

**CMA-INTER  
MA (PAPER-12)  
(Section-A)  
MCQ ANSWERS (JUNE'25 EXAMS)**

This section contains Question No.1. All parts of this question are compulsory.

1. Choose the correct answer from the given alternatives (You may write only the Roman numeral and the Alphabet chosen for your answer): 2x15=30
- (i) 'Period of lost relevance' is the accounting \_\_\_\_\_ of the evolution of management accounting.
- (A) 1st Stage
  - (B) 2nd Stage
  - (C) 3rd Stage
  - (D) 4th Stage
- (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) AXR Ltd., a manufacturing company, has a break-even point when sales are ₹ 20 lakh and fixed cost is of ₹ 8 lakh. If the selling price is ₹ 5, the P/V Ratio will be \_\_\_\_\_
- (A) 50%
  - (B) 40% (8/20 x 100)
  - (C) 30%
  - (D) 20%
- (iv) The difference in total cost that results from two alternative courses of action called
- (A) Relevant Cost
  - (B) Opportunity Cost
  - (C) Marginal Cost
  - (D) Differential Cost

- (v) A new product is expected to generate the following profits or losses:

Level of Demand	Profit/ (loss) (₹)	Probability
High	1,00,000	0.1
Medium	50,000	0.5
Low	(20,000)	0.4

What is the expected profit or loss from the new product?

- (A) Profit ₹ 35,000  
(B) Loss ₹ 8,000  
(C) Profit ₹ 27,000  $(100000 \times 0.1 + 50000 \times 0.5 - 20000 \times 0.4)$   
(D) Profit ₹ 43,000
- (vi) Division A transfers its output to Division B at variable cost. Once a year A charges a fixed fee to B representing an allowance for A's fixed costs. This type of transfer pricing system is commonly known as  
(A) Dual pricing.  
(B) Opportunity based transfer pricing.  
(C) Negotiated transfer pricing.  
(D) Two-part tariff transfer pricing.

- (vii) ABC Ltd. uses standard costing system. The following information pertains to direct labour for product X for the month of March, 2025:

Standard rate per hour ₹ 8

Actual rate per hour ₹ 8.40

Standard hours allowed for actual production 2,000 hours

Labour efficiency variance ₹ 1,600 (Adverse)

What were the actual hours worked?

- (A) 2,200  $(2000 + 1600/8)$   
(B) 2,190  
(C) 1,800  
(D) 1,810

$$\begin{aligned} \text{LEV} &= (\text{SH} - \text{AH}) \times \text{SR} \\ -1600 &= (2000 - \text{AH}) \times 8 \\ -200 &= 2000 - \text{AH} \\ \text{AH} &= 2000 + 200 = 2200 \end{aligned}$$

- (viii) The term 'budget slack' refers to  
(A) difference between the budgeted output and the break-even output.  
(B) additional capacity available which can be budgeted for.  
(C) extended lead-time between the preparation of the functional budgets and the master budget.  
(D) deliberate over-estimation of costs and under-estimation of revenues in a budget.

- (ix) Which of the following characteristics is not associated with traditional responsibility accounting?
- (A) Assumes optimisation of the part will optimise the whole.
  - (B) Assumes independence of the part.
  - (C) Places emphasis on the performance of individuals.
  - (D) Attempts to control the processes.**

- (x) The following ratios have been calculated for a company:

Gross Profit	42%
Operating Profit margin	28%
Gearing (debt/equity)	40%
Asset Turnover	65%

What is the return on capital employed for the company?

- (A) 27.30%
  - (B) 18.20%**      **(28% x 65%)**
  - (C) 11.20%
  - (D) 16.80%
- (xi) 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**      **(VARIABLE COST + OPPORTUNITY COST = 15 + 25)**
  - (B) ₹ 65 lakhs
  - (C) ₹ 25 lakhs
  - (D) ₹ 15 lakhs
- (xii) A factory is making a certain product where learning curve ratio of 80% and 90% apply respectively for two equally paid workers, A and B. Which of the following statements hold good for the factory?
- (A) The labour cost of manufacturing the 4th product will be more for A.
  - (B) The labour cost of manufacturing the 4th product will be more for B.**
  - (C) The labour cost is the same for the 4th product.
  - (D) Nothing can be said about the specific product since learning ratio applies to the average quantity of the product.
- (xiii) 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

(xiv) 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 (62% repairs in Repair Shop done for department X). Determine total costs treating department X as a responsibility center.

(A) ₹ 3,200

(B) ₹ 2,200

(C) ₹ 1,200

(D) ₹ 8,000

(xv) The value of coefficient of optimism ( $\alpha$ ) is needed while using the criterion of

(A) Realism

(B) Maximin

(C) Minimax

(D) Equally Likely