

To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

MANAGEMENT ACCOUNTING

MCQ - PAST PAPERS

CHAPTER - 1 INTRODUCTION TO MANAGEMENT ACCOUNTING

1. 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.

Ans. (B) Management accountants facilitate the decision-making process within an organization.

2. The well-known basic function of management is:

- (A) Motivating
- (B) Leadership
- (C) Decision-making
- (D) Communicating

Ans. (C) Decision-making

3. One of the following is not within the scope of Management Accounting:

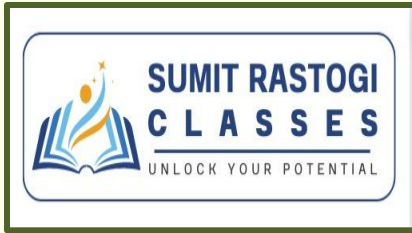
- (A) Formulation of policies
- (B) Classification and collection of costs
- (C) Planning and co-ordinating the activities of the enterprise
- (D) Decision-making on alternative courses of action

Ans. (B) Classification and collection of costs

4. Which of the following accounting records both qualitative and quantitative aspect?

- (A) Green Accounting
- (B) Management Accounting
- (C) Financial Accounting
- (D) Cost Accounting

Ans. (B) Management Accounting



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

5. **Management Accounting is a tool to management.**

- (A) Modern
- (B) Traditional
- (C) Both
- (D) None

Ans. (A) Modern

6. **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

Ans. (B) Management Accounting

7. **Which of the following operating measures would a manager would like to see decreasing over time?**

- (A) Merchandise Inventory Turnover
- (B) Total Quality Cost
- (C) % of On-time deliveries
- (D) Finished Goods Inventory Turnover

Ans. (B) Total Quality Cost

8. **Management Accounting:**

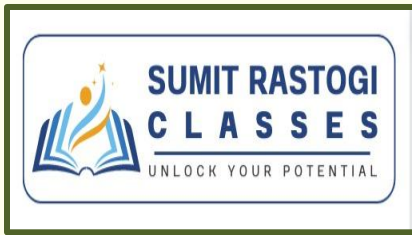
- (A) Accumulates, summarizes and analyses the available data.
- (B) Is primarily concerned with the requirements of the management.
- (C) Makes Corporate Planning and Strategy effective.
- (D) All of the above

Ans. (D) All of the above

9. **Management accounting is concerned with data collection from:**

- (A) Internal sources
- (B) External sources
- (C) Internal and external sources
- (D) Internal or external Sources

Ans. (C) Internal and external sources



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

10. Which one of the following Accountings helps the organization in proper delegation of authority for the attainment of the Vision and Mission of the business?

- (A) Financial Accounting
- (B) Cost Accounting
- (C) Management Accounting
- (D) Green Accounting

Ans. (C) Management Accounting

11. Which one of the following statements is false?

- (A) Management accountant uses cost accounting tools and techniques for planning and decision making.
- (B) Management accounting is mostly historical in its approach and it projects the past.
- (C) Cost accounting system can be installed without management accounting.
- (D) Management accounting focuses on wealth maximization.

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

12. _____ 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

Ans. (C) ESG

13. 'Period of lost relevance' is the _____ of the evolution of management accounting.

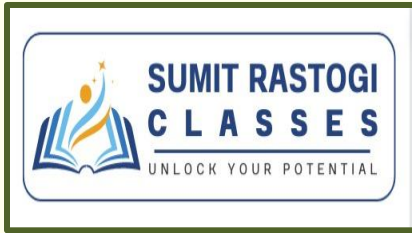
- (A) 1st Stage
- (B) 2nd Stage
- (C) 3rd Stage
- (D) 4th Stage

Ans. (D) 4th Stage

14. Which of the following options is not a characteristics of Management Accounting?

- (A) Future-oriented
- (B) Accounting Information
- (C) Compulsory Accounting
- (D) Management Oriented

Ans. (C) Compulsory Accounting



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

15. Which personnel of a financial firm play a key role in Management Accounting?

- (A) Investors
- (B) Managers
- (C) Suppliers
- (D) Customers

Ans. (B) Managers

16. Management Accounting can be viewed as:

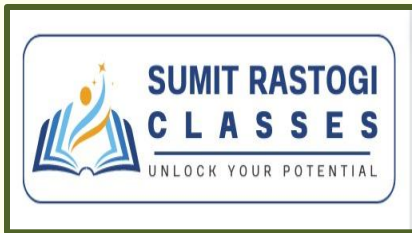
- (A) Marketing-oriented Accounting
- (B) Management-oriented Accounting
- (C) Accounting-oriented Management
- (D) Manager-oriented Accounting

Ans. (B) Management-oriented Accounting

17. Management Accounting focused on reduction of waste of resources in production processes by elimination of "no-value activities" during the:

- (A) 1st Stage
- (B) 2nd Stage
- (C) 3rd Stage
- (D) 4th Stage

Ans. (C) 3rd Stage



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

CHAPTER - 2 ACTIVITY BASED COSTING

1. A company manufactures two products using common handling facility. The total budgeted material handling cost is 60,000. Other details are:

Particulars	Product A	Product B
Number of units produced	30	30
Material moves per product line	5	15

Under Activity Based Costing System, material handling cost to be allocated to Product A per unit is

- (A) ₹1,000
(B) ₹1,500
(C) ₹ 500
(D) ₹2,500

Ans. (C) ₹500

Working Note:

Total move in material handling = 5 + 15 = 20

Percentage move for Product A = $5/20 = 25\%$

Material handling cost to be allocated to Product A = $₹60,000 \times 25\% = ₹15,000$

Therefore, per unit = $₹15,000 \div 30 \text{ units} = ₹500$.

2. RTM Ltd., using Activity Based Costing (ABC), manufactures two types of products P and Q respectively. During a period, the company incurred ₹50,000 as inspection cost and it worked for 10 and 15 production runs respectively for producing products P and Q. The inspection cost for product P under ABC system was:

- (A) ₹20,000
(B) ₹30,000
(C) ₹40,000
(D) None of the above

Ans. (A) ₹20,000

Working Note:

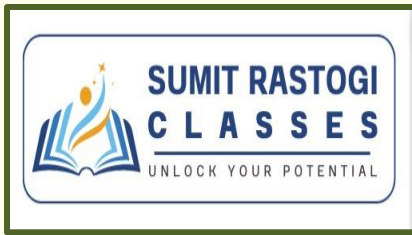
Inspection Cost per run = $50,000 / 25 = ₹2,000$.

Inspection cost for P = $2,000 \times 10 = ₹20,000$.

3. The term _____ is used to describe a location to which overhead costs are initially assigned.

- (A) Cost driver
(B) Cost pool
(C) Activity
(D) Cost objects

Ans. (B) Cost pool



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

4. In Activity Based Costing, the allocation basis used for applying costs Services or products is called_____.
- (A) Cost driver
(B) Cost pool
(C) Activity
(D) Cost objects

Ans. (A) Cost Drivers

5. M/s. SB Limited produces 10,000 units of Product-S and 15,000 units of Product-R at a total cost of ₹2,00,000. Total Cost of relate and Labour hour related in the ratio of 3:2. The following information is also provided:

Particulars	Product - S	Product - R
Machine Hour	3,000	2,000
Labour Hour	5,000	3,000

The Cost Per Unit of Product – S and Product – R are:

- (A) Product – S ₹15.80 and Product – R ₹6.40
(B) Product – S ₹13.70 and Product – R ₹7.15
(C) Product – S ₹12.20 and Product – R ₹5.20
(D) Product – S ₹11.80 and Product – R ₹5.30

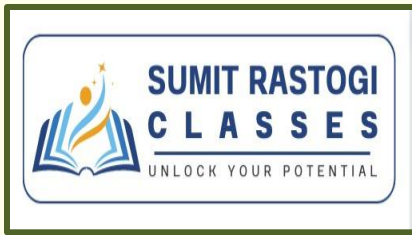
Ans. (C) Product – S ₹12.20 and Product – R ₹5.20

6. Which of the following is the main cost driver of customer order processing activity?
- (A) Flow of the product from the assemble line
(B) Order Value
(C) Number of product suppliers
(D) Number of machine charges

Ans. (B) Order Value

7. M/s. Nikita Limited purchased raw materials at ₹35.40 inclusive of GST 18%. The company is eligible for Input Tax Credit of GST paid. Machine hour rate is ₹576. The product is manufactured in a specialized dice having facility to manufacture 2 products at a time. The Cycle time per short is 25 seconds. The Cost of Production per unit is:
- (A) ₹37.40
(B) ₹32.00
(C) ₹34.00
(D) ₹39.40

Ans. (B) ₹32.00



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

8. 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

Ans. (C) Activities – Cost of Activities – Cost Driver – Cost Allocated to Cost Objects

9. In Activity Based Costing, an item for which cost measurement is required is called

- (A) Cost Driver
- (B) Cost Object
- (C) Cost Pool
- (D) Cost Matrix

Ans. (B) Cost Object

10. Production details of M/S BANI FOOD CARE are as under:

Product	A	B	C	D
Production (units)	1,000	1,100	1,200	1,500
Machine Hours (Per production run)	50	40	30	40

Units are produced in production run of 10 units. If activity cost pool during the period is ₹2,25,000 and overheads are absorbed based on machine hour rate, the rate per cost driver is:

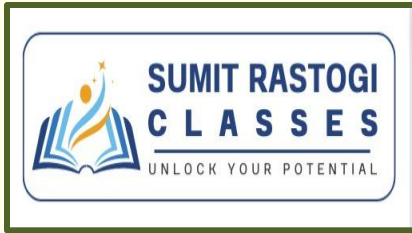
- (A) ₹10.58
- (B) ₹11.84
- (C) ₹7.20
- (D) ₹6.55

Ans. (B) ₹11.84

11. LPG Limited uses Activity Based Costing (ABC) system, produces three products i.e. L, P & G. Material handling & Inspection related cost for the period is ₹1,50,000 for 500 material moves & ₹90,000 for 300 inspection calls. Product P uses 40 material moves and 15 inspection calls during the period. Total overhead cost of Product-P under ABC system is:

- (A) ₹15,000
- (B) ₹17,000
- (C) ₹14,500
- (D) ₹16,500

Ans. (D) ₹16,500



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

Working Note:

Material Handling Cost per Move = $1,50,000/500 = ₹300$

Inspection cost per call = $90,000/300 = ₹300$

Overheads allocated to product P = $(40 \times 300) + (300 \times 15) = ₹16,500$

12. Which of the following independent activities is Value-Added or Non-Value Added?

I. Polishing of furniture used by a system engineer in a software firm.

II. Painting of pencils manufactured by a pencil factory.

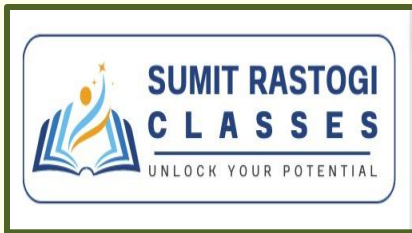
(A) I-Value Added & II - Non-Value Added Hours

(B) I & II both Non-Value Added

(C) I and II both Value Added

(D) I- Non-Value Added & II - Value Added

Ans. (D) I- Non-Value Added & II - Value Added



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

CHAPTER - 3 MARGINAL COSTING

1. If break-even sales is 60% of current sales and profit is ₹60,000, then the amount of contribution will be:

(A) ₹36,000
(B) ₹1,50,000
(C) ₹1,00,000
(D) ₹1,86,000

Ans. (B) ₹1,50,000

Working note:

Break-even sales = 60%

Therefore, Margin of safety = 40%

After, BEP all contribution is towards profit, So,

At 40% Contribution = ₹60,000.

At 100% Contribution = ₹1,50,000

2. A production process has the capacity to produce either 4,000 units of A or 3,500 units of B or 5,000 units of C. Only one product can be made in a production period. Tie contributions per unit of A, B and C are ₹10, ₹11 and ₹8 respectively. The opportunity cost of A would be:

(A) ₹44,000
(B) ₹40,000
(C) ₹38,500
(D) ₹50,000

Ans. (B) ₹40,000

Working note:

Opportunity Cost = Cost of Next Best Alternative

Contribution B : $3500 \times 11 = ₹38,500$

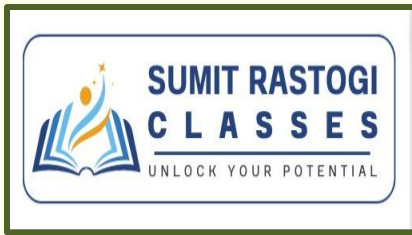
Contribution C : $5000 \times 8 = ₹40,000$

Opportunity Cost: ₹40,000

3. Difference between Sales and BEP is known as _____.

(A) Margin of safety
(B) Margin of sale
(C) None of the above
(D) All of the above

Ans. (A) Margin of safety



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

4. The BEP is 15,000 units, Fixed Cost is ₹22,500, variable cost per units ₹45 the P/V ratio will be:
(A) 33.33%
(B) 55%
(C) 15%
(D) None of these

Ans. (D) None of these

Working Note:

Contribution per unit = Fixed Cost/BEP = $22,500/15,000 = ₹1.5$

Selling price = Variable cost + Contribution per unit = $(45 + 1.5) = ₹46.50$

P/V ratio = $(\text{Contribution}/\text{Sales}) \times 100 = (1.5/46.50) \times 100 = 3.23\%$

5. The following figures have been given for Profit and Sales from the accounts of ZEE LTD.

Year	Sales (₹)	Profit (₹)
2011	2,00,000	20,000
2012	3,00,000	40,000

Calculate the sales required to earn a Profit of ₹50,000.

