	A management decision	A worker decision	Preferably set at the ideal level of performance
127	Which of the following is correct about the total overhead variance?	Budgeted overhead and budgeted overhead applied are the same	Total actual overhead is composed of variable overhead, fixed overhead, and period costs.	Standard hours actually worked are used in computing the variance	Standard hours allowed for the work done is the measure used in computing the variance
128	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?	Incremental budget	Rolling budget	Zero based budget	Flexible budget
129	A budget is an instrument of management used as an aid in the	Planning	Programming	Control of business activity	All of the above
130	Following may be regarded as a summary budget	Production budget	Master budget	Cash budget	Sales budget
131	Purchases budget is prepared using the information from:	Capital expenditure budget	Materials budget	Both (1) and (2)	None of the above
132	Following budget may be compiled on departmental basis:	Production budget	Purchase budget	Materials budget	All of the above
133	Production budget is based upon:	Sales budget	Factory capacity	Availability of raw material and labour	All of the above
134	Budget includes:	Income	Expenditure	Employment of capital	All of the above
135	A budget should be:	Rigid	Flexible	Both (1) and (2)	None of the above



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
136	The object of budgetary control is _____.	Planning ✓	Forecasting	Organizing	Directing
137	The budget which is dynamic is _____.	Flexible budget	Sales budget ✓	Cash budget	Purchase budget
138	The process of budgeting helps in the control of:	Cost of production	Liquidity	Capital Expenditure	All of the above ✓
139	Plant utilization budget and Manufacturing overhead budgets are types of:	Production budget	Sales budget	Cost budget ✓	None of the above
140	R&D budget and Capital expenditure budget are examples of:	Short-term budget	Current budget	Long-term budget ✓	None of the above
141	The scare factors is also known as:	Key factor ✓	Abnormal factor	Linking factor	None of the above
142	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?	Incremental budget	Rolling budget	Zero based budget ✓	Flexible budget
143	A budget is an instrument of management used as an aid in the _____.	Planning	Programming	Control of business activity	All of the above ✓
144	Following may be regarded as a summary budget	Production budget	Master budget ✓	Cash budget	Sales budget
145	Purchases budget is prepared using the information from:	Capital expenditure budget	Materials budget ✓	Both (1) and (2)	None of the above
146	Following budget may be compiled on departmental basis:	Production budget ✓	Purchase budget	Materials budget	All of the above
147	Production budget is based upon:	Sales budget	Factory capacity	Availability of raw material and labour	All of the above ✓
148	A budget should be:	Rigid	Flexible ✓	Both (1) and (2)	None of the above
149	The object of budgetary control is _____.	Planning ✓	Forecasting	Organizing	Directing
150	The budget which is dynamic is _____.	Flexible budget	Sales budget ✓	Cash budget	Purchase budget
151	The process of budgeting helps in the control of:	Cost of production	Liquidity	Capital Expenditure	All of the above ✓
152	Plant utilization budget and Manufacturing overhead budgets are types of:	Production budget	Sales budget	Cost budget ✓	None of the above
153	R&D budget and Capital expenditure budget are examples of:	Short-term budget	Current budget	Long-term budget ✓	None of the above
154	The scare factors is also known as:	Key factor ✓	Abnormal factor	Linking factor	None of the above
155	A company usually determines the appropriate degree of decentralization based on a combination of the _____.	Managers' personal characteristics	Nature of decisions required for organizational growth	Types of organizational activities in which the company is engaged	All of these ✓
156	Major disadvantages of Decentralization are _____.	Can result in a lack of goal congruence or sub optimization by sub-unit managers	Requires more effective communication abilities because decision making is removed from the home office	Helps top management recognizes and develop managerial talent	Both 1 and 2 ✓



