

## MANAGEMENT ACCOUNTING

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- (1) Type of accounting which measures, reports and analyse non-financial and financial information to help in decision making is called:
- (a) Financial Accounting
  - (b) Management Accounting**
  - (c) Cost Accounting
  - (d) Green Accounting
- (2) 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
- (3) In cost accounting, purpose of variance analysis is to:
- (a) understand reasons for variances.
  - (b) take remedial measures
  - (c) improve future performance.
  - (d) All of the above**
- (4) Absorption Costing is also known as:
- (a) Total Costing**
  - (b) Committed Costing
  - (c) Target Costing
  - (d) Discretionary Costing
- (5) Which of the following is not correct with regard to Margin of Safety (MOS)?
- (a)  $MOS = \text{Profit} / \text{PV Ratio}$
  - (b)  $MOS = \text{Total Sales} - \text{Sales at BEP}$
  - (c)  $MOS = \frac{\text{Total Sales} - \text{Sales at BEP}}{\text{Total Sales}} \times 100$
  - (d)  $MOS = \text{PV Ratio} \times \text{Sales} - \text{Fixed Cost}$**
- (6) Which one of the following is not to be considered for preparing a production budget?
- (a) The production plan of the organization
  - (b) The Sales Budget
  - (c) Research and Development Budget**
  - (d) Availability of Raw Materials
- (7) The breakeven point is the point at which,
- (a) There is no profit, no loss**
  - (b) Contribution margin is equal to total fixed cost
  - (c) Total fixed cost is equal to total revenue
  - (d) All of the above.
- (8) The P/V ratio of a product is 0.4 and the selling price is Rs. 40 per unit. The marginal cost of the product would be,
- (a) Rs.8
  - (b) Rs.24**

- (c) Rs.20
  - (d) Rs.25
- (9) If standard hours are 400 @ Rs. 1 per hour and actual hours are 380 @ Rs. 1.25 per hour, the labour rate variance is:
- (a) Rs. 20 (Favourable)
  - (b) Rs. 25 (Favourable)
  - (c) Rs. 100 (Adverse)
  - (d) Rs. 95 (Adverse)**
- (10) The time taken for initial unit of a product is 100 hours. At 80% learning rate what is the total time for 4 units
- (a) 100 hours
  - (b) 80 hours
  - (c) 160 hours
  - (d) 256 hours**
- (11) Sales Rs. 4,00,000; Variable Cost Rs. 3,00,000; Fixed Cost Rs. 75,000; Investments Rs. 1,50,000 and desired 20% on investments. What is residual income?
- (a) Rs. 25,000
  - (b) Rs. 30,000
  - (c) Rs. 20,000
  - (d) Rs. (5,000)**
- (12) Sales in January month Rs. 3,00,000; Credit Sales are 80%; Credit period is 2 months. Amount collected in the month of March is
- (a) Rs. 50,000
  - (b) Rs. 2,40,000**
  - (c) Rs. 40,000
  - (d) None of the above
- (13) Planning and control are done by
- (a) top management**
  - (b) lowest level of management
  - (c) all levels of management
  - (d) None of the above
- (14) The use of management accounting is
- (a) Compulsory
  - (b) Optional**
  - (c) Mandatory as per the law
  - (d) None of the above
- (15) The budgets are classified on the basis of
- (a) Time
  - (b) Function
  - (c) Flexibility
  - (d) All of the above**
- (16) Which of the following departments is most likely responsible for a price variance in direct materials?

- (a) Warehousing
  - (b) Receiving
  - (c) Purchasing**
  - (d) Production
- (17) Idle time variance is always:
- (a) Favourable
  - (b) Adverse**
  - (c) Favourable (or) Adverse
  - (d) None of these
- (18) In marginal costing, stock is valued at \_\_\_\_\_
- (a) Fixed Cost
  - (b) Variable Cost**
  - (c) Inventory
  - (d) sales
- (19) In two consecutive periods, sales and profit were Rs. 1,60,000 and Rs. 8,000 respectively in the first period and Rs. 1,80,000 and Rs. 14,000 respectively during the second period. If there is no change in fixed cost between the two periods, the PV ratio must be:
- (a) 20%
  - (b) 25%
  - (c) 30%**
  - (d) 40%
- (20) Budgeted sales for the next year is 5,00,000 units. Desired ending finished goods inventory is 1,50,000 units and equivalent units in ending WIP inventory is 60,000 units. The opening finished goods inventory for the next year is 80,000 units, with 50,000 equivalent units in beginning WIP inventory. How many equivalent units should be produced?
- (a) 5,80,000**
  - (b) 5,50,000
  - (c) 5,00,000
  - (d) 5,75,000
- (21) Akash Ltd. is preparing its cash budget for the period. Sales are expected to be Rs. 1,00,000 in April, 2016; Rs. 2,00,000 in May 2016 Rs. 3,00,000 in June 2016 and Rs. 1,00,000 in July 2016. Half of all sales are cash sales and the other half are on credit. Experience indicates that 70% of the credit sales will be collected in the month following the sale, 20% the month after that and, 10% in the third month after the sale. The budgeted collection for the month of July, 2016 is:
- (a) Rs. 1,30,000
  - (b) Rs. 1,80,000**
  - (c) Rs. 2,60,000
  - (d) Rs. 3,60,000
- (22) During the month of March, 560 kg of material was purchased at a total cost of Rs. 15,904. The stock of material increased by 15 kg. it is the company's policy to value the stocks at standard purchase price. If the material price variance was Rs. 224 (A), the standard price per kg. of material is:

- (a) Rs. 28.40
  - (b) Rs. 28.80
  - (c) Rs. 28.00**
  - (d) Rs. 29.20
- (23) Cost Price is not fixed in case of:
- (a) Cost plus contracts**
  - (b) Escalation clause
  - (c) De-escalation clause
  - (d) All of the above
- (24) Continuous stock taking is a part of:
- (a) ABC analysis
  - (b) Annual stock taking
  - (c) Perpetual Inventory**
  - (d) None of these
- (25) In Reconciliation Statements expenses shown only in financial accounts are:
- (a) Added to financial profit**
  - (b) Deducted from financial profit
  - (c) Ignored
  - (d) Added to costing profit
- (26) Operating costing is applicable to:
- (a) Hospitals
  - (b) Cinemas
  - (c) Transport undertaking
  - (d) All the above**
- (27) Flexible budget requires a careful study of:
- (a) Fixed, semi-fixed and variable expenses**
  - (b) Past and current expenses
  - (c) Overheads, selling and administrative expenses
  - (d) None of the above
- (28) Which of the following items is not excluded while preparing a cost sheet?
- (a) Goodwill written off
  - (b) Provision for taxation
  - (c) Property tax on factory building**
  - (d) Interest paid
- (29) The most important element of cost is:
- (a) Material**
  - (b) Labour
  - (c) Overheads
  - (d) All the above
- (30) Depreciation is an example of:
- (a) Fixed cost**
  - (b) Variable cost
  - (c) Semi variable cost

- (d) None of the above
- (31) Joint cost is suitable for:
- (a) Infrastructure industry
  - (b) Ornament industry
  - (c) Oil industry**
  - (d) Fertilizer industry
- (32) Which statement best describes the role of the management accountant?
- (a) Management accountants prepare the financial statements for an organization.
  - (b) Management accountants facilitate the decision-making process within an organization.**
  - (c) Management accountants make the principal decisions within an organization
  - (d) Management accountants are basically information collectors.
- (33) In a factory when production is increased within the relevant range then
- (a) Variable costs will vary on a per unit basis
  - (b) Variable costs will vary in total**
  - (c) Fixed costs will vary in total
  - (d) Fixed and variable costs stay the same in total
- (34) The main objective of budgetary control is:
- (a) to define the goal of the firm
  - (b) to coordinate different departments
  - (c) to plan to achieve its goals
  - (d) all of the above**
- (35) 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**
  - (b) functional pricing
  - (c) congruent pricing
  - (d) optimal pricing
- (36) When are overhead variances recorded in a standard costing system?
- (a) when the goods are transferred out of work-in-progress.
  - (b) when the factory overhead is applied to work-in-progress.**
  - (c) when the cost of goods sold is recorded
  - (d) when the direct labour is recorded
- (37) Management Accounting is an integral part of management concerned with \_\_\_\_\_ information.
- (a) identifying, presenting and interpreting**
  - (b) identifying and presenting
  - (c) identifying
  - (d) None of the above
- (38) Management Accounting is related with \_\_\_\_\_.
- (a) formulating strategy
  - (b) planning and controlling activities
  - (c) optimizing the use of resources

**(d) All of the above**

- (39) Despite the development of Management Accounting as an effective discipline to improve the managerial performance, it has some limitations. Which of the following is a limitation of management accounting?
- (a) Psychological Resistance**
  - (b) Physiological Resistance
  - (c) Both of the above
  - (d) None of the above
- (40) The primary objective of Management Accounting is to \_\_\_\_\_.
- (a) maximize profits
  - (b) minimize losses
  - (c) maximize profits or minimize losses
  - (d) All of the above**
- (41) Management accounting is concerned with data collection from \_\_\_\_\_.
- (a) internal sources
  - (b) external sources
  - (c) internal and external sources**
  - (d) internal or external sources
- (42) Management Accounting is concerned with accounting information, which is useful to the management — This definition is given by \_\_\_\_\_.
- (a) Robert N. Anthony**
  - (b) Brown and Howard
  - (c) CIMA
  - (d) The Institute of Chartered Accountants of England and Wales
- (43) Marginal costs is taken as equal to
- (a) Prime Cost plus all variable overheads**
  - (b) Prime Cost minus all variable overheads
  - (c) Variable overheads
  - (d) None of the above
- (44) Marginal costing is also known as
- (a) Direct costing
  - (b) Variable costing
  - (c) Both A and B**
  - (d) None of the above
- (45) Which of the following costs is relevant in decision-making?
- (a) committed costs**
  - (b) accounting costs
  - (c) historical costs
  - (d) cash costs
- (46) An opportunity cost is the cost of
- (a) lost business**
  - (b) unplanned new business
  - (c) obtaining new business opportunities