- (A) ₹44,000
(B) ₹3,50,000
(C) ₹38,500
(D) ₹50,000

Ans. (B) ₹3,50,000

Working Note:

PV Ratio = $\text{Change in profit} \times 100 / \text{Change in Sales} = 20,000 \times 100 / 1,00,000 = 20\%$

Contribution in 2011 = $₹2,00,000 \times 20\% = ₹40,000$, Fixed Cost = $40,000 - 20,000 = ₹20,000$

Sales to earn desired profit = $(20,000 + 50,000) / 20\% = ₹3,50,000$

6. The P/V ratio of Delta Ltd., is 50% and the MOS is 40%. The company sold 500 units for ₹5,00,000. Calculate BEP.
(A) 500 units
(B) 400 units
(C) 300 units
(D) None of the above

Ans. (C) 300 units

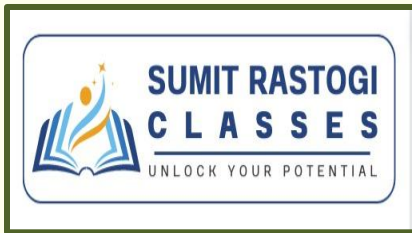
Working note:

Average Sales Price = $5,00,000 / 500 = ₹1,000/\text{unit}$

Given MOS = 40%,

BES = $100\% - 40\% = 60\%$ of sales of ₹3,00,000

BEQ = $3,00,000 / 1,000 = 300 \text{ units}$



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

7. Product Z has a P/V ratio of 28%. Fixed operating costs directly attributable to Product Z during the Quarter II of the financial year will be ₹2,80,000 Calculate the Sales Revenue required to achieve a quarterly profit of ₹70,000.

- (A) ₹10 Lakhs
(B) ₹15 Lakhs
(C) ₹12.50 Lakhs
(D) None of the above

Ans. (C) ₹12.50 Lakhs

Working Note:

Required sales = Desired Contribution/PV ratio = (Fixed Cost + Desired Profit) / PV ratio
= $(2,80,000 + 70,000) / 28\% = ₹12,50,000$

8. ASHEEKA LTD, has annual turnover of ₹200 lakh and an average C/S Ratio of 40%. It makes 10% profit on sales before charging depreciation and interest which amount to ₹10 lakh and ₹15 lakh respectively. What will be the Fixed Cost of Asheeka Ltd.?

- (A) ₹10 Lakhs
(B) ₹85 lakhs
(C) ₹12.50 Lakhs
(D) ₹15 Lakhs

Ans. (B) ₹85 lakhs

Working Note:

Profit Before depreciation and Interest	:	₹20 Lakhs
Less: Depreciation and Interest (10 lakh + 15 lakh)	:	₹25 Lakhs
Loss	:	₹5 Lakhs

Contribution = Fixed cost + Profit, 40% of ₹200 Lakhs = FC + (- 50)

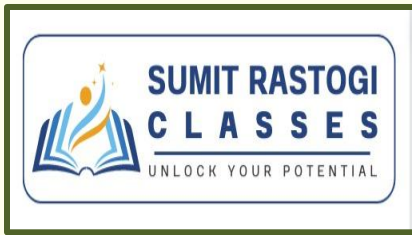
FC = 80 + 5 = 85

Fixed cost of Asheeka ltd.: ₹85 lakhs

9. A Ltd. has fixed costs of ₹6,00,000 per annum. It manufactures a single product which sells for ₹200/unit. Its contribution to Sales ratio is 40%. A Ltd.'s break-even in units is:

- (A) 7,500
(B) 1,500
(C) 8,000
(D) 3,000

Ans. (A) 7,500



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

Working Note:

Break even unit = Fixed Cost/Contribution per unit = ₹6,00,000 ÷ 40% of ₹200
= ₹6,00,000 ÷ ₹80 = **7,500 units**

10. Contribution earned on Break-even sales equals to of the firm.

(A) Marginal Costs
(B) Product Costs
(C) Fixed Costs
(D) Variable Costs

Ans. (C) Fixed Costs

11. Fixed cost is ₹2,25,000; Profit is ₹1,85,000; BEP is ₹9,00,000 then margin of safety will be:

(A) ₹7,15,000
(B) ₹7,40,000
(C) ₹6,75,000
(D) ₹4,90,000

Ans. (B) ₹7,40,000

Working Note:

PV Ratio = Fixed Cost × 100/BEP = 2,25,000 × 100/9,00,000 = 25%

Margin of safety = Profit/PV ratio = 1,85,000/25% = **₹7,40,000**

12. MENZ LTD. earned a profit of ₹3,00,000 during the year 2013-14. If the marginal cost and selling price of a product are ₹80 and ₹100 per unit respectively, find out the amount of 'Margin of Safety'.

(A) ₹7,15,000
(B) ₹7,40,000
(C) ₹6,75,000
(D) ₹15,00,000

Ans. (D) ₹15,00,000

Working Note:

Contribution per unit = 100-80 = ₹20

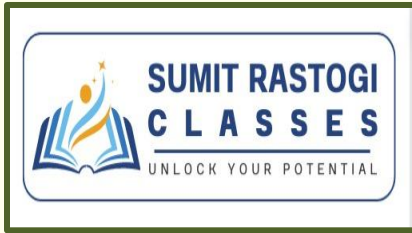
Margin of safety = Profit/contribution per unit = 3,00,000/20 = 15,000 units

Margin of safety (₹) = 15,000 × 100 = **₹15,00,000**

13. When in a company, sale price per unit is ₹69.50, Variable cost ₹35.50 and Fixed cost is 18,02,000, the break-even volume would be:

(A) 58,500 units
(B) 53,000 units
(C) 63,250 units
(D) 28,750 units

Ans. (B) 53,000 units



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

Working Note:

Contribution per unit = $69.50 - 35.50 = ₹34$

Break-even Volume = $18,02,000/34 = 53,000$ units

14. SHRIJINI LTD. having a Margin of Safety of ₹4 lakh makes a profit of ₹80,000. If its Fixed Cost is ₹5 lakhs, what will be Break-Even Sales SHRIJINI LTD?

- (A) ₹7,15,000
(B) ₹25,00,000
(C) ₹6,75,000
(D) ₹15,00,000

Ans. (B) ₹25,00,000

Working Note:

Margin of safety = Profit $\times$ 100/PV Ratio

$4,00,000 = 80,000 \times 100/\text{PV Ratio}$

PV ratio = 20%

BEP Sales = $5,00,000/20\% = ₹25,00,000$

15. Product Z has a P/V ratio of 28%. Fixed operating costs directly attributable to Product Z during the 2nd Quarter of the financial year will be ₹2,80,000. Calculate the Sales Revenue required achieving a quarterly profit of ₹70,000.

- (A) ₹7,15,000
(B) ₹25,00,000
(C) ₹6,75,000
(D) ₹12,50,000

Ans. (D) ₹12,50,000

Working Note:

Required Sales = Desired Contribution/P/V Ratio = Fixed Cost + Desire Profit/P/V Ratio
 $= 2,80,000 + 70,000/28\% = ₹12,50,000$

16. Given: Sales ₹2,00,000; Fixed Cost ₹40,000; BEP ₹1,60,000. Ascertain the profit.

- (A) ₹7,15,000
(B) ₹10,000
(C) ₹6,75,000
(D) ₹12,50,000

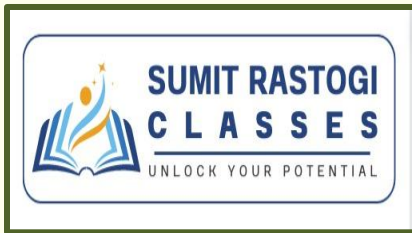
Ans. (B) ₹10,000

Working Note:

P/V Ratio = Fixed Cost $\times$ 100/BEP = $40,000 \times 100/1,60,000 = 25\%$

Total Contribution = Sales $\times$ P/V = $200000 \times 25\% = ₹50000$

Profit = Contribution - Fixed Cost = $50,000 - 40,000 = ₹10,000$



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

17. If BEP is ₹39,00,000 at 65% level of sales and profit is ₹8,40,000 at 100% level of sales, find out the P/V ratio.

(A) 20%
(B) 45%
(C) 30%
(D) 40%

Ans. (D) 40%

Working Note:

$$\text{MOS \% } (100 - 65) = 35\%$$

$$\text{MOS (₹)} = 35\% \times 39,00,000 / 65\% = 21,00,000.$$

$$\text{P/V Profit/MOS} = 8,40,000 \times 100 / 21,00,000 = 40\%$$

18. In a company, in 2015-16 sales amounted to ₹40,00,000 as compared to ₹27,00,000 in 2014-15. Profit in 2014-15 were ₹2,80,000, which amounted to 35% of the profits of 2015-16. Calculate P/V ratio.

(A) 20%
(B) 40%
(C) 30%
(D) 45%

Ans. (B) 40%

Working Note:

$$\text{Profit for the year 2015-16} = ₹280,000 \times 100 / 35 = ₹8,00,000$$

$$\text{P/V ratio} = (\text{Change in Profits} / \text{Change in Sales}) \times 100$$

$$= [(8,00,000 - 2,80,000) / (40,00,000 - 27,00,000)] \times 100$$

$$= (5,20,000 / 13,00,000) \times 100 = 40\%$$

19. In two consecutive periods, sales and profit were ₹1,60,000 and ₹8,000 respectively in the first period and ₹1,80,000 and ₹14,000 respectively during the second period. If there is no change in fixed cost between the two periods, then P/V ratio must be:

(A) 20%
(B) 40%
(C) 30%
(D) 45%

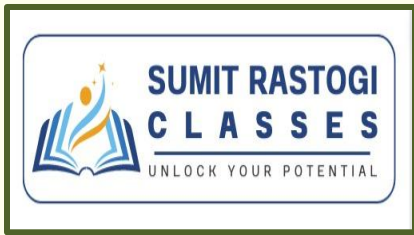
Ans. (C) 30%

Working Note:

$$\text{PV Ratio} = \text{Change in profit} \times 100 / \text{Change in sales}$$

$$= ₹(14,000 - 8,000) \times 100 / ₹(1,80,000 - 1,60,000)$$

$$= 6,000 \times 100 / 20,000 = 30\%$$



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

20. Absorption Costing is also known as:

- (A) Total Costing
- (B) Committed Costing
- (C) Target Costing
- (D) Discretionary Costing.

Ans. (A) Total Costing

21. 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) $MOS = (\text{Total Sales} - \text{Sales at BEP}) / \text{Total Sales} \times 100$
- (D) $MOS = \text{PV Ratio} \times \text{Sales} - \text{Fixed Cost}$

Ans. (D) $MOS = \text{PV Ratio} \times \text{Sales} - \text{Fixed Cost}$

22. A firm has fixed expenses ₹90,000, sales ₹3,00,000 and profit ₹60,000, The PV ratio of the firm is:

- (A) 20%
- (B) 40%
- (C) 30%
- (D) 50%

Ans. (D) 50%

Working Note:

Contribution = 90,000 + 60,000 = ₹1,50,000

PV Ratio = $1,50,000 \times 100 / 3,00,000 = 50\%$

23. Marginal costing technique follows the following basis of classification:

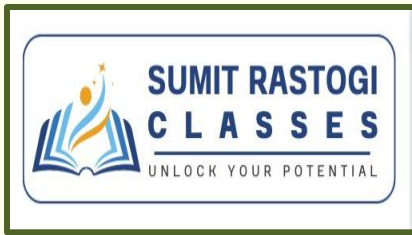
- (A) Element-wise
- (B) Function-wise
- (C) Behaviour-wise
- (D) Identifiability-wise.

Ans. (C) Behaviour-wise

24. 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 cost stay the same in total.

Ans. (B) Variable costs will vary in total.