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
157	Which of the following is/are not benefit/s of Decentralization ?	Greater awareness of local problems	Allows managerial performance to be comparatively evaluated	Creates personnel difficulties upon introduction, especially if managers are unwilling to delegate effectively	Develops skill level of junior managers
158	Return on Equity =	Net Profit Margin × Asset Turnover Ratio × Financial Leverage ✓	Gross Profit Margin × Asset Turnover Ratio × Financial Leverage	Net Profit Margin × Inventory Turnover Ratio × Financial Leverage	Net Profit Margin × Asset Turnover Ratio × Operating Leverage
159	According to DuPont methodology, three main financial parameters that drive Return on Equity (ROE) are _____.	(1) Employee performance, (2) Asset usage performance, and (3) Financial leverage.	(1) Operating performance, (2) Asset usage performance, and (3) Financial leverage. ✓	(1) Operating performance, (2) Inventory usage performance, and (3) Financial leverage.	(1) Operating performance, (2) Asset usage performance, and (3) Operating leverage.
160	Asset usage performance means _____	a very basic profitability ratio	Total Asset Turnover (Turnover ÷ Total Assets) ✓	the use of debt to acquire additional assets or fund projects	None of these
161	Financial leverage means _____.	a very basic profitability ratio	Total Asset Turnover (Turnover ÷ Total Assets)	the use of debt to acquire additional assets or fund projects ✓	None of these
162	According to Du Pont Analysis a company can increase its Return on Equity if it _____.	Generates a high Net Profit Margin	Effectively uses its assets so as to generate more sales	Has a high Financial Leverage	All of these ✓
163	Du Pont ROE =	Margin on Sales × Asset Turnover × Equity Multiplier ✓	Margin of Safety × Asset Turnover × Equity Multiplier	Margin on Sales × Inventory Turnover × Equity Multiplier	Margin on Sales × Asset Turnover × Debt Multiplier
164	_____ expresses divisional profit as a percentage of the assets employed in the division.	ROI ✓	EPS	ROCE	EBITDA
165	Return on investment (ROI) is	(Profit before tax ÷ Operations management capital employed) × 100	(Profit before interest and tax ÷ Total capital employed) × 100	(ROE ÷ Operations management capital employed) × 100	(Profit before interest and tax ÷ Operations management capital employed) × 100 ✓



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
166	RI (Residual Income) =	Divisional profit — (Percentage of change in Sales × Divisional investment)	Divisional profit — (Percent capital charge × Total investment)	Divisional profit — (Percent capital charge × Divisional investment) ✓	Total profit — (Percent capital charge × Divisional investment)
167	The main advantages of RI is/are _____.	It avoids suboptimal decisions as investments are not rejected merely because they lower the divisional manger's ROI.	It maximizes growth of the company and increases shareholders' wealth by accepting opportunities which earn a rate of return in excess of the cost of capital.	The cost of capital charge on divisional investments ensures that divisional managers are aware of the opportunity cost of funds.	All of these  ✓
168	Acme, a division of Ace Manufacturing, has assets of ₹2,25,000 and an operating income of ₹55,000. What is the division's ROI?	24.44%  ✓	23%	25%	50%
169	An investment centre has net assets of ₹8,00,000, and made profits before interest and tax of ₹1,60,000. The notional cost of capital is 12%. Calculate and comment on the RI (Residual Income) for the period.	₹ 1,60,000	₹ 96,000	₹ 64,000  ✓	₹ 2,56,000
170	A person made a Capital Investment of ₹2,00,000 in a company. Operating profit, after taxes, is ₹28,000. The opportunity cost of that investment is 10%. Calculate EVA.	20,000	₹ 2,800	₹ 8,000  ✓	₹ 17,200
171	For EVA there 3 responsibility centres, which are _____.	Cost centre	Profit centre	Investment centre	All of these  ✓
172	The theory of learning curves will only hold if which of the following conditions apply?	The task must be repetitive	Production must be at an early stage so that there is room for improvement	There is inconsistency in the workforce	Both 1 and 2  ✓
173	_____ can be used: a. To calculate the incremental cost of making extra units of a particular products, b. To set standards for labour, c. To prepare realistic production budgets and to report labour cost variances, and d. To quote contact price.	Learning curve theory  ✓	Return on investment	Du Pont ROE	Economic Value Added