- (d) the next best alternative course of action
- (47) In a product mix decision, which is the most important factor to consider in order to try to maximize profit?
- (a) **contribution per unit of a scarce resource used to make the product**
  - (b) contribution per unit of the product
  - (c) variable cost per unit of the product
  - (d) product unit selling price
- (48) Which of the following costs incurred by a commercial airline can be classified as variable?
- (a) Interest costs on leasing of aircraft
  - (b) Pilots' salaries
  - (c) Depreciation of aircraft
  - (d) **None of these three costs can be classified as variable**
- (49) The basic decision rule on acceptance of special contracts is:
- (a) Accept the special contract if additional fixed costs can be covered by contribution from other products
  - (b) Accept the special contract if the additional revenue from the contract exceeds the fixed costs of manufacture
  - (c) **Accept the special contract if it produces a positive contribution to fixed costs**
  - (d) Accept the special contract if it produces a positive contribution to variable costs
- (50) If budgets are prepared of a business concern for a certain period taking each and every function separately such budgets are called \_\_\_\_\_.
- (a) Separate Budgets
  - (b) **Functional Budgets**
  - (c) Both of them
  - (d) None of the above
- (51) Which of the following is not an example of functional budget?
- (a) Production budget
  - (b) Cost of production budget
  - (c) Materials budget
  - (d) **None of the above**
- (52) Which of the following is an essential of a budget?
- (a) It is prepared for a definite future period
  - (b) It is a statement prepared prior to a defined period of time
  - (c) The Budget is monetary and I or quantitative statement of policy
  - (d) **All of the above**
- (53) When preparing a production budget, the quantity to be produced equals
- (a) sales quantity + opening inventory of finished goods + closing inventory of finished goods
  - (b) **sales quantity – opening inventory of finished goods + closing inventory of finished goods**
  - (c) sales quantity – opening inventory of finished goods – closing inventory of finished goods

- (d) sales quantity + opening inventory of finished goods – closing inventory of finished goods
- (54) In comparing a fixed budget with a flexible budget, what is the reason for the difference between the profit figures in the two budgets?
- (a) **Different levels of activity**
  - (b) Different levels of spending
  - (c) Different levels of efficiency
  - (d) The difference between actual and budgeted performance
- (55) When budget allowances are set without the involvement of the budget owner, the budgeting process can be described as:
- (a) **top-down budgeting**
  - (b) negotiated budgeting
  - (c) zero based budgeting
  - (d) participative budgeting
- (56) For which of the following would zero based budgeting be most suitable?
- (a) Building construction
  - (b) Mining company operations
  - (c) Transport company operations
  - (d) **Government department activities**
- (57) Which among the below is the reason behind Material Price Variance:
- (a) Change in basis purchase price of material.
  - (b) Uneconomical size of purchase order
  - (c) Payment of excess or less freight.
  - (d) **All of the above**
- (58) In a factory Standard rate per hour Rs. 4, Standard time per unit of output – 20 hours, Units produced - 500, Actual hours worked - 12,000. Compute Labour Efficiency Variance.
- (a) Rs. 6000 (Favourable)
  - (b) **Rs. 8000 (Adverse)**
  - (c) Rs. 9,600 (Favourable)
  - (d) Rs. 8000 (Favourable)
- (59) MSE Manufacturing gives you the following details  
Standard Price per kg of Material Rs. 2,  
Actual Material used 2,000 kg,  
Actual cost of Material Rs. 3,000  
Actual output 2,100 kg.  
Compute Material Price Variance.
- (a) Rs. 1050 (Favourable)
  - (b) Rs. 1142 (Favourable)
  - (c) **Rs. 1000 (Favourable)**
  - (d) None of the above
- (60) Which of the following factors does not affect Learning Curve
- (a) Method of production
  - (b) Labour strike