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

25. Z Ltd. is planning to sell 1,00,000 units of product A for ₹12.00 per unit. The fixed costs are ₹2,80,000. In order to realize 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

Ans. (B) ₹7,20,000

Working Note:

Contribution required = 2,80,000 + 2,00,000 = ₹4,80,000

Sales = 1,00,000 × 12 = ₹12,00,000

Variable cost = 12,00,000 – 4,80,000 = ₹7,20,000

26. In absorption costing _____ is added to inventory.

(A) Marginal Costs
(B) Product Costs
(C) Fixed Costs
(D) None of the above

Ans. (C) Fixed Cost

27. Decision-making concerns with:

(A) Past
(B) Future
(C) Past and Future both
(D) None of the above

Ans. (B) Future

28. A large Margin of Safety indicates:

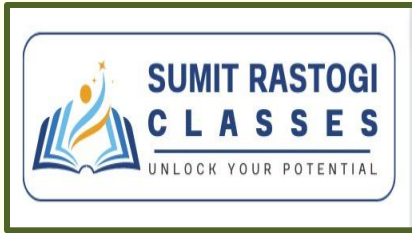
(A) Over Capitalization
(B) The soundness of business
(C) Over Production
(D) None of the above

Ans. (B) The soundness of business

29. The sales and profit of a firm for the year 2016 are ₹1,50,000 and ₹20,000 and for the year 2017 are ₹1,70,000 and ₹25,000 respectively. The P/V Ratio of the firm is:

(A) 15%
(B) 20%
(C) 25%
(D) 30%

Ans. (C) 25%



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

Working note:

PV Ratio = $\text{Change in profit} \times 100 / \text{Change in sales}$
 $= 5,000 \times 100 / 20,000 = 25\%$

30. Contribution margin is equal to:

- (A) Sales-Fixed Cost-Profit
- (B) Profit + Variable Cost
- (C) Fixed Cost- Loss
- (D) None of the above

Ans. (C) Fixed Cost-Loss

31. Marginal Costing is also known as:

- (A) Direct Costing
- (B) Absorption Costing
- (C) Variable Cost
- (D) Variable Costing

Ans. (D) Variable Costing

32. Another name for 'Contribution' is:

- (A) Marginal Income
- (B) Gross Profit
- (C) Net Income
- (D) None of the above

Ans. (A) Marginal Income

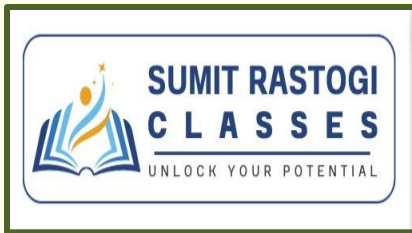
33. Product A generates a contribution to sales ratio of 40%. Fixed cost directly attributable to A amount ₹60,000. The sales revenue required to achieve a profit of ₹15,000 is:

- (A) ₹2,00,000
- (B) ₹1,85,000
- (C) ₹1,87,500
- (D) ₹2,10,000

Ans. (C) ₹1,87,500

Working Note:

Sales to earn desired profit = $(15,000 + 60,000) / 40\% = ₹1,87,500$



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

34. XYZ Ltd. makes a special gadget for the car it manufactures. The machine for the gadget works to full capacity and incurs ₹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 total contribution of ₹25 Lakhs. What is the maximum price that XYZ Ltd. should be willing to pay to the outside supplier for the gadgets, assuming there is no change in Fixed Costs?
- (A) ₹40 Lakhs
(B) ₹65 Lakhs
(C) ₹25 Lakhs
(D) ₹15 Lakhs

Ans. (A) ₹40 Lakhs

Working Note:

Loss of contribution if manufacture = ₹25 lakhs

Variable cost of manufacture = ₹15 lakhs

Total Relevant Cost = ₹40 Lakhs

Therefore, maximum price = ₹40 lakhs

35. 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

Ans. (C) Differential Cost

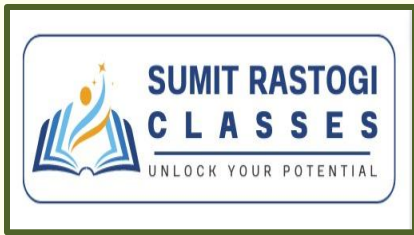
36. PQR Ltd. manufactures a single product which it sells for ₹40 per unit. Fixed cost is ₹60,000 per year. The contribution to sales ratio is 40%. PQR Ltd.'s Break Even Point in units is
- (A) 3500
(B) 3700
(C) 3750
(D) 4000

Ans. (C) 3750

Working Note:

Contribution per unit = $40\% \times 40 = ₹16$

BEP (units) = $60,000 / 16 = 3,750$ units



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

37. 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

Ans. (C) Equal to absorption costing

38. 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

Ans. (D) All of the above

39. Fixed cost is ₹30,000 and P/V ratio is 20%. Compute breakeven point.

- (A) ₹2,00,000
- (B) ₹1,50,000
- (C) ₹1,87,500
- (D) ₹2,10,000

Ans. (B) ₹1,50,000

Working Note: $BEP (\text{₹}) = 30,000 / 20\% = ₹1,50,000$

40. The amount of sales of a product is ₹1,00,000. Its variable cost is ₹40,000 and fixed cost is ₹50,000. The amount of BEP sales will be _____.

- (A) ₹2,00,000
- (B) ₹83,333
- (C) ₹1,87,500
- (D) ₹2,10,000

Ans. (B) ₹83,333

Working Note:

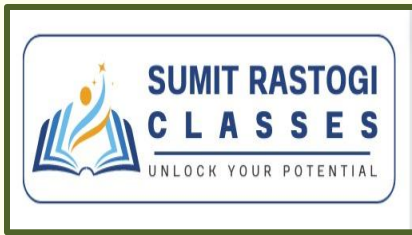
Contribution = $1,00,000 - 40,000 = ₹60,000$

PV Ratio = $60,000 \times 100 / 1,00,000 = 60\%$; $BEP (\text{₹}) = 50,000 / 60\% = ₹83,333$

41. RUB LTD earned a Profit of ₹2,40,000 during the year 2020-21. If its P/V Ratio is 25%, what will be the Margin of Safety.

- (A) ₹8,80,000
- (B) ₹9,00,000
- (C) ₹9,60,000
- (D) ₹9,80,000

Ans. (C) ₹9,60,000



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

Working Note:

Margin of safety = Profit/PV Ratio = 2,40,000/25% = ₹9,60,000

42. The Chart that shows the relationship between Profit and Sales Volume is

- (A) Break-even chart
- (B) Profit - volume chart
- (C) None of these
- (D) Contribution Break-even chart

Ans. (B) Profit - volume chart

43. Roxy Ltd. maintains a margin of Safety of 25% on its current Sales and earns a profit of ₹28 lakh per annum. If the company has a P/V Ratio of 25% its current sales will be.

- (A) ₹58,80,000
- (B) ₹4,48,00,000
- (C) ₹49,60,000
- (D) ₹19,80,000

Ans. (B) ₹4,48,00,000

Working Note:

Margin of safety = Profit/PV Ratio = 28,00,000/25% = ₹1,12,00,000

Sales = Margin of Safety Sales/% of Margin of safety = 1,12,00,000/25% = ₹4,48,00,000

44. If the sales increase from ₹30,000 to ₹60,000 and profit increases by ₹10,800. What will be the P/V Ratio?

- (A) 15%
- (B) 20%
- (C) 36%
- (D) 30%

Ans. (C) 36%

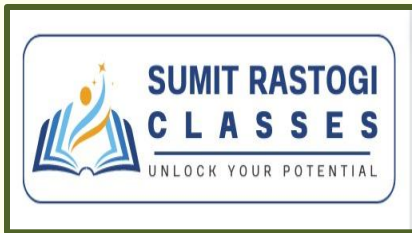
Working Note:

PV Ratio = Change in profit × 100/Change in Sales
= 10,800 × 100/30,000 = 36%

45. The Cost per unit of a product manufactured in a factory of BOT Ltd. amounts to ₹150 (80% variable) when production is 10,000 units. If production is increased by 25%. What will be the cost of product per unit?

- (A) ₹130
- (B) ₹144
- (C) ₹150
- (D) ₹120

Ans. (B) ₹144



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

Working Note:

Fixed Cost = $150 \times 20\% \times 10,000 = 3,00,000$
Production increases by $10,000 \times 25\% = 2,500$ units
Total units = 12,500
Cost per unit = $3,00,000/12,500 + 120 = ₹144$

46. The break-even point of GOMIN LTD. is ₹3,20,000. The fixed cost is ₹1,28,000 and the variable cost per unit is ₹12. What will be the P/V Ratio?

(A) 30%
(B) 40%
(C) 45%
(D) 50%

Ans. (B) 40%

Working Note:

BEP = Fixed Cost/PV Ratio
 $3,20,000 = 1,28,000/\text{PV Ratio}$
PV Ratio = 40%

47. A company maintains a margin of safety of 30% when P/V Ratio is 20%, and Profit is _____ % of Sales.

(A) 15%
(B) 20%
(C) 25%
(D) 6%

Ans. (D) 6%

Working Note:

Margin of Safety = Profit/PV Ratio
% Margin of safety = Margin of safety/Sales
 $30 = (\text{Profit}/\text{PV Ratio})/\text{Sales}$
 $30 = (\text{Profit}/20)/\text{Sale; Profit}/\text{Sales} (\%) = 6\%$

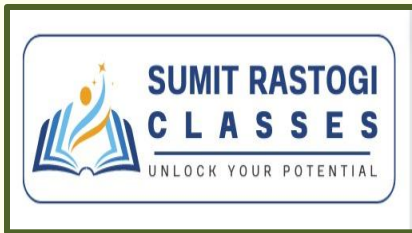
48. X Ltd. provides you with the following information:

Particulars	April to 30th July	1st July to 31st March
Sales@100 per unit	₹10,00,000	₹35,00,000
Total Cost	₹3,90,000	₹13,20,000

Calculate Total Fixed Costs for the year

(A) 2,40,000
(B) 3,60,000
(C) 4,80,000
(D) 7,20,000

Ans. (B) 3,60,000



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

Working Notes:

Units for first 3 Months = $10,00,000/100 = 10,000$

Total Cost for first 3 months = ₹3,90,000

Total Cost for 9 months if units increase proportionately = $3,90,000 \times 9/3 = ₹11,70,000$

Total Units for 9 months = $10,000 \times 9/3 = 30,000$

Actual Units for 9 months = $35,00,000/100 = 35,000$

Actual Total cost for 9 Months = ₹13,20,000

Variable Cost Per Unit = $(13,20,000 - 11,70,000) / (35,000 - 30,000) = ₹30$.

At 10,000 units,

Total Cost = ₹3,90,000

Total Variable Cost = $10,000 \times 30 = ₹3,00,000$

Therefore, Fixed Cost = $3,90,000 - 3,00,000 = ₹90,000$

Total Fixed Cost for Full year = $90,000 \times 12/3 = ₹3,60,000$.

49. If Break-Even Point is Low and the Angle of Incidence is Small then:

- (A) Margin of Safety is Low and Rate of Profit is High
- (B) Margin of Safety is Low and Rate of Profit is Low
- (C) Margin of Safety is Large and Rate of Profit is High
- (D) Margin of Safety is Large and Rate of Profit is Low

Ans. (D) Margin of Safety is Large and Rate of Profit is Low

50. Profit Volume ratio is equal to:

- (A) Variable cost as a percentage of sales
- (B) Fixed cost as a percentage of sales
- (C) Excess of sales over variable cost as a percentage of sales
- (D) Total cost as a percentage of sales

Ans. (C) Excess of sales over variable cost as a percentage of sales

51. Units produced ₹50,000; Selling price per unit ₹15; Variable cost per unit ₹12; Fixed costs ₹1,60,000. Calculate sales value when the profit to be earned is ₹80,000.