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
174	The four Perspectives of the Balanced Scorecard are _____.	1. Operational Perspective, 2. Customers Perspective, 3. Internal business process Perspective and 4. Learning & Growth Perspectives.	1. Financial Perspective, 2. Sellers Perspective, 3. Internal business process Perspective and 4. Learning & Growth Perspectives.	1. Financial Perspective, 2. Customers Perspective, 3. Internal business process Perspective and 4. Learning & Growth Perspectives.	1. Financial Perspective, 2. Customers Perspective, 3. External process Perspective and 4. Learning & Growth Perspectives.
175	MI Ltd. has earned a net profit of ₹15 lakhs after Tax at 30%. Interest cost charged by the financial institutions was ₹10 Lakhs. The Invested capital is ₹ 95 Lakhs of which 55% is debt. The company maintains a weighted average cost of capital of 13%. Compute the Operating Income.	₹ 15 lakhs	₹ 21.43 lakhs	₹ 10 lakhs	₹ 31.43 lakhs
176	According to Kaplan & Norton, which of the balanced scorecard perspectives serves as the focus of the other perspectives?	Financial.	Customer.	Internal business processes.	Learning & growth.
177	4. Which of the following would be considered an operating asset in return on investment computations?	Land being held for plant expansion.	Treasury stock.	Accounts receivable.	Common stock.
178	A company that is seeking to increase ROI should attempt to decrease:	Sales.	Turnover.	Margin.	Average operating assets.
179	The performance of investment centre is based on _____.	Cost of the centre	Profit of the centre	Profit and investment of the centre	Revenue of the centre
180	Both costs and revenues are measured in _____ centers	Cost	Profit	Revenue	All of these
181	A cost centre is a segment of the organization where the manager is responsible for _____.	Costs	Inputs	A or B	None of these
182	The performance of investment centre is based on _____.	Cost of the centre	Profit of the centre	Profit and investment of the centre	Revenue of the centre
183	Responsibility accounting is used for _____.	cost control	planning	decision making	pricing



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
184	Responsibility Accounting is also known as _____.	Profitability accounting	Activity accounting	Both A and B ✓	None of the above
185	Which of the following characteristics is not associated with traditional responsibility accounting?	Assumes optimization of the parts will optimize the whole.	Assumes independence of the parts.	Places emphasis on the performance of individuals.	Attempts to control processes. ✓
186	In responsibility accounting, responsibilities of various groups or individuals are identified in terms of _____.	Work	Revenue	Cost	All of the above ✓
187	The area of focus on responsibility center is _____.	Quantum of sales	Quantum of production	Optimum utilization of resources ✓	All of the above
188	In profit center revenue represents a monetary measure of output emanating from a profit center in a given period irrespective whether _____.	The revenue is realized or not	The output is sold or not	Both A and B ✓	None of the above
189	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.	₹ 3,200 ✓	₹ 2,200	₹1,200	None of the above
190	Which of the following criterion is not used for decision-making under uncertainty?	Maximin	Maximax	Minimax	Minimize expected loss ✓
191	Decision theory is concerned with _____.	Methods of arriving at an optimal decision	Selecting optimal decision in a sequential manner	Analysis of information that is available	All of these ✓
192	Which of the following criterion is not applicable to decision-making under risk?	Maximize expected return	Maximize return ✓	Minimize expect regret	Knowledge of likelihood occurrence of each state of nature
193	The minimum expected opportunity loss (EOL) is _____.	Equal to EVPI	Minimum regret	Equal to EMV	Both (A) and (B) ✓



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194	The expected value of perfect information (EVPI) is	Equal to expected regret of the optimal decision under risk ✓	The utility of additional information	Maximum expected opportunity loss	None of the above
195	The value of the coefficient of optimism (a) is needed while using the criterion of _____.	Equally likely	Maximin	Realism ✓	Minimax
196	The decision-maker's knowledge and experience may influence the decision-making process when using the criterion of _____	Maximax	Maximax regret	Realism ✓	Maximin
197	The difference between the expected profit under conditions of risk and the expected profit with perfect information is called _____	The expected value of perfect information ✓	Expected marginal loss	None of the above	Any one of the above
198	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 _____	Certainty.	Risk. ✓	Uncertainty.	Strategy.
199	Which of the following methods of selecting a strategy is consistent with risk averting behaviour?	If two strategies have the same expected profit, select the one with the smaller standard deviation. ✓	If two strategies have the same standard deviation, select the one with the smaller expected profit.	Select the strategy with the larger coefficient of variation.	All of the above are correct.
200	Which one of the following does not measure risk?	Coefficient of variation	Standard deviation ✓	LPP	All of the above are measures of risk.
201	The sequence of possible managerial decisions and their expected outcome under each set of circumstances can be represented and analysed by using _____.	The minimax regret criterion.	A decision tree. ✓	A payoff matrix.	Simulation.
202	We are comparing two investment projects. Both have expected returns of 20%, but the standard deviation of Project A's returns is 15%, while the standard deviation of Project B's returns is 9%. Which one is relatively riskier?	A ✓	B	Both A and B	None of these
203	Two investments have different expected returns. Project A's expected return is 20% and the standard deviation of its returns is 15%. Project B's expected return is only 10%, while the standard deviation of its returns remains at 9%. Compute Coefficient of Variance of Project A.	0.20	0.75 ✓	0.90	0.10