- (c) **Shut down**
  - (d) Efficiency rate
- (61) Which of the following is not a reason to use the concept of Learning Curve?
- (a) Labour efficiency
  - (b) **Introducing new technology**
  - (c) Value chain effect
  - (d) Standardization, specialization, and methods improvements
- (62) Learning curve theory is not applicable to
- (a) Direct labour
  - (b) Material
  - (c) Spoilage and defective works
  - (d) **Overhead**
- (63) Decision-making concerns with:
- (a) Past
  - (b) **Future**
  - (c) Past and Future both
  - (d) None of the above
- (64) A large Margin of Safety indicates
- (a) Over-Capitalization
  - (b) **The soundness of business**
  - (c) Over Production
  - (d) None of the above
- (65) Revision of budgets is
- (a) Unnecessary
  - (b) Cannot determine
  - (c) **Necessary**
  - (d) Inadequate data
- (66) Which of the following operating measures would a manager would like to see decreasing over time?
- (a) Merchandise Inventory Turn-over
  - (b) **Total quality cost**
  - (c) % of on-time deliveries
  - (d) Finished Goods Inventory Turn-over
- (67) Another name for the 'Learning Curve' is
- (a) Exponential Curve
  - (b) Growth Curve
  - (c) Production Curve
  - (d) **Experience Curve**
- (68) The well-known basic function of management is
- (a) Motivating
  - (b) Leadership
  - (c) **Decision making**
  - (d) Communicating

- (69) Contribution margin is equal to
- (a) Sales - Fixed Cost - Profit
  - (b) Profit + Variable Cost
  - (c) Fixed Cost - Loss**
  - (d) None of the above
- (70) In a system whereby all activities are reevaluated each time a budget is formulated and starts with the assumption that requirement of funds does not exist is called
- (a) Performance Budgeting
  - (b) Programme Budgeting
  - (c) Flexible Budgeting
  - (d) Zero- based Budgeting**
- (71) The management's time is saved by reporting only the deviations from the predetermined standards is called
- (a) Management by objectives
  - (b) Budgetary Control
  - (c) Standard Costing
  - (d) Management by Exception**
- (72) Marginal Costing is also known as
- (a) Direct Costing
  - (b) Absorption Costing
  - (c) Variable Cost
  - (d) Variable Costing**
- (73) Another name for 'Contribution' is
- (a) Marginal Income**
  - (b) Gross Profit
  - (c) Net Income
  - (d) None of the above
- (74) Management Accounting
- (a) accumulates, summarises 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**
- (75) XYZ Ltd. makes a special gadget for the car it manufactures. The machine for the gadget works to full capacity and incurs Rs. 15 Lakhs and Rs. 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 Rs. 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) Rs. 40 Lakhs**
  - (b) Rs. 65 Lakhs
  - (c) Rs. 25 Lakhs
  - (d) Rs. 15 Lakhs

- (76) The difference between hours paid and hours worked is known as
- (a) Labour rate variance
  - (b) Labour efficiency variance
  - (c) Idle time variance**
  - (d) Net efficiency variance
- (77) 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
- (78) A budget that gives a summary of all the functional budgets and projected Profit and Loss A/c is known as
- (a) Master budget**
  - (b) Flexible budget
  - (c) Performance budget
  - (d) Discretionary budget
- (79) When there are no opening or closing stocks, profit under marginal costing will be
- (a) Greater than in absorption costing
  - (b) Less than in absorption costing
  - (c) Equal to absorption costing**
  - (d) Greater, Lower or Equal depending on certain factors
- (80) Break Even Point can be reduced by
- (a) Increasing selling price per unit
  - (b) Reducing the variable costs
  - (c) Reducing fixed costs
  - (d) All of the above**
- (81) One of the following is not within the scope of Management Accounting
- (a) Formulation of policies
  - (b) Classification and collection of costs**
  - (c) Planning and coordinating the activities of the enterprise
  - (d) Decision making on alternative courses of action
- (82) AB company budgets for fixed overhead of Rs. 24,000 and Production of 4800 units. Actual Production is 4200 units. If fixed overhead cost increased is Rs. 22,000, the Fixed overhead volume variance will be
- (a) Rs. 1,000 (Adv.)
  - (b) Rs. 2,000 (Fav.)
  - (c) Rs. 3,000 (Adv.)**
  - (d) Rs. 3,000 (Fav.)
- (83) The breakeven point is the point at which,
- (a) There is no profit, no loss**
  - (b) Contribution margin is equal to total fixed cost
  - (c) Total fixed cost is equal to total revenue
  - (d) All of the above