- (A) ₹10,00,000
- (B) ₹12,00,000
- (C) ₹9,00,000
- (D) ₹14,00,000

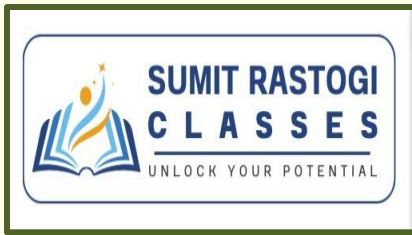
Ans. (B) ₹12,00,000

Working Note:

Contribution per unit = $15 - 12 = ₹3$

PV Ratio = $3 \times 100/15 = 20\%$

Sales to earn Desired Profit = $(80,000 + 1,60,000) / 20\% = ₹12,00,000$



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

52. _____ analysis is the study of the interrelationship between cost, volume and profit at various levels of activity.
- (A) Cost-Volume-Profit
 - (B) ABC
 - (C) Profit
 - (D) Loss

Ans. (A) Cost-Volume-Profit

53. _____ is an angle formed at the intersection point of total sales line and total cost line in a formal break-even chart.
- (A) Angle of incidence
 - (B) Sales
 - (C) Cost
 - (D) None

Ans. (A) Angle of incidence

54. _____ is the excess of total sales over BEP sales.
- (A) Margin of Safety
 - (B) Profit
 - (C) Total Cost
 - (D) Loss

Ans. (A) Margin of Safety

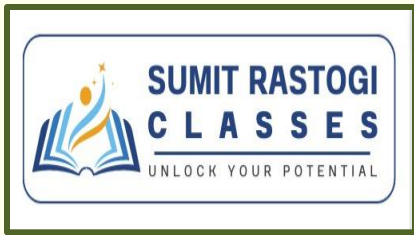
55. The Profit Volume Ratio of ROXY Ltd. is 50%, while margin of Safety is 40%. If sales volume of the Company is ₹50 Lakh, the Net Profit will be
- (A) ₹10 Lakh
 - (B) ₹12 Lakh
 - (C) ₹15 Lakh
 - (D) ₹20 Lakh

Ans. (A) ₹10 Lakh

56. Which of the following would decrease unit contribution margin the most?
- (A) 10% decrease in selling price
 - (B) 10% increase in variable costs
 - (C) 10% decrease in variable costs
 - (D) 10% decrease in fixed costs

Ans. (A) 10% decrease in selling price

Reason: For Contribution margin to be positive, selling price is always higher than variable cost, hence a 10% decrease in selling price will have a higher impact on contribution than 10% increase in variable cost.



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

57. M/s SP Limited sells Glucon Pat a selling price of ₹100 per unit. Variable cost per unit is ₹80 and Fixed cost for the year is ₹3,00,000. Actual quantity sold during the year is 1,00,000 boxes of Glucon P. The Break-Even Point (Units) and Margin of Safety (Units) will be

- (A) BEP (Units) will be 20,000 units and MOS (Units) will be 80,000 units.
(B) BEP (Units) will be 10,000 units and MOS (Units) will be 90,000 units.
(C) BEP (Units) will be 15,000 units and MOS (Units) will be 85,000 units.
(D) BEP (Units) will be 50,000 units and MOS (Units) will be 50,000 units.

Ans. (C) BEP (Units) will be 15,000 units and MOS (Units) will be 85,000 units.

Working Note:

Contribution per unit = $100 - 80 = 20$ per unit.

BEP (Units) = $3,00,000 / 20 = 15,000$ units.

MOS (units) = $1,00,000 - 15,000 = 85,000$ units.

58. M/s NABARD Limited has provided you the following data for the financial year 2022-23. Break Even Point (in ₹) = 2,66,666.67. Selling price per unit is ₹100 and Variable Cost per unit is ₹70. Fixed Cost is ₹80,000. If the selling price per unit is reduced by 10% in the next year, what will the new Break-Even Point (in ₹)?

- (A) ₹3,56,058
(B) ₹3,60,000
(C) ₹3,88,556
(D) ₹3,57,548

Ans. (B) ₹3,60,000

59. Under Marginal Costing, the Opening & Closing stock is valued at which of the following basis?

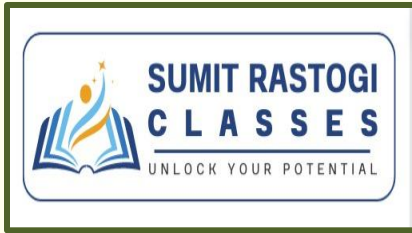
- (A) Opening stock is valued at variable cost & closing stock is valued at total cost,
(B) Opening stock is valued at total cost & closing stock is valued at variable cost.
(C) Both Opening & Closing stock is valued at variable cost.
(D) Both Opening & Closing stock is valued at total cost.

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

60. In _____ both Fixed and Variable Costs are considered for product costing and inventory valuation.

- (A) Marginal Costing
(B) Relevant Costing
(C) Absorption Costing
(D) Activity Based Costing

Ans. (C) Absorption Costing



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

61. If P/V Ratio is 20%, Selling price per unit is ₹50, Margin of safety is 2000 units and Fixed cost is ₹30,000, the Actual Sales Quantity is _____.
- (A) 4000 units
(B) 6000 units
(C) 5000 units
(D) 7000 units

Ans. (C) 5000 units

Working Note:

Contribution per unit = $50 \times 20\% = ₹10$

Break-even point sales = $30,000/10 = 3,000$ units

Actual Sales Quantity = MOS + BEP Sales = $2,000 + 3,000 = 5,000$ units

62. M/s Unicorn Limited sold 200 units and 300 units of its product in 2023 and 2024 respectively. If total overhead for 2023 and 2024 is ₹10,000 and ₹12,000 respectively, the fixed overhead would be _____.
- (A) ₹6,000
(B) ₹4,000
(C) ₹8,000
(D) ₹10,000

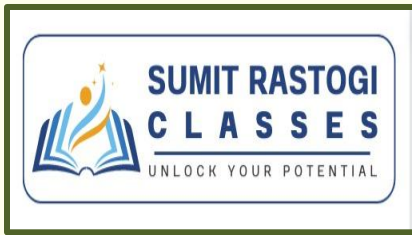
Ans. (a) ₹6,000

63. M/s. Zimba Ltd. sold 65,000 units of its product at ₹80 per unit. P/V Ratio is 20%. If total Fixed Cost is ₹6,40,000, the margin of Safety (Units) is:
- (A) 20,000 Units
(B) 25,000 Units
(C) 22,000 Units
(D) 28,000 Units

Ans. (B) 25,000 Units

64. To obtain the break-even point in rupee sales value, total fixed costs are divided by _____.
- (A) Variable Cost Per Unit
(B) Contribution Margin Per Unit
(C) Fixed Cost Per Unit
(D) Profit/Volume Ratio

Ans. (D) Profit/Volume Ratio



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

65. Which of the following is not true?

- (A) Marginal costing is a system of costing
- (B) Key factor is important is ascertaining the profitability
- (C) Under marginal-costing technique, fixed costs are charged off to revenue fully during the period in which they are incurred but not taken into account for valuing inventories
- (D) Plant and machinery may depreciate more quickly when kept idle than when being used.

Ans. (D) Plant and machinery may depreciate more quickly when kept idle than when being used.

66. AXR Ltd., a manufacturing company, has a break-even point when sales are ₹20 lakhs and fixed cost is of ₹8 lakh. If the selling price is ₹5, the P/V Ratio will be

- (A) 50%
- (B) 40%
- (C) 30%
- (D) 20%

Ans. (B) 40%

67. The difference in total cost that results from two alternative courses of action is called:

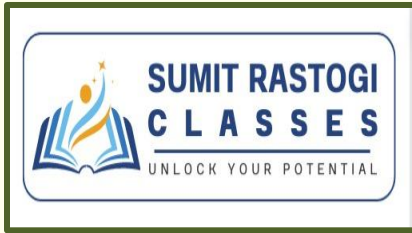
- (A) Relevant Cost
- (B) Opportunity Cost
- (C) Marginal Cost
- (D) Differential Cost

Ans. (D) Differential Cost

68. XYZ Ltd., makes a special gadget for the car it manufactures. The machine for the gadget works to full capacity and incurs ₹15 Lakhs and ₹40 Lakhs respectively as Variable and Fixed Costs. If all the gadgets were purchased from an outside supplier, the machine could be used to produce other items, which would earn a total contribution of ₹25 Lakhs. What is the maximum price that XYZ Ltd., should be willing to pay to the outside supplier for the gadgets, assuming there is no change in Fixed Costs?

- (A) ₹40 Lakhs
- (B) ₹65 Lakhs
- (C) ₹25 Lakhs
- (D) ₹15 Lakhs

Ans. (A) ₹40 Lakhs



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

69. M/s Bishnu Ltd. sells two products, A and B in the ratio of 3:2. Variance cost as percentage of sales for product A and B is 95% and 90% respectively. If total fixed cost is ₹7,000, Break-even Point (BEP in ₹) for M/s Bishnu Ltd. is

(A) ₹1,00,000
(B) ₹1,20,000
(C) ₹1,50,000
(D) ₹80,000

Ans. (A) ₹1,00,000

70. A company's sales decline from ₹9,00,000 to ₹7,00,000, causing a profit of ₹50,000 to become a loss of ₹50,000. What is the company's P/V Ratio?

(A) 25%
(B) 40%
(C) 50%
(D) 100%

Ans. (C) 50%

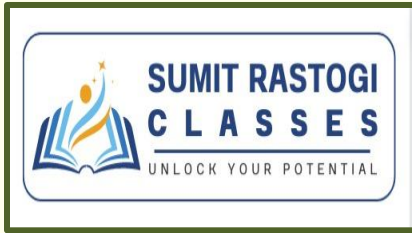
71. ABCA manufacturing company is evaluating two machines for its production line. The associated costs are as follows:

Machine Type	Variable cost per unit (₹)	Total Fixed Cost (₹)
Semi-Automated	10	12,000
Fully-Automated	4	30,000

Based on a total cost analysis, which of the following decisions is correct?

- (A) The Semi-Automated machine should be chosen if the expected production is 2,500 units
(B) The Fully-Automated machine should be chosen if the expected production is 2,500 units
(C) The Semi-Automated machine should be chosen if the expected production is 3,500 units
(D) The choice between machines does not matter if production is 3,500 units.

Ans. (A) The Semi-Automated machine should be chosen if the expected production is 2,500 units



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

72. For the coming year, Mr. Dinesh has budgeted as under:

P/V Ratio = 45%, MOS = 1/3 & Fixed Costs ₹2,92,500

What is the total sales volume of Mr. Dinesh for the coming year?

- (A) ₹15,75,000
- (B) ₹9,75,000
- (C) ₹11,25,000
- (D) ₹8,50,000

Ans (B) ₹9,75,000

Working Note:

BEP Sales (₹) = $2,92,500 / 45\% = ₹ 6,50,000$

MOS 1/3 Therefore, BEP Sales = 2/3

Total Sales (₹) = $6,50,000 / (2/3) = ₹ 9,75,000$

73. DEF Limited has break-even when sales are ₹3,20,000 and variable costs at that level of sales are ₹2,00,000. How much would contribution increase or decrease if variable costs are dropped by ₹30,000?

- (A) Increase by 25%
- (B) Decrease by 25%
- (C) Increase by 30%
- (D) Decrease by 30%

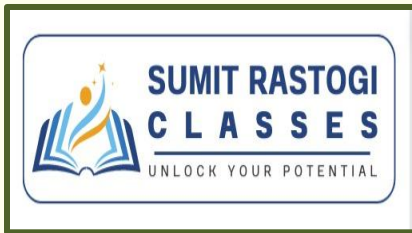
Ans. (A) Increase by 25%

Working Note:

Contribution (At BEP Sales) = $3,20,000 - 2,00,000 = ₹1,20,000$

If Variable costs are reduced by ₹30,000 then contribution will increase by ₹30,000

% Increase $30,000 \times 100 / 1,20,000 = 25\%$



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

CHAPTER - 4 SHORT TERM DECISION MAKING

1. In make or buy decisions, it is profitable to buy from outside only when the Supplier's price is below the firm's own _____.
(A) Fixed Cost
(B) Marginal Cost
(C) Variable Cost
(D) None of the above

Ans. (C) Variable cost

2. In a product mix decision, which is the most important factor to consider in order to try 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) Selling price per unit

Ans. (A) Contribution per unit of a scarce resource used to make the product

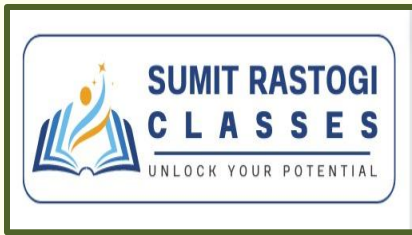
3. M/s Dutta Rubber manufactured 10,000 units of Biodegradable disposable containers at the Material cost of ₹6 per unit, The Direct labour cost is ₹15 per unit out of which $\frac{2}{3}$ is fixed. Factory overhead cost is ₹20 per unit of which 60% is fixed. The labour used for manufacturing Biodegradable disposable containers can be used to manufacture another product having selling price per unit of 40 and Material cost of ₹10 per unit. The Relevant Cost (RC) of manufacturing Biodegradable disposable containers is
(A) ₹66
(B) ₹44
(C) ₹36
(D) ₹32

Ans. (B) ₹44

Working Note:

Contribution from Alternative use of Labour = $40 - 10 = ₹30$.

