



To Buy Classes Visit Our Website
WWW.SUMITRASTOGICLASSES.COM
and Contact Us for Further Queries On
8826965733, 9811229279 and 9560978857

MCQ (SYLLABUS-2022)

MANAGEMENT ACCOUNTING

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



To Buy Classes Visit Our Website
WWW.SUMITRASTOGICLASSES.COM
and Contact Us for Further Queries On
8826965733, 9811229279 and 9560978857

8. _____ criteria are a set of standards for a company's behaviour used by socially conscious investors to screen potential investments.
- (a) JIT
 - (b) AMT
 - (c) ESG
 - (d) ABC
9. Management accounting information helps managers formulate strategy by answering which of the following questions?
- (a) Who are the most important customers, and how can the company deliver value to the customers?
 - (b) What is most critical capability of the company which may be technology, production, or marketing?
 - (c) How can we leverage it for new strategic initiatives?
 - (d) 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_____.
- (a) Environmental costs are often high in the many manufacturing organisations
 - (b) Regulatory requirements often impose huge fines for non-compliance
 - (c) Both 1 and 2
 - (d) 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 _____.
- (a) internal sources
 - (b) external sources
 - (c) internal and external sources
 - (d) internal or external sources
12. Management Accounting is concerned with accounting information, which is useful to the management — This definition is given by _____.
- (a) Robert N. Antho
 - (b) Brown and Howard
 - (c) CIMA
 - (d) The Institute of Chartered Accountants of England and Wales
13. 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

14. Which of the following is a correct definition of activity-based management?
- (a) An approach to the costing and monitoring of activities which involves tracing resource consumption and costing final outputs. Resources are assigned to activities and activities to cost objects based on consumption estimates. The latter utilize cost drivers to attach activity costs to outputs.
 - (b) The identification and evaluation of the activity drivers used to trace the cost of activities to cost objects. It may also involve selecting activity drivers with potential to contribute to the cost management function with particular reference to cost reduction
 - (c) A method of budgeting based on an activity framework and utilizing cost driver data in the budget- setting and variance feedback processes.
 - (d) A system of management which uses activity-based cost information for a variety of purposes including cost reduction, cost modeling and customer profitability analysis.
15. Which of the following characteristics would be an indicator that a company would benefit from switching to activity-based costing?
- (a) Only one homogenous product is produced on a continuous basis
 - (b) The existing cost system is reliable and has produced excellent results
 - (c) Overhead costs are high and increasing and no one seems to know why
 - (d) The costs of implementing ABC out-weigh the benefits
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:
- (a) Absorption costing
 - (b) Marginal costing
 - (c) Activity-based costing
 - (d) Job costing
17. In an ABC system, which of the following is likely to be classified as a batch level activity?
- (a) Machine set-up
 - (b) Product design
 - (c) Inspection of every item produced
 - (d) Production manager's work
18. Activity based costing
- (a) Uses a plant wide overhead rate to assign overhead
 - (b) Is not expensive to implement
 - (c) Typically applies overhead costs using direct labour hours
 - (d) Uses multiple activity rates
19. Which of the following activities is not a batch level activity?
- (a) Processing purchase orders
 - (b) Designing products
 - (c) Receive raw materials from suppliers
 - (d) Setting up equipment

-
20. Which of the following is not included in batch level activities?
- (a) Material ordering cost
 - (b) Machine set-up cost
 - (c) Inspection cost
 - (d) Designing the product
21. Assigning overhead using ABC often:
- (a) Shifts overhead costs from high-volume products to low-volume products
 - (b) Shifts overhead costs from low-volume products to high-volume products
 - (c) Provides the same results as traditional costing
 - (d) Requires one predetermined overhead rate
22. In Activity Based Costing
- (a) Non-manufacturing costs may not be assigned to products
 - (b) Some manufacturing costs may be excluded from product costs
 - (c) Allocation bases are the same as those used in traditional costing methods
 - (d) Similar to traditional costing, ABC only uses one overhead cost pool
23. In an ABC system, the allocation bases that are used for applying costs to services or procedures are called:
- (a) Cost Pool
 - (b) Cost Driver
 - (c) Cost Absorption
 - (d) Cost Object
24. 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
25. 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
26. Which of the following is different in ABC when compared to traditional costing?
- (a) Traditional costing and ABC costing usually yield very similar product costs
 - (b) In an ABC costing system, costs are only assigned to products that actually required work that gave rise to a particular cost
 - (c) In ABC, batch-level costs are applied to products using unit-level bases
 - (d) Under traditional costing, batch-level costs are shifted from high-volume products to low-volume products