- (84) The P/V ratio of a product is 0.4 and the selling price is ₹40 per unit. The marginal cost of the product would be,
- (a) ₹8
  - (b) ₹24**
  - (c) ₹20
  - (d) ₹25
- (85) If standard hours are 400 @ ₹ 1 per hour and actual hours are 380 @ ₹1.25 per hour, the labour rate variance is:
- (a) ₹20 (Favourable)
  - (b) ₹25 (Favourable)
  - (c) ₹100 (Adverse)
  - (d) ₹95 (Adverse)**
- (86) The time taken for initial unit of a product is 100 hours. At 80% learning rate what is the total time for 4 units.
- (a) 100 hours
  - (b) 80 hours
  - (c) 160 hours
  - (d) 256 hours**
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  - (c) ₹ 20,000
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- (88) Sales in January month ₹ 3,00,000; Credit Sales are 80%; Credit period is 2 months. Amount collected in the month of March is
- (a) ₹50,000
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  - (c) ₹50,000
  - (d) None of the above
- (89) Planning and control are done by
- (a) top management**
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  - (c) all levels of management
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- (90) The use of management accounting is
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  - (c) Mandatory as per the law
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  - (b) Function
  - (c) Flexibility

**(d) All of the above**

- (92) Which of the following departments is most likely responsible for a price variance in direct materials?
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  - (b) Receiving
  - (c) Purchasing**
  - (d) Production
- (93) Idle time variance is always:
- (a) Favourable
  - (b) Adverse**
  - (c) Favourable (or) Adverse
  - (d) None of these
- (94) In marginal costing, stock is valued at \_\_\_\_\_
- (a) Fixed Cost
  - (b) Variable Cost**
  - (c) Inventory
  - (d) sales
- (95) \_\_\_\_\_ establishes the objective of the firm and decides the course of action to achieve it.
- (a) Organizing
  - (b) Staffing
  - (c) Controlling
  - (d) Planning**
- (96) Under this method the cost of product is determined after considering the total cost i.e., both fixed and variable costs. This technique is known as \_\_\_\_\_.
- (a) Absorption Costing
  - (b) Traditional Costing
  - (c) Total Costing
  - (d) All of the above**
- (97) Cost data are presented to highlight the total contribution of each product
- (a) Standard Costing
  - (b) Absorption Costing
  - (c) Marginal Costing**
  - (d) None of the above
- (98) Marginal cost includes prime cost plus \_\_\_\_\_.
- (a) Fixed overhead**
  - (b) Variable overhead
  - (c) Margin of safety
  - (d) Actual cost
- (99) The formula for material price variance is \_\_\_\_\_.
- (a)  $(AQ - SQ) \times AP$
  - (b)  $(AP - SP) \times SQ$
  - (c)  $(AP - SP) \times AQ$**

- (d) None of the above
- (100) Select from the enumerated list the functions of the management accounting
- (a) Control
  - (b) Reporting to the Management
  - (c) Coordination
  - (d) All of the above**
- (101) Profit volume ratio establishes the relationship between...
- (a) Contribution and profit
  - (b) Fixed cost and contribution
  - (c) Profit and sales
  - (d) Contribution and sales value**
- (102) A desire to achieve a particular goal with pursuit of that goal is called:
- (a) motivation**
  - (b) goal congruence
  - (c) effort
  - (d) autonomy
- (103) The scare factors is also known as
- (a) Key factor**
  - (b) Abnormal factor
  - (c) Linking factor
  - (d) None of the above
- (104) 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
- (105) The sub-variance of material usage variance, known as Material mix variance is measured as
- (a) Total standard cost - Total actual cost
  - (b) Standard cost of revised standard mix - Standard cost of actual mix**
  - (c) (Standard unit price - Actual unit price) \* Actual quantity used
  - (d) (Standard quantity - Actual quantity) \* Unit standard price
- (106) Another name for the learning curve is a(n)
- (a) experience curve**
  - (b) exponential curve
  - (c) growth curve
  - (d) production curve
- (107) While computation of profit in marginal costing
- (a) Total marginal cost is deducted from total sales revenues**
  - (b) Total marginal cost is added to total sales revenues
  - (c) Fixed cost is added to contribution
  - (d) None of the above

- (108) If total cost of 100 units is ` 5000 and those of 101 units is ` 5030 then increase of Rs 30 in total cost is
- (a) **Marginal cost**
  - (b) Prime cost
  - (c) All variable overheads
  - (d) None of the above
- (109) 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
- (110) While determining material quantity standards, a proper consideration should be assigned to
- (a) **Normal material wastage**
  - (b) Abnormal material wastage
  - (c) Both a and b
  - (d) None of the above
- (111) Volume variance arises when
- (a) There is rise in overhead rate per hour
  - (b) There is decline in overhead rate per hour
  - (c) **There is decrease or increase in actual output compared to the budgeted output**
  - (d) None of the above
- (112) In management accounting, an emphasis and focus must be
- (a) **future oriented**
  - (b) past oriented
  - (c) communication oriented
  - (d) bank oriented
- (113) Reporting under marginal costing is accomplished by:
- (a) eliminating the WIP inventory account
  - (b) including only variable costs in income statement
  - (c) **matching variable costs against revenue and treating fixed costs as period costs**
  - (d) treating all costs as period costs.
- (114) Which of the following is not depicted on break-even chart?
- (a) Profit/Loss at different levels of output
  - (b) Sales to earn a given profit
  - (c) Contribution
  - (d) **P/V ratio**
- (115) Difference between budgeted amounts and actual results is classified as
- (a) standard deviation
  - (b) **variances**
  - (c) mean average
  - (d) weighted average