Relevant cost for Biodegradable disposable containers = Material Cost + Contribution from alternative use of labour + Variable factory Overheads = $6 + 30 + 8 = ₹44$.



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

4. Fixed cost is Relevant Cost if it is _____.

- (A) Discretionary
- (B) Sunk
- (C) Unavoidable
- (D) Periodic

Ans. (A) Discretionary

Reason: Fixed Costs are only relevant for decision making if they are incurred because of that particular decision and otherwise they can be avoided. Discretionary costs are those which are avoidable, so if fixed costs are discretionary then they become relevant.

5. M/s. Zeon Ltd. is currently manufacturing a component of a finished product which is readily available at market at ₹25 per unit. In-house manufacturing cost per unit comprises of Direct Material cost of ₹10 and other overheads of ₹15 of which 60% is fixed. If the company decides to buy the component from open market instead of manufacturing in-house, the machine can be used to manufacture another component fetching a contribution of ₹12 per unit. The relevant cost per unit of manufacturing the product in-house is _____.

- (A) ₹25
- (B) ₹37
- (C) ₹31
- (D) ₹28

Ans. (D) ₹28

6. Which of the following is not a method of transfer pricing?

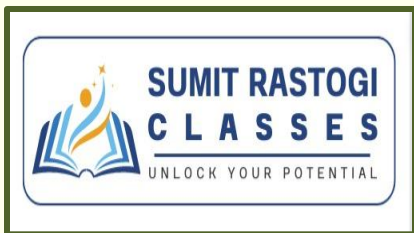
- (A) Total Cost Method
- (B) Marginal Cost Method
- (C) Skimming Price Method
- (D) Market Price Method

Ans. (C) Skimming Price Method

7. Which of the following is not true?

- (A) Marginal costing is a system of costing.
- (B) Key factor is important in ascertaining the profitability.
- (C) Under marginal-costing technique, fixed costs are charged off to revenue fully during the period in which they are incurred but not taken into account for valuing inventories.
- (D) Plant and machinery may depreciate more quickly when kept idle than when being use

Ans. (D) Plant and machinery may depreciate more quickly when kept idle than when being use



To buy classes visit our website
sumitrastogiclasses.com
 and for further queries contact us on
 8826965733, 9811229279, 9560978857

8. ABCA manufacturing company manufactures four products: E, F, G & H using the same raw materials. The input requirement for products E, F, G & H are 1 Kg, 2 Kgs, 5 Kgs & 7 Kgs respectively. Product-wise selling price and variable costs are given as under

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

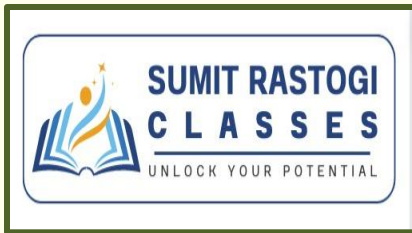
Assuming raw material availability is a limiting factor, the correct ranking of the products would be:

- (A) E, F, G & H
 (B) E, F, H & G
 (C) F, E, G & H
 (D) F, E, H & G

Ans. (B) E, F, H & G

Working Note:

Particulars	E	F	G	H
Selling Price (₹)	100	150	200	300
Variable Cost (₹)	(50)	(70)	(100)	(125)
Contribution per unit (₹)	50	80	100	175
Material per unit(kg)	1	2	5	7
Contribution per kg (₹)	50	40	20	25
Rank	1	2	4	3



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

CHAPTER - 5 TRANSFER PRICING

1. Material costs, labour costs and variable overhead costs are ₹125, ₹150 and ₹50 per unit respectively. If the fixed expenses for 20,000 units ₹6,40,000 and required rate of return is 25% on transfer price, then find the transfer price per unit.

- (A) ₹476
(B) ₹450
(C) ₹478
(D) ₹470

Ans. (A) ₹476

Working Note:

Variable Cost = $125 + 150 + 50 = ₹325$

Fixed Cost per unit = $6,40,000 / 20,000 = ₹32$

Total cost per unit = ₹357

Required return = 25% on Transfer Price

Transfer price = $357 \times 100 / 75 = ₹476$

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

Ans. (C) Fixed Cost Based Transfer Pricing

3. Method of pricing, when two separate pricing methods are used to price transfer of products from one subunit to another, is called:

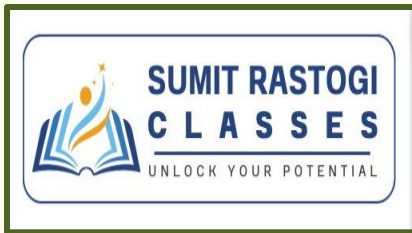
- (A) Dual Pricing
(B) Functional Pricing
(C) Congruent Pricing
(D) Optimal Pricing

Ans. (A) Dual Pricing

4. Transfer Prices are normally set for:

- (A) Intermediate Products
(B) Giffen Products
(C) Finished Products
(D) None of these

Ans. (A) Intermediate Products



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

5. **MNC Consciously manipulate the transfer Price as an instrument of maximizing achievement of:**
- (A) Investors Goals
 - (B) Divisional Goals
 - (C) Managers Goals
 - (D) Corporate Goals

Ans. (D) Corporate Goals

6. _____ is the notional value at which goods and services are transferred between divisions in a decentralized organization
- (A) Transfer Price
 - (B) Dual Price
 - (C) Functional Price
 - (D) None of the above

Ans. (A) Transfer Price

7. **M/s Agartala Plastics Private Limited has provided you the information of its packaging division. Fixed Assets = ₹10,00,000 & Current Assets = ₹10,00,000. Annual Fixed Cost of the packaging division is ₹16,00,000, Variable Cost per unit is 10. If the Budgeted Volume per year 8,00,000 units and Return on investment is 18%, the Transfer Price of the packaging division will be**
- (A) ₹11.60
 - (B) ₹12.45
 - (C) ₹13.40
 - (D) ₹10.90

Ans. (B) ₹12.45

Working Note:

Return on investment = $18\% \times (10,00,000 + 10,00,000) = ₹3,60,000$

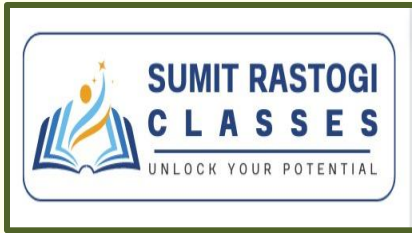
Transfer Price = Fixed Cost + Variable Cost + Return on investment

= $16,00,000 + 80,00,000 + 3,60,000 = ₹99,60,000$

Transfer price per unit = $99,60,000 / 8,00,000 = ₹12.45$

8. **A/An _____ is an organizational unit whose manager is responsible for generating revenue and managing expenses related to current activity.**
- (A) Expense Centre
 - (B) Revenue Centre
 - (C) Cost Centre
 - (D) Profit Centre

Ans. (D) Profit Centre



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

9. 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

Ans. (C) Fixed Cost Base Transfer Pricing

10. Division A transfers its output to Division B at variable cost. Once a year A charges a fixed fee to B representing an allowance for A's fixed costs. This type of transfer pricing system is commonly known as:

- (A) Dual pricing
- (B) Opportunity based transfer pricing
- (C) Negotiated transfer pricing
- (D) Two-part tariff transfer pricing

Ans. (D) Two-part tariff transfer pricing

11. M/s Enstore Ltd. produces 500 units of product A in 12 hours per unit against standard hours of 16 per unit. If standard rate per hour is ₹48 and actual rate per hour is ₹52, then labour efficiency variance will be

- (A) ₹96,000 (F)
- (B) ₹96,000 (A)
- (C) ₹1,04,000 (F)
- (D) ₹1,04,000 (A)

Ans. (A) ₹96,000 (F)

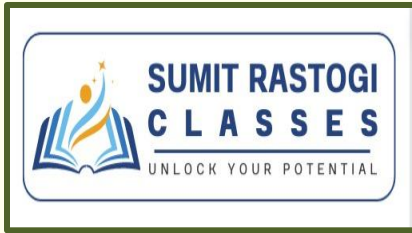
12. A company's budget and actual for a period are as follows:

Budgeted Production	: 6,000 units
Budgeted Variable Overhead	: ₹1,20,000
Standard time for one unit	: 2 hours
Actual production	: 5,900 units
Actual overhead incurred	: ₹1,22,000
Actual hours worked	: 11,500 hours

What is the Variable Overhead Cost Variance?

- (A) ₹4,000 (F)
- (B) ₹4,000 (A)
- (C) ₹7,000 (A)
- (D) ₹7,000 (F)

Ans. (B) ₹4,000 (A)

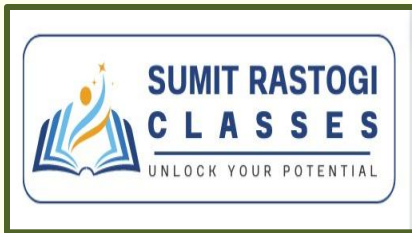


To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

13. Which method of transfer pricing was introduced in order to overcome the problems caused by using marginal cost

- (A) Dual Price
- (B) Two-part Transfer Price
- (C) Negotiated Transfer Price
- (D) Market Price Method

Ans. (A) Dual Price



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

CHAPTER - 6 STANDARD COSTING AND VARIANCE ANALYSIS

1. Where there are two raw materials A and B, and the total material mix variance is favourable and if A has a favourable mix variance, then B will have a mix variance that is _____.
- (A) Adverse
(B) Favourable
(C) All of the above
(D) None of the above

Ans. (A) Adverse

2. The standard and actual data for product 'MNP' are given as under: Standard 40 hours @ ₹20 per hour Actual 45 hours @ ₹22 per hour, so labour efficiency variance is
- (A) ₹90 Adverse
(B) ₹100 Favourable
(C) ₹90 Favourable
(D) ₹100 Adverse

Ans. (D) ₹100 Adverse

Working Note:

Labour Efficiency variance = (SH- AH) × SR= (40 - 45) Hrs. × ₹20,
= (-) 5 Hrs. × ₹20 = ₹100 Adverse

3. If the capacity usage ratio of a production department is 90% and activity ratio is 99%, then efficiency ratio is
- (A) 120%
(B) 110%
(C) 90%
(D) 100%

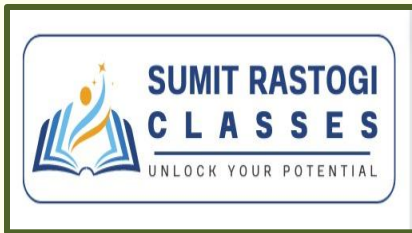
Ans. (B) 110%

Working Note:

Efficiency ratio = Activity ratio/Capacity Usage ratio = 99%/90% = 110%

4. In a factory of ARITAN LTD, operating Standard Costing System, 2,00 kgs of a material @ ₹12 per kg were used for a product, resulting in price variance of ₹6,000 (FAV) and usage variance of ₹3,000 (ADV). What is the standard material cost of actual production of a product?
- (A) ₹25,000
(B) ₹27,000
(C) ₹28,000
(D) ₹26,000

Ans. (B) ₹27,000



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

Working Note:

Total material cost variance: Material price variance + Material usage variance = ₹6,000 (FAV) + ₹3,000 (Adv) = ₹3,000 (FAV).

Actual material cost = $(2,00 \times 12) = ₹24,000$

Hence, the standard material cost of Actual Production: = $24,000 + 3,000$ (FAV) = ₹27,000

5. In a factory of ZEE LTD., where Standard Costing is followed, the budgeted fixed overheads for a budgeted production of 4800 units is ₹24,000. For certain period actual (FOH) expenditure was ₹22,000 resulting in a fixed overhead volume variance of ₹3,000 (Adv.) Calculate the actual production of ZEE LTD. for the period.
- (A) 4,200 units
(B) 5,200 units
(C) 4,500 units
(D) 4,800 units

Ans. (A) 4,200 units

Working Note:

Fixed Overhead volume variance = ₹3,000 (Adv)

Recovered Fixed Overheads - Budgeted Fixed overhead = -3000

Actual Production $\times$ Std. rate - 24,000 = -3000

Actual Production $\times (24,000 \div 4,800) - 24,000 = -3000$

Actual Production $\times 5 = 21,000$

Actual Production for the period = $21,000 \div 5 = 4,200$ units.