27. 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
28. Cost of maintaining a building is:
 - (a) Unit Level Cost
 - (b) Batch Level Cost
 - (c) Product Level Cost
 - (d) Facility Level Cost
29. should be subtracted from net product revenues instead of an arbitrary and illogical apportionment.
 - (a) Facility Level Cost
 - (b) Product Level Cost
 - (c) Organizational Level Cost
 - (d) High Level Cost
30. The basis of apportionment of overheads which takes into account the profitability of various departments is called:
 - (a) FIFO basis
 - (b) LIFO basis
 - (c) Ability to pay basis
 - (d) Activity basis
31. Which of the following is the main cost driver of customer order processing activity?
 - (a) Flow of the product from the assembly line
 - (b) Order value
 - (c) Number of problem suppliers
 - (d) Number of machine charges
32. Painting the product would be an example of which activity level groups
 - (a) Facility-level activity
 - (b) Product-level activity
 - (c) Unit-level activity
 - (d) Batch-level activity
33. Which of the following tasks is not normally associated with an activity-based costing system?
 - (a) Calculation of cost application rates
 - (b) Identification of cost pools
 - (c) Preparation of allocation matrices
 - (d) Identification of cost drivers
34. All of the following are examples of batch level activities except:
 - (a) Purchase order processing
 - (b) Setting up equipment
 - (c) The clerical activity associated with processing purchase orders to produce an order for a standard product
 - (d) Worker recreational facilities



To Buy Classes Visit Our Website
WWW.SUMITRASTOGICLASSES.COM
and Contact Us for Further Queries On
8826965733, 9811229279 and 9560978857

35. A cost driver -
- (a) is a force behind the overhead cost
 - (b) is an allocation base
 - (c) is a transaction that is a significant determinant of cost
 - (d) is all of the above
36. Which of these is NOT a cost driver For the Activity Design of products, services & Processes?
- (a) Number of Products in design
 - (b) Number of Parts per product
 - (c) Number of employee Training Programmes
 - (d) Number of engineering Hours
37. Which of these in NOT a Cost driver for Marketing and Sales Function?
- (a) Number of advertisements/Insertions
 - (b) Number of research projects
 - (c) Number of Sales personnel
 - (d) sales Revenue
38. Which of these in NOT a Cost driver for Customer Service Activity?
- (a) Number of service calls
 - (b) Number of Products serviced
 - (c) Hours spent on servicing products
 - (d) sales Revenue
39. 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
40. Under activity-based costing, 'material ordering' is considered as —
- (a) Unit-level activity
 - (b) Facility-level activity
 - (c) Batch-level activity
 - (d) 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:
- (a) Unit Level Activity
 - (b) Competitive Level Activity
 - (c) Facility Level Activity
 - (d) 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 setup 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
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 parts. If Product D requires 1200 parts, 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 cost 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.
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 decreases when
- (a) Production volume increases
 - (b) Production volume decreases
 - (c) Variable costs per unit decreases
 - (d) Prime costs per unit decreases
55. Within a relevant range, the amount of variable costs per unit
- (a) Differs at each production level
 - (b) Remains constant at each production level
 - (c) Increases as production increases
 - (d) Decreases as production increases
56. Margin of safety is referred to as
- (a) Excess of budgeted or actual sales over the variable expenses and fixed expense, at break-even.
 - (b) Excess of budgeted or actual sales revenue over the fixed expenses.
 - (c) Excess of actual sales over budgeted sales.
 - (d) Excess of sales revenue over the variable expenses
57. Under Marginal Costing System, the contribution margin discloses the excess of
- (a) Revenue over fixed costs
 - (b) Projected revenues over the break-even point
 - (c) Revenues over variable costs
 - (d) Variable costs over fixed costs
58. 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
59. Determine Margin of safety if Profit is ₹15,000 and P/V ratio is 40%.
- (a) ₹ 37,500
 - (b) ₹ 33,000
 - (c) ₹ 38,000
 - (d) None of the above
60. 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