- (116) Part of master budget, which covers capital expenditures, budgeted statement of cash flows and balance sheets are classified as
- (a) **financial budget**
  - (b) capital budget
  - (c) cash flows budget
  - (d) balanced budget
- (117) The type of standard that is best suited for cost control objective is
- (a) Normal standard
  - (b) Basic standard
  - (c) **Expected standard**
  - (d) Ideal standard
- (118) The corrective actions after the analysis of variances has to be taken by
- (a) Cost Auditor
  - (b) **Management**
  - (c) Both A and B
  - (d) None of the above
- (119) When actual price is higher or lower than the standard price, then it is
- (a) **Sales price variance**
  - (b) Sales volume variance
  - (c) Sales mix variance
  - (d) Sales quantity variance
- (120) If the actual output is more than the budgeted output, volume variance is
- (a) **Favourable**
  - (b) Non-favorable
  - (c) No impact
  - (d) None of the above
- (121) Marginal costs is taken as equal to
- (a) **Prime Cost plus all variable overheads**
  - (b) Prime Cost minus all variable overheads
  - (c) Variable overheads
  - (d) None of the above
- (122) \_\_\_\_\_ 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
- (123) Which of the following statements are true for forecast and budget?
- (a) Forecast and budget are one and same thing
  - (b) **Budget is prepared after the forecast**
  - (c) Forecast and budget both can be expressed in financial form
  - (d) All of the above
- (124) Determine Contribution if Sales is ₹ 1,50,000 and P/V ratio is 40%.
- (a) **₹60,000**

- (b) ₹70,000
  - (c) ₹30,000
  - (d) None of the above
- (125) Division Accounting is divided into
- (a) 2
  - (b) 3**
  - (c) 4
  - (d) None of these
- (126) Contribution margin is known as
- (a) Net income
  - (b) Gross margin**
  - (c) Net profit
  - (d) None of these
- (127) The P/V ratio of a product is 0.4 and the selling price is 40 per unit. The marginal cost of the product would be
- (a) 8
  - (b) 20
  - (c) 24**
  - (d) 16
- (128) Budget period depends upon....
- (a) The type of budget
  - (b) The nature of business
  - (c) The length of trade Cycle
  - (d) All of these**
- (129) Which of the following operating measures would a manager want to see decreasing over time?
- (a) Merchandise inventory turnover
  - (b) Total quality cost**
  - (c) Percentage of on-time deliveries
  - (d) Finished goods inventory turnmover
- (130) The use of management accounting is
- (a) Compulsory
  - (b) Optional**
  - (c) Mandatory as per law
  - (d) None of the above.
- (131) The selling price is 20 per unit, variable cost 12 per unit, and fixed cost 16,000, the break even-point in units will be
- (a) 800 units
  - (b) 3,000 units
  - (c) 2,000 units**
  - (d) None of these
- (132) Which of the following departments is most likely responsible for a price variance in direct material?

- (a) Warehousing
  - (b) Receiving
  - (c) Purchasing**
  - (d) Production
- (133) When are the overhead variances recorded in a standard costing system?
- (a) When the cost of goods sold is recorded
  - (b) When the factory overhead is applied to work-in-process**
  - (c) When the goods are transferred out of work-in-process
  - (d) when direct labour is recorded.
- (134) The comparison of actual results with expected results is referred to as
- (a) Feedback**
  - (b) Controlling
  - (c) a & b
  - (d) None of these.
- (135) An example of long period budget is.....
- (a) R & D budget**
  - (b) Master budget
  - (c) Sales budget
  - (d) Personnel budget
- (136) Division of Accounting is divided into
- (a) 2
  - (b) 3**
  - (c) 4
  - (d) None of these.
- (137) Sales budget shows the sales detail as
- (a) Month wise**
  - (b) Area wise
  - (c) Product wise
  - (d) All of the above
- (138) Which of the following can be used to calculate the material price variance :
- (a)  $(AQ - SQ) \times SP$
  - (b)  $(AP - SP) \times AQ$**
  - (c)  $(AP - SP) \times SQ$
  - (d)  $(AQ - SQ) \times AP$
- (139) Which of the following is often the cause of differences between actual and standard costs of materials and labour?
- (a) Price changes for materials
  - (b) Excessive labour hours
  - (c) Excessive use of material
  - (d) All of the above**
- (140) Planning and control are done by :
- (a) Top management**
  - (b) Lowest level of management