6. Sum of material price variance and material usage variance is equal to variance.

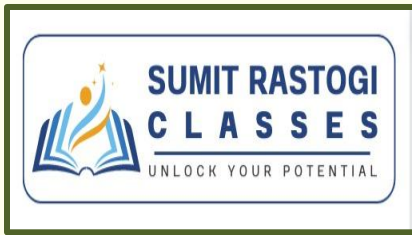
- (A) Material Cost
(B) Fixed Cost
(C) Variable Cost
(D) Actual Cost

Ans. (A) Material cost

7. The standard wage rate is ₹40 per hour, Actual wage rate is ₹45 per hour, standard time is 500 hours and actual hours worked is 480 hours. If wages paid for 505 hours, then labour idle time variance will be

- (A) ₹200 (A)
(B) ₹1,125 (A)
(C) ₹1,000 (A)
(D) ₹7,225 (F)

Ans. (C) ₹1000 (A)



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

Working Note:

Idle Time Variance = Idle Hours x standard Hourly wage Rate
= (505- 480) × 40 = ₹1000 (A)

8. Idle time variance is always _____.

- (A) Adverse
- (B) Favourable
- (C) All of the above
- (D) None

Ans. (A) Adverse

9. 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

Ans. (D) All of the above

10. In a factory of ASHLIN LTD., where Standard Costing System is followed, the production department consumed 1100 kgs, of a material ₹8 per kg. for Product-A resulting in material price variance of ₹2,200 (FAV) and material usage variance of ₹1,000 (Adv.). What is the standard material cost of Actual Production of a Product- A?

- (A) ₹25,000
- (B) ₹10,000
- (C) ₹28,000
- (D) ₹26,000

Ans. (B) ₹10,000

Working Note:

Total material cost variance: Material price variance + Material usage variance
= ₹2200 (FAV) + ₹1,000 (Adv) = ₹1,200 (FAV).

Actual Material Cost = (1,100 × 8) = ₹8,800

Hence, the Standard Material Cost of Actual Production: = 8,800 + 1,200 (FAV) = ₹10,000

11. Following details relating to product x during the month of April are available:

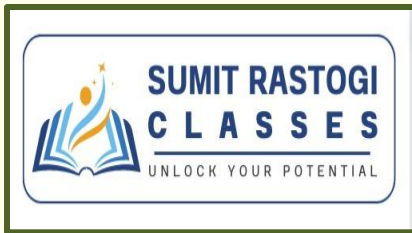
Standard cost per unit of X:

Materials: 50kg at ₹40/kg.; Actual production: 100 units.

Material Price variance ₹9,800 (Adverse); Actual Materials cost: ₹42/kg.

Material Usage variance = ₹4,000 (Favourable)

Calculate the actual quantity of materials used during the month of April.



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

- (A) 4900 kg
- (B) 5000 kg
- (C) 4800 kg
- (D) None of the above

Ans. (A) 4900 kg

Working Note:

Material Price Variance = Actual Quantity $\times$ (Std. Price - Actual Price)
 $-9800 = AQ (40-42)$; $AQ = -9800/-2 = 4900$ kg

12. Calculate the efficiency ratio from the following figures:

Budgeted production	160 units
Actual production	120 units
Standard time per unit	10 hours
Actual hours worked	1000

- (A) 129%
- (B) 350%
- (C) 120%
- (D) 250%

Ans. (C) 120%

Working Note:

Efficiency Ratio = standard hours for actual production/actual hours worked
 $= (10 \text{ hours} \times 120 \text{ units}/1000) \times 100 = 120\%$

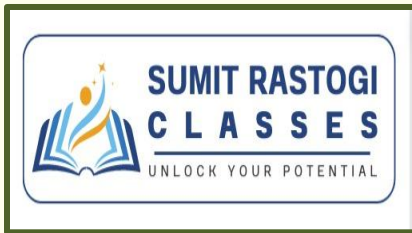
13. Standard cost of material for output of 2,600 units is ₹71,500 and actual output is 2,550 units. If material mix variance is ₹1,095 adverse, find out material usage variance.

- (A) ₹2,470 (Adv)
- (B) ₹2,470 (Fav)
- (C) ₹2,870 (Fav)
- (D) ₹4,470 (Adv)

Ans. (A) ₹2,470 (Adv)

Working Note:

Material Usage Variance = Material Yield variance + Material Mix variance.
Material Yield variance = Std. Mat. Cost per unit $\times$ (Actual Output - Std. Output)
 $= (71,500/2,600) \times (2,550-2,600) = 27.5 \times 50 = 1375$ (adv)
Material Usage Variance = $1,375$ (adv) + $1,095$ (Adv) = ₹2,470 (Adv)



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

14. During the month of March, 560 kg. of material was purchased at a total cost of ₹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 ₹224 (A), the standard price per kg. of material is:

(A) ₹28.40
(B) ₹28.80
(C) ₹28.00
(D) ₹29.20

Ans. (C) ₹28.00

Working Note:

Materials Price Variance = (Std. Price - Actual Price) × Actual Quantity

-224 = (Std. Price - [15,904/560]) × 560

-0.40 = Std. Price - 28.40

Std. price = 28.40 - 0.40 = ₹28.00

15. A certain process needed standard labour of 24 skilled labour hours and 30 unskilled labour hours at ₹60 and ₹40 respectively as the standard labour rates. Actually, 20 and 25 labour hours were used at ₹50 and ₹50 respectively. Then, the labour mix variance will be:

(A) Adverse
(B) Favourable
(C) Zero
(D) Favourable for skilled and unfavorable for unskilled

Ans. (C) Zero

16. In standard costs, _____ norm is applied as a scale of reference for assessing actual cost to serve as a basis of cost control.

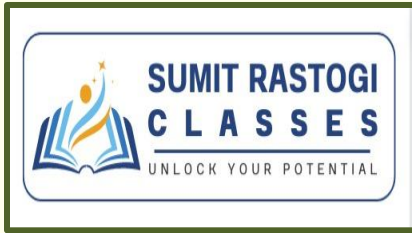
(A) Adverse
(B) Pre-Determined
(C) None of the above
(D) All of the above

Ans. (B) Pre-Determined

17. 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

Ans. (B) When the factory overhead is applied to work-in-progress.



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

18. Standard quantity of material for one unit output is 10 kg @ ₹8 per kg. Actual output during a given period is 600 units. The standard quantity of material for actual output is:

(A) 1200 kg
(B) 6000 kg
(C) 4800 kg
(D) 8000 kg

Ans. (B) 6000 kg

Working Note:

Standard Quantity = $600 \times 10 = 6,000 \text{ kg}$

19. 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

Ans. (D) Management by Exception

20. During a period 13600 labour hours were worked at a standard rate of ₹8 per hour. The direct labour efficiency variance was ₹8,800 (Adv). How many standard hours were produced?

(A) 12000 hours
(B) 12500 hours
(C) 13000 hours
(D) 13500 hours

Ans. (B) 12,500 hours

Working Note:

Labour Efficiency variance = (Standard Hours - Actual Hours) $\times$ Std. rate

= -8800 = [SH-13,600] $\times$ 8

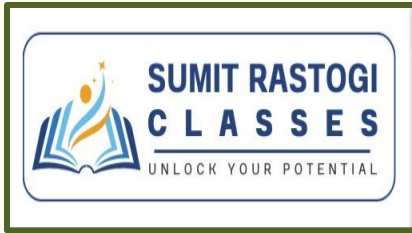
= -1100 = [SH-13,600]

SH = 13,600 - 1100 = 12,500 Hours

21. When actual cost is less than the standard cost, it is known as _____ variance.

(A) Adverse
(B) Favourable
(C) Zero
(D) Favourable for skilled and unfavorable for unskilled

Ans. (B) Favourable



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

22. 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

Ans. (C) Idle time variance

23. During a period 2560 labour hours were worked at a standard rate of ₹7.50 per hour. The direct labour efficiency variance was ₹825 (A). How many standard hours were produced?

- (A) 2400
- (B) 2450
- (C) 2500
- (D) 2550

Ans. (B) 2450

Working Note:

Labour Efficiency Variance = Std. rate (Std. hours - Actual Hours)
= -825 = 7.5 (Std. Hours - 2,560)
= -110, Std. hours - 2,560, Std. hours = **2,450**

24. AB company budgets for fixed overhead of ₹24,000 and Production of 4800 units. Actual Production is 4200 units, if fixed overhead cost incurred is ₹22,000, the Fixed overhead volume variance will be:

- (A) ₹1,000 (Adv.)
- (B) ₹2,000 (Fav.)
- (C) ₹3,000 (Adv.)
- (D) ₹3,000 (Fav.)

Ans. (C) ₹3,000 (Adv.)

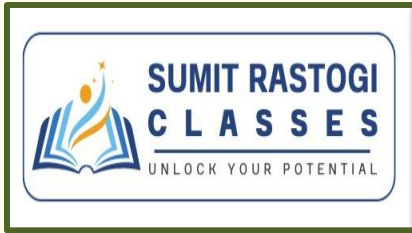
Working Note:

Standard Fixed Overhead Rate per unit = $24,000 / 4,800 = ₹5$
Recovered Fixed Overheads = $4200 \times 5 = ₹21,000$
Fixed Overhead Volume Variance = Recovered Fixed Overheads - Budgeted Fixed Overheads
= $21,000 - 24,000 = ₹3,000$ (Adv.)

25. From cost control point of view the standard most commonly used is:

- (A) Theoretical standard
- (B) Expected standard
- (C) Normal standard
- (D) Basic standard

Ans. (B) Expected Standard



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

26. Historical costing uses post period costs while standards costing uses costs.

- (A) Adverse
- (B) Pre-Determined
- (C) Favourable
- (D) None of the above

Ans. (B) Pre-Determined

27. A labour cost standard is based on estimates of the _____ to produce a unit of product and the cost of labour per unit.

- (A) Adverse
- (B) Pre-Determined
- (C) Labour Hours Required
- (D) None of the above

Ans. (C) Labour Hours Required

28. Standard Costing is one of the _____ techniques.

- (A) Standard Cost
- (B) Cost Control
- (C) Cost Reduction
- (D) None of the above

Ans. (B) Cost Control

29. Cost variance is the difference between _____.

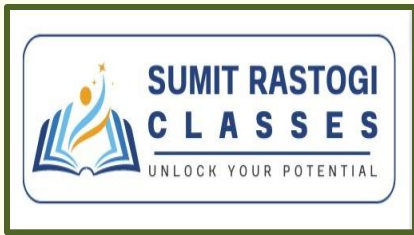
- (A) Adverse
- (B) Pre-Determined
- (C) Standard Cost and Actual Cost
- (D) Labour Hours Required

Ans. (C) Standard Cost and Actual Cost

30. A favourable Material Price Variance coupled with an unfavorable Material Usage Variance would most likely result from

- (A) Changes in the Product Mix
- (B) Problems with Processing Machines
- (C) The Purchase of Low-Quality Materials
- (D) Problems with Labour Efficiency

Ans. (C) the purchase of low-quality materials



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

31. In a factory of ZINB Ltd operating Standard Costing System, 2000 kgs of a material @₹12 per kg were used for a Product, resulting in Material Cost variance of ₹3000 (FAV). The standard material cost of actual production is
- (A) ₹30,000
(B) ₹27,000
(C) ₹24,000
(D) ₹25,000

Ans. (B) ₹27,000

Working Note:

Material Cost Variance = Std. Cost - Actual Cost

3000 = Std. Cost - 2000 x 12; 3000 = Std. Cost - 24,000; Std. Cost = ₹27,000

32. A factory of ZINITH Ltd operates a Standard Costing System, where used for a product resulting 1500 kgs of Raw materials @₹20 per kg were ₹6000 (FAV). What will be the Standard Cost of raw in Price variance of materials per kg.
- (A) ₹30
(B) ₹27
(C) ₹24
(D) ₹25

Ans. (C) ₹24

Working Note:

Material Price Variance = (Std. Price - Actual Price) x Actual Quantity

6000 = (Std. Price - 20) x 1500

4 = Std. Price - 20; Std. Price = ₹24

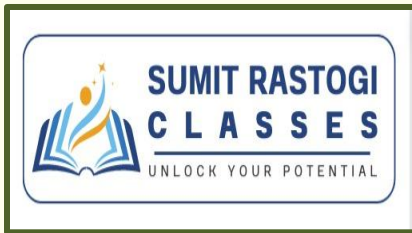
33. _____ is caused due to the poor working conditions.