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.
(a) ₹ 73,500
(b) ₹75,000
(c) ₹ 5,000
(d) ₹ 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%?
(a) ₹ 1,50,000
(b) ₹ 1,00,000
(c) ₹ 2,00,000
(d) 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.
(a) ₹ 20,000
(b) ₹ 50,000
(c) ₹ 70,000
(d) ₹ 10,000
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.
(a) 5,000 units
(b) 6,000 units
(c) 11,000 units
(d) 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.
(a) 6,000 units
(b) 5,000 units
(c) 1,000 units
(d) 7,000 units
66. Determine B.E.P in units and amount if Units produced if ₹10,000, Fixed cost is ₹40,000, Selling price is ₹50 per unit and Variable cost us ₹30 per unit.
(a) ₹40 per unit, ₹2,00,000
(b) ₹50 per unit, ₹10,00,000
(c) ₹20 per unit, ₹1,00,000
(d) None of the above
67. Determine B.E.P if Sales is ₹1,00,000, Variable cost is ₹50,000 and Profit is ₹20,000.
(a) ₹ 60,000
(b) ₹ 40,000
(c) ₹ 80,000
(d) None of the above

68. PV ratio will increase if there is -
(a) a decrease in fixed cost
(b) an increase in fixed cost
(c) a decrease in selling price per unit
(d) a decrease in variable cost per unit
69. Under marginal costing, the cost of product for inventory valuation includes
(a) prime costs and variable factory overheads
(b) prime cost only
(c) prime costs and Fixed factory overheads
(d) prime costs and all factory overheads
70. Period Costs are:
(a) variable cost
(b) fixed cost
(c) prime cost
(d) overheads cost
71. Marginal Cost 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
72. Contribution margin is equal to
(a) Sales - Fixed Cost - Profit
(b) Profit + Variable Cost
(c) Fixed Cost - Loss
(d) None of the above
73. It is planned sell 1,00,000 units of product A at ₹12 per unit. Fixed Costs are ₹2,80,000. To achieve a profit of ₹2,00,000 what would the variable costs be?
(a) ₹ 4,80,000
(b) ₹ 7,20,000
(c) ₹ 9,00,000
(d) ₹ 9,20,000
74. Factors which can change the break-even point
(a) change in total fixed costs
(b) change in variable costs per unit
(c) change in the selling price per unit
(d) All of the above.