- (c) All levels of management
  - (d) None of the above
- (141) If standard hours are 400 @ `1 per hour and actual hours are 380 @ `1.50 per hour, the labour rate variance is:
- (a) ₹20 (Favorable)
  - (b) ₹25 (Favorable)
  - (c) ₹`100 (Adverse)
  - (d) ₹190 (Adverse)**
- (142) The use of management accounting is :
- (a) compulsory
  - (b) optional**
  - (c) mandatory as per the law
  - (d) none of the above
- (143) The selling price is `20 per unit , variable cost ` 16 , and fixed cost `16000, the breakeven point in unit will be :
- (a) 800 units
  - (b) 2000 units
  - (c) 4000 units**
  - (d) none of the above
- (144) Budget period depends upon
- (a) Type of budget
  - (b) The nature of budget
  - (c) The length of trade cycle**
  - (d) All of the above
- (145) Revision of budget is :
- (a) Unnecessary
  - (b) can't determine
  - (c) necessary**
  - (d) Inadequate data
- (146) Which of the following operating measures would to see decreasing over time?
- (a) Merchandise inventory turnover
  - (b) Total quality cost**
  - (c) Percentage of on-time deliveries
  - (d) Finished goods inventory turnover
- (147) Which of the following is incorrect :
- (a) Learning curve may be applied to direct labour and material
  - (b) Learning curve is a cost reduction technique**
  - (c) Learning curve concept provides a means of evaluating the effectiveness of training program.
  - (d) Learning curve is a mathematical technique
- (148) The cost per unit of a product manufactured in a factory amounts to ₹40 (75% variable) when the production is 10,000 units. When production increases by 25%, the cost of production will be ₹\_\_\_\_\_ per unit.

- (a) ₹35
- (b) ₹36.25
- (c) ₹37.5
- (d) ₹38**

(149) Fixed budget is useless for comparison when the level of activity \_\_\_\_\_.

- (a) Increases
- (b) Decreases
- (c) Fluctuates both ways**
- (d) Constant

(150) The use of management accounting is

- (a) Mandatory as per the law
- (b) Compulsory
- (c) Optional**
- (d) None of the above

(151) The time taken for initial unit of a product is 1000 hours. At 80% learning rate what is the total time for 4 units?

- (a) 800 hours
- (b) 1000 hours
- (c) 1600 hours
- (d) 2560 hours**

(152) Sara Ltd. has extracted the following details from the standard cost card of one of its products:

Direct Labour 4.5 hours @ ₹6.40 per hour

During March 2022, Sara Ltd. produced 2,300 units of the product and incurred direct wages costs of ₹64,150. The actual hours worked were 11,700.

The direct labour rate and efficiency variances were:

Rate (₹)	Efficiency (₹)
<b>(a) ₹10,730 (F)</b>	<b>₹8,640 (A)</b>
(b) ₹10,730 (F)	₹7,402 (A)
(c) ₹2,090 (F)	₹7,402 (A)
(d) ₹2,090 (F)	₹8,640 (A)

(153) Which of the following statements are true in case of Market price based transfer price?

- (a) It is an extensive arbitration system in fixing the transfer prices between the divisions.
- (b) Profits resulting from market price based transfer prices are good parameters for performance evaluation of buying divisions only.
- (c) Actual costs are fluctuating and hence difficult to ascertain. On the other hand, market prices can be easily ascertained**
- (d) None of the above

(154) Profit volume ratio establishes the relationship between...

- (a) Contribution and profit
- (b) Fixed cost and contribution
- (c) Profit and sales
- (d) Contribution and sales values**

- (155) A desire to achieve a particular goal with pursuit of that goal is called:
- (a) **motivation**
  - (b) goal congruence
  - (c) effort
  - (d) autonomy
- (156) The scare factors are also known as
- (a) **Key factor**
  - (b) Abnormal factor
  - (c) Linking factor
  - (d) None of the above
- (157) 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
- (158) The sub-variance of material usage variance, known as Material mix variance is measured as
- (a) Total standard cost - Total actual cost
  - (b) **Standard cost of revised standard mix - Standard cost of actual mix**
  - (c) (Standard unit price - Actual unit price) \* Actual quantity used
  - (d) (Standard quantity - Actual quantity) \* Unit standard price
- (159) Another name for the learning curve is a(n)
- (a) **experience curve**
  - (b) exponential curve
  - (c) growth curve
  - (d) production curve
- (160) \_\_\_\_\_ is the study of managerial aspects of financial accounting
- (a) Cost accounting
  - (b) Financial accounting
  - (c) **Management accounting**
  - (d) Business accounting
- (161) 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
- (162) 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
- (163) 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
- (164) 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
- (165) 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%
- (166) 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
- (167) 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
- (168) 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
- (169) 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
  - (b) ₹ 1,440**
  - (c) ₹ 1,440

(d) ₹ 2,300

(170) 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?