- (A) Adverse
(B) Pre-Determined
(C) Labour Efficiency Variance
(D) Labour Hours Required

Ans. (C) Labour Efficiency Variance

34. In a factory of PERT LTD. where standard costing was followed. 4.00 kgs of materials at 15 per kg were consumed resulting in Material Cost Vance of 1.000 (Adv.) The Standard Material Cost of actual production was:
- (A) 61,000
(B) 60,000
(C) 59,000
(D) None of the above

Ans. (C) 59,000



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

Working Note:

Material cost Variance = Standard cost - Actual Cost

-1000 = Standard cost - (4000 × 15); Standard cost = **59,000**

35. Calculate the Efficiency Ratio, if Capacity and Activity Ratios are 98% and 93.10% respectively.

- (A) 100%
- (B) 95%
- (C) 105.263%
- (D) 91.238%

Ans. (B) 95%

Working Note:

Activity Ratio = Capacity ratio × Efficiency ratio

93.10 = 98 × Efficiency ratio

Efficiency ratio = 0.95 = **95%**

36. If the Standard Cost of the Actual Quantity of Material Consumed is deducted from the Standard Cost of the Revised Standard Quantity, then we obtain

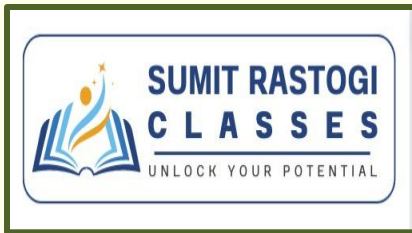
- (A) Direct Material Yield Variance
- (B) Direct Material Price Variance
- (C) Direct Material Usage Variance
- (D) Direct Material Mix Variance

Ans. (D) Direct Material Mix Variance

37. Average of Actual Price per kg of Material and Standard Price is ₹22.50. Difference between the Standard Quantity of Material and the Actual Quantity of Material 16 kg. Average of Standard Quantity of material and Actual Quantity of material 52 kg. Material Cost Variance is ₹100 (F). Calculate the Material Usage Variance.

- (A) ₹320 (F)
- (B) ₹320 (A)
- (C) ₹470 (F)
- (D) ₹470 (A)

Ans. (A) ₹320 (F)



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

Working Note:

$$SQ - AQ = 16$$

$$(SQ + AQ)/2 = 52$$

$$SQ + AQ = 104$$

Solving both equations:

$$SQ = 60 \text{ Kg}$$

$$AQ = 44 \text{ Kg}$$

$$(SP + AP)/2 = 22.50$$

$$SP + AP = 45; AP = 45 - SP$$

Material Cost Variance = 100

$$(SP \times SQ) - (AP \times AQ) = 100$$

$$(SP \times 60) - (45 - SP) \times 44 = 100$$

$$60SP - 1980 + 44SP = 100$$

$$104SP = 2080; SP = ₹20$$

$$\text{Material Usage variance} = SP (SQ - AQ) = 20 (60 - 44) = ₹320 \text{ (F)}$$

38. Calculate the Efficiency Ratio, if Capacity and Activity Ratios are 96% and 90.24% respectively.
- (A) 95%
(B) 94%
(C) 86.63%
(D) 106.388%

Ans. (B) 94%

Working Note:

$$\text{Activity Ratio} = \text{Efficiency ratio} \times \text{capacity ratio}$$

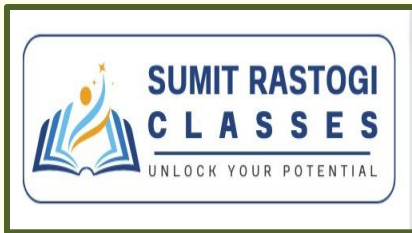
$$\text{Efficiency ratio} = 90.24 / 96\% = 94\%$$

39. A Limited produces 500 units of product in 7,500 hours against standard hours of 8,000. If standard rate per hour is 75, then labour efficiency variance will be:
- (A) 37,500 (F)
(B) 37,500 (A)
(C) 40,000 (F)
(D) 38,000 (F)

Ans. (A) 37,500 (F)

Working Note:

$$\text{Labour Efficiency Variance} = 75 \times (8,000 - 7,500) = 37,500 \text{ (F)}$$



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

40. A _____ is a norm against which the actual performance can be measured.
- (A) Variance Costing
 - (B) Standard
 - (C) All of the above
 - (D) None of the above

Ans. (B) Standard

41. In a factory of BAC Ltd. where standard costing is operated, the budgeted fixed overhead per unit is ₹5. For the month of September 2023, the actual Fixed overhead incurred was ₹40,000 for the production of 9,000 units resulting in a fixed overhead volume variance of 5,000 (Adv.). The budgeted production will be
- (A) 12,000 units
 - (B) 10,000 units
 - (C) 9,000 units
 - (D) 8,000 units

Ans. (B) 10,000 units

Working Note:

Recovered Fixed Overheads

= Standard fixed overhead rate per unit x Standard units for actual production

= $5 \times 9,000 = ₹45,000$

Fixed Overhead Volume Variance

= Recovered Fixed Overheads - Budgeted Fixed Overheads

-5,000 = 45,000 - Budgeted Fixed Overheads

Budgeted Fixed Overheads = ₹50,000

Budgeted Production = $₹50,000 / 5 = 10,000$ units.

42. AB Ltd. uses standard costing system. The following information pertains to direct labour for Product X for the month of March, 2023:
Standard rate per hour ₹8; Actual rate per hour ₹8.40, Standard hours allowed for actual production is 2,000 hours, Labour Efficiency Variance ₹1,600 (Adverse). What were the actual hours worked?
- (A) 1,800 Hours
 - (B) 1,810 Hours
 - (C) 2,200 Hours
 - (D) 2,190 Hours

Ans. (C) 2,200 Hours

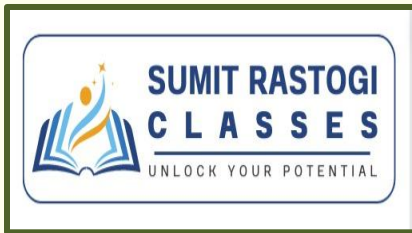
Working Note:

Labour Efficiency Variance = (Standard Hours - Actual Hours) × Std. rate

- 1,600 = (2,000 - Actual Hours) × 8

- 200 = (2,000 - Actual Hours)

Actual Hours = 2,200.



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

43. Standard Output is 1,000 units and Actual Output is 800 units. Standard price per Kg is ₹2 and Actual price per Kg is ₹3. Standard quantity per unit is 4 Kg. If actual quantity is 4,000 kgs, the Material Cost Variance will be

(A) ₹1,600 (F)
(B) ₹1,600 (A)
(C) ₹5,600 (A)
(D) ₹3,200 (A)

Ans. (C) 5,600 (A)

Working Note:

Standard Cost = $800 \times 4 \times 2 = 6,400$

Actual Cost = $4,000 \times 3 = 12,000$

Material Cost variance = $6,400 - 12,000 = ₹5,600$ (A).

44. A Limited produces 500 units of product in 7500 hours against standard hours of 8000. If standard rate per hour is ₹50, then labour efficiency variance will be ₹_____.

(A) 25,000 (F)
(B) 25,000 (A)
(C) 40,000 (F)
(D) 50,000 (F)

Ans. (A) 25,000 (F)

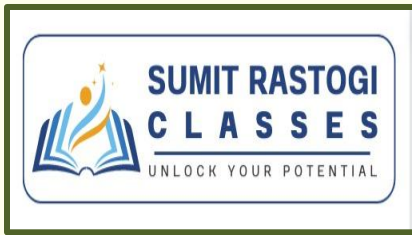
45. In the factory of DOSN Ltd. using Standard Costing System, the details of overhead expenditure for the month of May' 24 are as under:

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

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

(A) 38,000 units
(B) 41,000 units
(C) 42,000 units
(D) Insufficient information

Ans. (A) 38,000 units



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

46. Which of the following departments is most likely responsible for a Price Variance in Direct Materials?
- (A) Warehousing
 - (B) Receiving
 - (C) Purchasing
 - (D) Production

Ans. (C) Purchasing

47. M/s Littles Ltd. operates in single shift. Standard production is 8 units per shift of 8 hours at ₹200 per hour. Actual production is 5 units per shift. The company allows 1 hour for lunch break. Actual rate of labour hour is ₹210. The Labour Efficiency Variance is _____.
- (A) ₹600 (A)
 - (B) ₹600 (F)
 - (C) ₹300 (A)
 - (D) ₹400 (A)

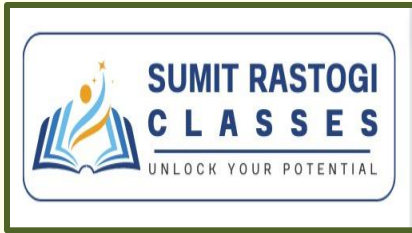
Ans. (D) ₹400 (A)

48. A _____ is a budget which is continuously updated by adding a further accounting period when the earlier accounting period has expired.
- (A) Zero Base Budgeting
 - (B) Rolling Budget
 - (C) Mater Budget
 - (D) Continuous Budget

Ans. (B) Rolling Budget

49. ABC Ltd. uses standard costing system. The following information pertains to direct labour for product X for the month of March, 2025:
Standard rate per hour ₹8.
Actual rate per hour ₹8.40
Standard hours allowed for actual production 2,000 hours
Labour efficiency variance ₹1,600 (Adverse)
What were the actual hours worked?
- (A) ₹2,200
 - (B) ₹2,190
 - (C) ₹1,800
 - (D) ₹1,810

Ans. (A) ₹2,200



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

50. A company's budget and actuals for a period are as follows:

Budgeted production: 6,000 units

Budgeted variable overhead: ₹ 1,20,000

Standard time for one unit: 2 hours

Actual production: 5,900 units

Actual overhead incurred: ₹ 1,22,000

Actual hours worked: 11,500 hours

What is the Variable Overhead Cost Variance?

(A) ₹4,000 (F)

(B) ₹4,000 (A)

(C) ₹7,000 (A)

(D) ₹7,000 (F)

Ans. (B) ₹4,000 (A)

51. ZED Limited sold 150 units of its product at selling price of ₹12 per unit. If budgeted sales for the period are 200 units at ₹10 each, Sales Price Variance is:

(A) ₹200 (F)

(B) ₹300 (A)

(C) ₹200 (A)

(D) ₹300 (F)

Ans. (d) 300 (F)

Working Note:

Sales Price Variance $150 (12-10) = ₹300 (F)$

52. M/s RSR Limited produced 5 units of finished goods in 7 hours. Standard time produce 8 units of finished goods is 8 hours. It is observed that 1 hour is lost due to factors under the control of the company. If standard labour rate is ₹20 per hour actual labour rate is ₹30 per hour, Labour Rate & Labour Idle Time variance for period are:

(A) Labour Rate Variance ₹70 (A) and Idle Time Variance ₹20 (A)

(B) Labour Rate Variance ₹ 60 (A) and Idle Time Variance ₹20 (A)

(C) Labour Rate Variance ₹80 (A) and Idle Time Variance ₹20 (A)

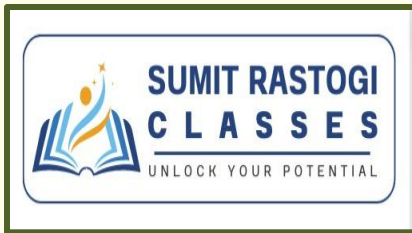
(D) Labour Rate Variance ₹70 (A) and Idle Time Variance ₹30 (A)

Ans. (a) Labour Rate Variance 70 (A) and Idle Time Variance ₹20 (A)

Working Note:

Labour Rate Variance $= 7 (20-30) = ₹70 (A)$

Labour Idle time Variance $= 20 \times 1 = ₹20 (A)$



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

CHAPTER - 7 BUDGETARY CONTROL

1. The cost per unit of a product manufactured in a factory of ZENION LTD. amounts to ₹160 (75% variable) when production is 10,000 units. If the production increases by 25% what would be the cost of production per unit?

(A) ₹152
(B) ₹156
(C) ₹142
(D) ₹150

Ans. (A) ₹152

Working Note:

Variable Cost per unit = ₹160 × 0.75 = ₹120

Fixed Cost per unit = (160 - 120) = ₹40

Total fixed Cost = 10,000 × 40 = ₹4,00,000

Total Cost per unit when production is 12,500 units (10,000 × 1.25)
= 120 + 4,00,000/12,500 = 120 + 32 = ₹152

2. The total production cost of HORIZON LTD. for making 6000 units is ₹35,000 and the total production cost for making 15000 units is ₹69,000. Once the production exceeds 10000 units additional fixed costs of ₹7,000 are incurred. What will be the full production cost per unit for making 12000 units?

(A) ₹15
(B) ₹56
(C) ₹12
(D) ₹5

Ans. (D) ₹5

Working Note:

At 15,000 units Total Cost is ₹62,000 (69,000 - 7,000)

At 6,000 units Total Cost is ₹35,000

Variable cost per unit = (62,000 - 35,000)/(15,000 - 6,000) = ₹3 per unit

Fixed Cost = 62,000 - (15,000 × 3) = ₹17,000

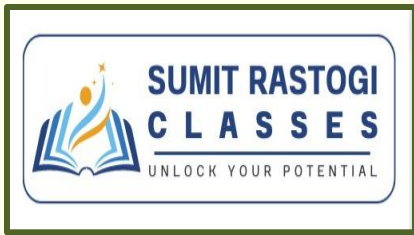
So. Total cost of making 12,000 units = 12,000 × 3 + 17,000 + 7,000 = ₹60,000

Cost per unit = 60,000/12,000 = ₹5 per unit

3. A series of fixed budgets prepared for different levels of activity is known as _____ budget.

(A) Flexible
(B) Fixed
(C) Variance
(D) None of the above

Ans. (A) Flexible



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

4. In a factory repairs and maintenance expenses were ₹1,50,000 at 60% capacity level out of these 40% was fixed. Calculate the repairs and maintenance expenses for the capacity level of 80%.