75. Net Profit Ratio is 12% and BEP is 40 % of total sales compute PV ratio
- (a) 60%
 - (b) 52%
 - (c) 28%
 - (d) 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:
- (a) Prime cost
 - (b) All variable overheads
 - (c) Marginal cost
 - (d) None of the above
77. Which of the following statements are true about marginal costing?
- (a) In marginal costing, fixed costs are treated as product costs
 - (b) Marginal costing is not an independent system of costing
 - (c) The elements of cost in marginal costing are divided into fixed and variable components
 - (d) Both b and c
78. 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
79. While computing profit in marginal costing:
- (a) The fixed cost gets added to the contribution
 - (b) The total marginal cost gets deducted from total sales revenue
 - (c) The total marginal cost gets added to total sales revenue
 - (d) None of the above
80. Which of the following assumptions are made while calculating marginal cost
- (a) Total fixed cost is constant at all levels of output
 - (b) Total variable cost varies according to the volume of output
 - (c) All elements of cost can be divided into fixed and variable components
 - (d) All of the above
81. Contribution margin in marginal costing is also known as:
- (a) Net income
 - (b) Gross profit
 - (c) Marginal income
 - (d) 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
- | | |
|----------|----------|
| (a) 3500 | (c) 3750 |
| (b) 3700 | (d) 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
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:
- (a) Negotiated transfer pricing. (c) Cost-based transfer pricing.
 (b) Cost plus 20% transfer pricing. (d) 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:
- (a) Dual pricing
 (b) Negotiated transfer pricing
 (c) Opportunity cost-based transfer pricing
 (d) 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?
- (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
98. 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
99. 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 (c) Congruent pricing
 (b) Functional pricing (d) 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?
- (a) ₹ 145 (c) ₹ 120
 (b) ₹ 125 (d) ₹ 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.
- 12.70
 - 17.20
 - 27.10
 - 11.70
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
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?
- (a) Line workers
 - (b) Production supervisors
 - (c) Purchasing managers
 - (d) Production schedulers
108. Cost variance is the difference between
- (a) The standard cost and marginal cost
 - (b) The standards cost and budgeted cost
 - (c) The standards cost and the actual cost
 - (d) None of these
109. Standard costing is a tool, which replaces the bottleneck of the _____ costing.
- (a) Present
 - (b) Future
 - (c) Historical
 - (d) None of the above
110. If standard cost > actual cost, then it is:
- (a) Not favourable
 - (b) Favourable
 - (c) Neither favourable nor not favourable
 - (d) None of the above
111. From cost control point of view the standard most commonly used is:
- (a) Expected standard
 - (b) Theoretical standard
 - (c) Normal standard
 - (d) Basic standard
112. When more than one material is used in the manufacture of a product, which of the following variances arises:
- (a) Material yield variance
 - (b) Material mix variance
 - (c) Material price variance
 - (d) Material usage variance
113. Which of the following equations can be used to calculate a Material Quantity Variance?
- (a) $(AQ \times AP) - (AQ \times SP)$
 - (b) $(AP \times SP) - (AQ \times SP)$
 - (c) $(AQ \times SP) - (SQ \times SP)$
 - (d) $(AQ \times SP) - (AQ \times AP)$

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

121. The standard cost card contains quantities and costs for
- (a) Direct material only
 - (b) Direct labour only
 - (c) Direct material and direct labour only
 - (d) Direct material, direct labour, and overhead
122. Standards differ from budgets in that:
- (a) Budgets but not standards may be used in valuing inventories
 - (b) Budgets but not standards may be journalized and posted
 - (c) Budgets are a total amount and standards are a unit amount
 - (d) Only budgets contribute to management planning and control
123. Standard Costs:
- (a) Are imposed by governmental agencies
 - (b) Are predetermined unit costs which companies use as measures of performance
 - (c) Can be used by manufacturing companies but not by service or not-for-profit companies
 - (d) All of the above
124. The advantages of standard costs include all of the following except:
- (a) Management by exception may be used
 - (b) Management planning is facilitated
 - (c) They may simplify the costing of inventories
 - (d) Management must use a static budget
125. Normal standards:
- (a) Allow for rest periods, machine breakdowns, and setup time
 - (b) Represent levels of performance under perfect operating conditions
 - (c) Are rarely used because managers believe they lower workforce morale
 - (d) Are more likely than ideal standards to result in unethical practices
126. The setting of standards is:
- (a) A managerial accounting decision
 - (b) A management decision
 - (c) A worker decision
 - (d) Preferably set at the ideal level of performance
127. Which of the following is correct about the total overhead variance?
- (a) Budgeted overhead and budgeted overhead applied are the same
 - (b) Total actual overhead is composed of variable overhead, fixed overhead, and period costs.
 - (c) Standard hours actually worked are used in computing the variance
 - (d) Standard hours allowed for the work done is the measure used in computing the variance