(a) ₹ 1,01,000

**(b) ₹ 126.25**

(c) ₹ 122

(d) ₹ 1,22,000

(171) \_\_\_\_\_ 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

(172) 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 5th to 8th 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**

(173) 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

(174) 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

(175) Management accounting deals with \_\_\_\_\_ data

(a) Qualitative

(b) Quantitative

**(c) Both qualitative and quantitative**

(d) Non-financial

(176) 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

(177) The following information relate to ABC

Activity level	60%	80%
Variable costs (₹)	12,000	16,000
Fixed costs (₹)	12,000	22,000

The differential cost for 20% capacity is \_\_\_\_\_.

- (a) ₹4,000
- (b) ₹2,000
- (c) ₹6,000**
- (d) ₹5,000

(178) 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

(179) 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

(180) 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

(181) 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

(182) 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%

(183) 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%

(184) 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

(185) Standard costing is a tool, which replaces the bottleneck of the \_\_\_\_\_ costing.

- (a) Present
- (b) Future
- (c) Historical**
- (d) . None of the above

(186) 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

(187) 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
- (188) 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.
- (189) 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
- (190) \_\_\_\_\_ is the study of managerial aspects of financial accounting
- (a) Cost accounting
  - (b) Financial accounting
  - (c) Management accounting**
  - (d) Business accounting
- (191) Just-in-time inventory management and Activity based costing were developed during the \_\_\_\_\_.
- (a) 1st stage
  - (b) 2nd stage
  - (c) 3rd stage**
  - (d) 4th stage
- (192) In an ABC system, the allocation bases that are used for applying costs to services or procedures are called:
- (a) Cost Pool
  - (b) Cost Drivers**
  - (c) Cost Absorption
  - (d) Cost Object
- (193) 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**
- (194) \_\_\_\_\_ 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**

- (195) Which of the following criterion is not used for decision-making under uncertainty?  
(a) Maximin  
(b) Maximax  
(c) Minimax  
**(d) Maximise expected value**
- (196) 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
- (197) 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
- (198) 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
- (199) 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
- (200) 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
- (201) In which of the following circumstances is there a strong argument that profit centre accounting is a waste of time?  
(a) When the transferred item is also sold on an external market

- (b) When the supplying division is based in a different country to head office
  - (c) 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.**
- (202) In a product mix decision, which is the most important factor to consider in order trying to maximise profit?
- (a) contribution per unit of a scarce resource used to make the product**
  - (b) contribution per unit of the product
  - (c) variable cost per unit of the product
  - (d) product unit selling price
- (203) Which of the following costs incurred by a commercial airline can be classified as variable?
- (a) Interest costs on leasing of aircraft
  - (b) Pilots' salaries
  - (c) Depreciation of aircraft
  - (d) None of these three costs can be classified as variable**
- (204) A large margin of safety indicates \_\_\_\_\_.
- (a) Over capitalization
  - (b) The soundness of business**
  - (c) Overproduction
  - (d) None of the above
- (205) Usually the production budget is stated in terms of \_\_\_\_\_.
- (a) Money
  - (b) Quantity
  - (c) Both of the above**
  - (d) None of the above
- (206) Revision of budgets is necessary when original budget was prepared with \_\_\_\_\_.
- (a) only management's direction
  - (b) judgement of employees only
  - (c) Inappropriate data**
  - (d) All of the above
- (207) Which of the following is NOT a method of transfer pricing?
- (a) Cost plus transfer price
  - (b) Internal price plus transfer price**
  - (c) Market-based transfer price
  - (d) Two-part transfer price
- (208) What transfer pricing method is preferred by Cost Accountant?
- (a) Cost Based
  - (b) Negotiated**
  - (c) Market Based
  - (d) Dual Pricing
- (209) Management accounting deals with \_\_\_\_\_ data
- (a) qualitative

- (b) quantitative
  - (c) both qualitative and quantitative**
  - (d) only non-financial
- (210) The following is the limitation of management accounting
- (a) Costly Affair
  - (b) Evolutionary Stage
  - (c) Psychological Resistance
  - (d) All of the above**
- (211) Objectives of Management Accounting \_\_\_\_\_.
- (a) Policy formulation
  - (b) Helpful in decision making
  - (c) Helpful in controlling
  - (d) All of the above**
- (212) Which of the following costs is relevant in decision-making?
- (a) committed costs**
  - (b) accounting costs
  - (c) historical costs
  - (d) cash costs
- (213) The cost data provide invaluable information for taking the following managerial decision(s)
- (a) To make or buy
  - (b) To own or hire fixed asset
  - (c) Determining the expansion or contraction policy
  - (d) All of the above**