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?
- (a) Incremental budget (c) Zero based budget
(b) Rolling budget (d) Flexible budget
129. A budget is an instrument of management used as an aid in the _____.
(a) Planning (c) Control of business activity
(b) Programming (d) All of the above
130. Following may be regarded as a summary budget
(a) Production budget
(b) Master budget
(c) Cash budget
(d) Sales budget
131. Purchases budget is prepared using the information from:
(a) Capital expenditure budget
(b) Materials budget
(c) Both (1) and (2)
(d) None of the above
132. Following budget may be compiled on departmental basis:
(a) Production budget
(b) Purchase budget
(c) Materials budget
(d) All of the above
133. Production budget is based upon:
(a) Sales budget
(b) Factory capacity
(c) Availability of raw material and labour
(d) All of the above
134. Budget includes:
(a) Income
(b) Expenditure
(c) Employment of capital
(d) All of the above
135. A budget should be:
(a) Rigid
(b) Flexible
(c) Both (1) and (2)
(d) None of the above

136. The object of budgetary control is _____.
 (a) Planning
 (b) Forecasting
 (c) Organizing
 (d) Directing
137. The budget which is dynamic is _____.
 (a) Flexible budget
 (b) Sales budget
 (c) Cash budget
 (d) Purchase budget
138. The process of budgeting helps in the control of:
 (a) Cost of production
 (b) Liquidity
 (c) Capital Expenditure
 (d) All of the above
139. Plant utilization budget and manufacturing overhead budgets are types of:
 (a) Production budget
 (b) Sales budget
 (c) Cost budget
 (d) None of the above
140. 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
141. The Scare Factor is also known as:
 (a) Key factor
 (b) Abnormal factor
 (c) Linking factor
 (d) 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?
 (a) Incremental budget
 (b) Rolling budget
 (c) Zero based budget
 (d) Flexible budget
143. A budget is an instrument of management used as an aid in the _____.
 (a) Planning
 (b) Programming
 (c) Control of business activity
 (d) All of the above

144. Following may be regarded as a summary budget
- (a) Production budget
 - (b) Master budget
 - (c) Cash budget
 - (d) Sales budget
145. Purchases budget is prepared using the information from:
- (a) Capital expenditure budget
 - (b) Materials budget
 - (c) Both (1) and (2)
 - (d) None of the above
146. Following budget may be compiled on departmental basis:
- (a) Production budget
 - (b) Purchase budget
 - (c) Materials budget
 - (d) All of the above
147. Production budget is based upon:
- (a) Sales budget
 - (b) Factory capacity
 - (c) Availability of raw material and labour
 - (d) All of the above
148. A budget should be:
- (a) Rigid
 - (b) Flexible
 - (c) Both (1) and (2)
 - (d) None of the above
149. The object of budgetary control is _____
- (a) Planning
 - (b) Forecasting
 - (c) Organizing
 - (d) Directing
150. The budget which is dynamic is _____.
- (a) Flexible budget
 - (b) Sales budget
 - (c) Cash budget
 - (d) Purchase budget
151. The process of budgeting helps in the control of:
- (a) Cost of production
 - (b) Liquidity
 - (c) Capital Expenditure
 - (d) All of the above

152. Plant utilization budget and manufacturing overhead budgets are types of:
- (a) Production budget
 - (b) Sales budget
 - (c) Cost budget
 - (d) None of the above
153. 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
154. The scare factor is also known as:
- (a) Key factor
 - (b) Abnormal factor
 - (c) Linking factor
 - (d) None of the above
155. A company usually determines the appropriate degree of decentralization based on a combination of the _____.
- (a) Managers' personal characteristics
 - (b) Nature of decisions required for organizational growth
 - (c) Types of organizational activities in which the company is engaged
 - (d) All of these
156. Major disadvantages of Decentralization are _____.
- (a) Can result in a lack of goal congruence or sub optimization by sub-unit managers
 - (b) Requires more effective communication abilities because decision making is removed from the home office
 - (c) Helps top management recognizes and develop managerial talent
 - (d) Both 1 and 2
157. Which of the following is/are not benefit/s of Decentralization?
- (a) Greater awareness of local problems
 - (b) Allows managerial performance to be comparatively evaluated
 - (c) Creates personnel difficulties upon introduction, especially if managers are unwilling to delegate effectively
 - (d) Develops skill level of junior managers
158. Return on Equity =
- (a) Net Profit Margin $\times$ Asset Turnover Ratio $\times$ Financial Leverage
 - (b) Gross Profit Margin $\times$ Asset Turnover Ratio $\times$ Financial Leverage
 - (c) Net Profit Margin $\times$ Inventory Turnover Ratio $\times$ Financial Leverage
 - (d) Net Profit Margin $\times$ Asset Turnover Ratio $\times$ 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

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 manager'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:
- To calculate the incremental cost of making extra units of a particular products,
 - To set standards for labour,
 - To prepare realistic production budgets and to report labour cost variances, and
 - To quote contract price.
- Learning curve theory
 - Return on investment
 - Du Pont ROE
 - Economic Value Added
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. 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.
178. A company that is seeking to increase ROI should attempt to decrease:
- (a) Sales.
 - (b) Turnover.
 - (c) Margin.
 - (d) Average operating assets.
179. The performance of investment centre is based on _____.
- (a) Cost of the centre
 - (b) Profit of the centre
 - (c) Profit and investment of the centre
 - (d) Revenue of the centre
180. Both costs and revenues are measured in _____ centres.
- (a) Cost
 - (b) Profit
 - (c) Revenue
 - (d) All of these
181. A cost centre is a segment of the organization where the manager is responsible for _____.
- (a) Costs
 - (b) Inputs
 - (c) A or B
 - (d) None of these
182. The performance of investment centre is based on _____.
- (a) Cost of the centre
 - (b) Profit of the centre
 - (c) Profit and investment of the centre
 - (d) Revenue of the centre
183. Responsibility accounting is used for _____.
- (a) cost control
 - (b) planning
 - (c) decision making
 - (d) pricing

184. Responsibility Accounting is also known as _____.
 (a) Profitability accounting
 (b) Activity accounting
 (c) Both A and B
 (d) None of the above
185. Which of the following characteristics is not associated with traditional responsibility accounting?
 (a) Assumes optimization of the parts will optimize the whole.
 (b) Assumes independence of the parts.
 (c) Places emphasis on the performance of individuals.
 (d) Attempts to control processes.
186. In responsibility accounting, responsibilities of various groups or individuals are identified in terms of _____.
 (a) Work (c) Cost
 (b) Revenue (d) All of the above
187. The area of focus on responsibility center is _____.
 (a) Quantum of sales
 (b) Quantum of production
 (c) Optimum utilization of resources
 (d) All of the above
188. In profit center revenue represents a monetary measure of output emanating from a profit center in a given period irrespective whether _____.
 (a) The revenue is realized or not
 (b) The output is sold or not
 (c) Both A and B
 (d) None of the above
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.
 (a) ₹ 3,200
 (b) ₹ 2,200
 (c) ₹1,200
 (d) None of the above
190. Which of the following criterion is not used for decision-making under uncertainty?
 (a) Maximin
 (b) Maximax
 (c) Minimax
 (d) Minimize expected loss

191. Decision theory is concerned with _____.
(a) Methods of arriving at an optimal decision
(b) Selecting optimal decision in a sequential manner
(c) Analysis of information that is available
(d) All of these
192. Which of the following criterion is not applicable to decision-making under risk?
(a) Maximize expected return
(b) Maximize return
(c) Minimize expect regret
(d) Knowledge of likelihood occurrence of each state of nature
193. The minimum expected opportunity loss (EOL) is _____.
(a) Equal to EVPI
(b) Minimum regret
(c) Equal to EMV
(d) Both (A) and (B)
194. The expected value of perfect information (EVPI) is
(a) Equal to expected regret of the optimal decision under risk
(b) The utility of additional information
(c) Maximum expected opportunity loss
(d) None of the above
195. The value of the coefficient of optimism (a) is needed while using the criterion of _____.
(a) Equally likely
(b) Maximin
(c) Realism
(d) Minimax
196. The decision-maker's knowledge and experience may influence the decision-making process when using the criterion of _____.
(a) Maximax
(b) Maximax regret
(c) Realism
(d) Maximin
197. The difference between the expected profit under conditions of risk and the expected profit with perfect information is called _____.
(a) The expected value of perfect information
(b) Expected marginal loss
(c) None of the above
(d) Any one of the above

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 _____
- (a) Certainty.
 - (b) Risk.
 - (c) Uncertainty.
 - (d) Strategy.
199. Which of the following methods of selecting a strategy is consistent with risk averting behaviour?
- (a) If two strategies have the same expected profit, select the one with the smaller standard deviation.
 - (b) If two strategies have the same standard deviation, select the one with the smaller expected profit.
 - (c) Select the strategy with the larger coefficient of variation.
 - (d) All of the above are correct.
200. Which one of the following does not measure risk?
- (a) Coefficient of variation
 - (b) Standard deviation
 - (c) LPP
 - (d) All of the above are measures of risk.
201. The sequence of possible managerial decisions and their expected outcome under each set of circumstances can be represented and analysed by using _____.
- (a) The minimax regret criterion.
 - (b) A decision tree.
 - (c) A payoff matrix.
 - (d) Simulation.
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) A
 - (b) B
 - (c) Both A and B
 - (d) 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.
- (a) 0.20
 - (b) 0.75
 - (c) 0.90
 - (d) 0.10

ANSWERS

1	D	36	C	71	A	106	C	141	A	176	A
2	B	37	B	72	C	107	C	142	C	177	C
3	C	38	D	73	B	108	C	143	D	178	D
4	C	39	B	74	D	109	C	144	B	179	C
5	A	40	C	75	D	110	B	145	B	180	B
6	D	41	D	76	C	111	A	146	A	181	C
7	C	42	C	77	D	112	B	147	D	182	C
8	C	43	B	78	B	113	C	148	B	183	A
9	D	44	B	79	B	114	A	149	A	184	C
10	C	45	C	80	D	115	A	150	B	185	D
11	C	46	B	81	C	116	C	151	D	186	D
12	A	47	D	82	D	117	A	152	C	187	C
13	D	48	C	83	C	118	B	153	C	188	C
14	D	49	D	84	C	119	A	154	A	189	A
15	C	50	D	85	B	120	D	155	D	190	D
16	C	51	D	86	D	121	D	156	D	191	D
17	A	52	C	87	C	122	C	157	C	192	B
18	D	53	A	88	C	123	B	158	A	193	D
19	B	54	A	89	C	124	D	159	B	194	A
20	D	55	B	90	A	125	A	160	B	195	C
21	A	56	C	91	B	126	B	161	C	196	C
22	B	57	C	92	C	127	D	162	D	197	A
23	B	58	C	93	C	128	C	163	A	198	B
24	D	59	A	94	B	129	D	164	A	199	A
25	D	60	B	95	D	130	B	165	D	200	B
26	B	61	D	96	D	131	B	166	C	201	B
27	C	62	A	97	D	132	A	167	D	202	A
28	D	63	B	98	B	133	D	168	A	203	B
29	C	64	A	99	A	134	D	169	C		
30	D	65	C	100	B	135	B	170	C		
31	B	66	C	101	A	136	A	171	D		
32	C	67	A	102	A	137	B	172	D		
33	C	68	D	103	A	138	D	173	a		
34	D	69	A	104	A	139	C	174	c		
35	D	70	B	105	D	140	C	175	d		