(A) ₹1,60,000
(B) ₹1,56,000
(C) ₹1,80,000
(D) ₹1,50,000

Ans. (C) ₹1,80,000

Working Note:

At 60% Capacity level:

Fixed - $150,000 \times 40\% = ₹60,000$

Variable - $150,000 \times 60\% = ₹90,000$

At 80% Capacity level:

Variable = $90,000 \times 80/60 = ₹1,20,000$

Fixed = ₹60,000

Total Expenses = ₹1,80,000

5. In a company, opening stock of material was 14,000 units, closing stock required to be maintained. 14,000 units and sale is expected to be maintained at 28,000 units, what would be the production units during the period?

(A) 56,000
(B) 14,000
(C) 28,000
(D) 30,000

Ans. (C) 28,000

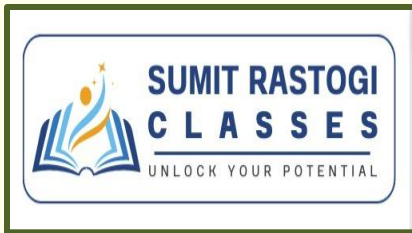
Working Note:

Expected sale during the period	28,000 Units
Add: Closing stock to be maintained	14,000 Units
Less: Opening Stock	14,000 Units
Units Production to be carried out	28,000 Units

6. The budgeted annual sales of a firm are ₹80 lakhs and 25% of the sales are cash sales. If the average amount of debtors of the firm is ₹5 lakhs, what will be the average collection period of credit sales?

(A) 1 Month
(B) 2 Months
(C) 3 Months
(D) 4 Months

Ans. (A) 1 Month



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

Working Note:

Credit Sales = $80 - 25\% = 60$ (₹ lakhs).

Monthly Credit Sales = $60/12 = 5$ (₹ Lakhs).

Debt collection period in months = Average Debtors/Monthly Credit Sales = $5/5 = 1$ month

7. If the fixed cost per unit is ₹40 at 40% level of capacity what should be fixed cost per unit at 80% level of capacity?
- (A) ₹15
(B) ₹20
(C) ₹12
(D) ₹5

Ans. (B) ₹20

Working Note:

Fixed Cost per unit = $40 \times 40/80 = ₹20$

8. The budgeted cost for repairs and maintenance at 30,000 and at 33,000 units levels are ₹1,45,000 and ₹1,54,000 respectively. If 35,000 units are to be produced, how much amount should be budgeted for repairs and maintenance?
- (A) ₹1,60,000
(B) ₹1,56,000
(C) ₹1,80,000
(D) ₹1,50,000

Ans. (A) ₹1,60,000

Working Note:

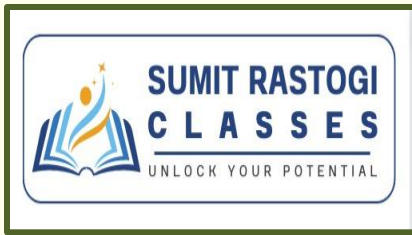
Variable cost per unit = $(1,54,000 - 1,45,000) / (33,000 - 30,000) = ₹3$

Fixed cost = $1,45,000 - (30,000 \times 3) = ₹55,000$

Cost of 35,000 units = $(35,000 \times 3) + 55,000 = ₹1,60,000$

9. Akash Ltd. is preparing its cash budget for the period. Sales are ₹1,00,000 in April, 2016; ₹2,00,000 in May, 2016; ₹3,00,000 in June, 2016 and ₹1,00,000 in July, 2016. Half of all sales are cash sales expected to be 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) ₹1,30,000
(B) ₹1,80,000
(C) ₹2,60,000
(D) ₹3,60,000

Ans. (B) ₹1,80,000



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

Working Note:

Collection from July 2016:

Cash sales will be half of total sales or ₹50,000

From April 50,000 of credit sales, collection should be 10% or ₹5,000

From May 1,00,000 of credit sales, collections should be 20% or ₹20,000

From June 1,50,000 of credit sales, collection will be 70% or ₹1,05,000

Thus, total collections will amount to $(50,000 + 5,000 + 20,000 + 1,05,000) = ₹1,80,000$

10. If an organization has all the resources, it needs for production, then the principal budget factor is most likely to be:

(A) Non-Existing
(B) Sales Demand
(C) Raw Materials
(D) Labour Supply

Ans. (B) Sales Demand

11. 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

Ans. (C) Research and Development Budget

12. Which of the following is not a potential benefit of using a budget?

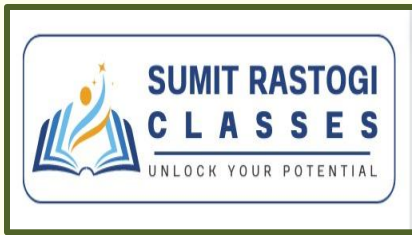
(A) More motivated managers
(B) Enhanced co-ordination of firm activities
(C) Improved inter-departmental communication
(D) More accurate external financial statements

Ans. (D) More accurate external financial statements

13. 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

Ans. (B) to co-ordinate different departments



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

14. Sales budget is an example of

- (A) Expenditure budget
- (B) Functional budget
- (C) Capital budget
- (D) Master budget

Ans. (B) Functional budget

15. The document which describes the budgeting organisation, budgeting procedure etc. is known as _____.

- (A) Master Budget
- (B) Budget Manual
- (C) Production Budget
- (D) Flexible Budget

Ans. (B) Budget manual

16. Revision of budgets is

- (A) Unnecessary
- (B) Cannot determine
- (C) Necessary
- (D) Inadequate data

Ans. (C) Necessary

17. Which of the following is a long-term Budget?

- (A) Master Budget
- (B) Production Budget
- (C) Flexible Budget
- (D) Capital Budget

Ans. (D) Capital Budget

18. In a system whereby all activities are revaluated each time a budget is formulated and starts with the assumption that requirement of funds does not exist is called

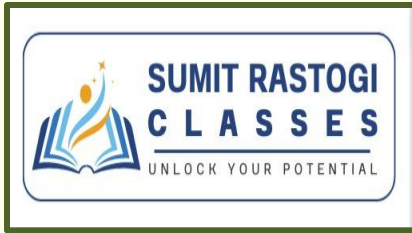
- (A) Performance Budgeting
- (B) Programme Budgeting
- (C) Flexible Budgeting
- (D) Zero-based Budgeting

Ans. (D) Zero-based Budgeting

19. _____ is the summary of all functional budgets.

- (A) Master Budget
- (B) Production Budget
- (C) Flexible Budget
- (D) Capital Budget

Ans. (A) Master Budget



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

20. Cash Budget of ABC Ltd. forewarns of a short-term surplus. Which of the following would be appropriate action to be taken in such a situation?
- (A) Purchase new fixed assets
 - (B) Repay long-term loans
 - (C) Write off preliminary expense
 - (D) Pay creditors early to obtain a cash discount

Ans. (D) Pay creditors early to obtain a cash discount

21. In a system whereby all activities are re-evaluated each time a budget is formulated and starts with assumption that requirement of funds does not exist is called:
- (A) Performance Budgeting
 - (B) Programme Budget
 - (C) Flexible Budget
 - (D) Zero-based Budgeting

Ans. (D) Zero-based Budgeting

22. The fixed-variable cost classification has a special significance in the preparation of
- (A) Cash budget
 - (B) Master budget
 - (C) Flexible budget
 - (D) Capital budget

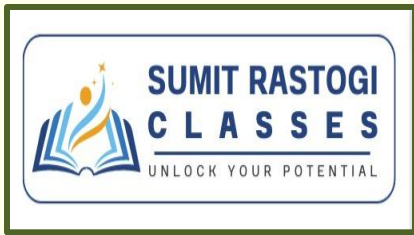
Ans. (C) Flexible budget

23. 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

Ans. (A) Master budget

24. Which of the following is not an element of master budget?
- (A) Capital Expenditure Budget
 - (B) Production Schedule
 - (C) Operating Expenses Budget
 - (D) All Of These

Ans. (B) Production Schedule



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

25. Which of the following is generally a long-term budget?

- (A) Sales Budget
- (B) Cash Budget
- (C) Research and Development Budget
- (D) Capital Expenditure Budget

Ans. (D) Capital expenditure budget

26. _____ leads to budgeting and budgeting leads to budgetary control.

- (A) Master
- (B) Production
- (C) Forecasting
- (D) Capital

Ans. (C) Forecasting

27. Recording of actual performance is a step in _____.

- (A) Master Budget
- (B) Budgetary Control
- (C) Flexible Budget
- (D) Capital Budget

Ans. (B) Budgetary Control

28. The Cost per unit of a product manufactured in a factory of BOT Ltd. amounts to ₹150 (80% variable) when production is 10000 units. If production is increased by 25%. What will be the cost of product per unit?

- (A) ₹144
- (B) ₹148
- (C) ₹244
- (D) ₹146

Ans. (A) ₹144

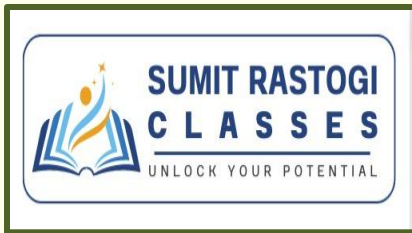
Working Note:

Variable Cost per unit = $150 \times 0.80 = ₹120$

Fixed Cost per unit = $(150 - 120) = ₹30$; Total Fixed Cost = $10,000 \times 30 = ₹3,00,000$

Total Cost per unit when production is 12,500 units ($10,000 \times 1.25$)

= $120 + 3,00,000/12,500 = 120 + 24 = ₹144$



To buy classes visit our website
sumitrastogiclasses.com
 and for further queries contact us on
 8826965733, 9811229279, 9560978857

29. X Ltd. provides you with the following information:

Activity Level	Total Overheads (in ₹)
60%	9,20,000
80%	11,60,000

If the production capacity of X Ltd. at a 50% Activity Level is 60,000 units, then the variable overhead per unit is

- (A) ₹9 per unit
 (B) ₹10 per unit
 (C) ₹11 per unit
 (D) ₹12 per unit

Ans. (B) ₹10 per unit

Working note:

Units at 60% = $60,000 \times 60/50 = 72,000$

Units at 80% = $60,000 \times 80/50 = 96,000$

Variable cost per unit $(11,60,000 - 9,20,000) / (96,000 - 72,000) = ₹10$ per unit

30. A Ltd. provides you with the following information:

Particulars	Opening Stock	Budgeted Closing Stock
Work-in-progress	500 kg. [Materials fully supplied but 40% converted]	1,000 kg [Materials fully supplied but 80% converted]
Finished Goods	2,000 kg.	1,000 kg.

Budgeted Sales: 47,00,000 @ 500 per unit Calculate the Budgeted Labour Hours required for Production if One Labour Hour is required per unit.

- (A) 8,400 hours
 (B) 9,400 hours
 (C) 8,900 hours
 (D) 9,000 hours

Ans. (C) 8,900 hours

Working Note:

Budgeted Production for Labour Hours

Sales (Units) = 9,400 units

Closing Stock = 1,000

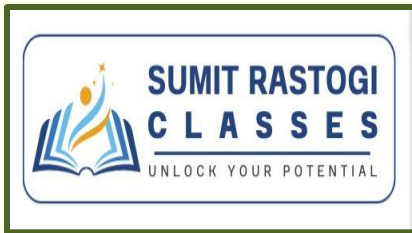
Opening Stock = (2,000)

Closing WIP $(1,000 \times 80\%) = 800$

Opening WIP $= (500 \times 60\%) = (300)$

Total Production = 8,900 units

Total Hours = $8,900 \times 1 = 8,900$ hours



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

31. Budgeted Sales of Product X is 8,000 units. At the end of the previous year the Closing Finished Stock (on a FIFO basis) of Product X is ₹20,000 @ ₹20. At the end of the budget year expected Closing Finished Stock of Product X is 2,700 units. Post Production Rejection Rate of Product A is 3%. Calculate the Budgeted Production of Product (A).

- (A) 9,700units
(B) 10,000units
(C) 9,991units
(D) 9,417units

Ans. (B) 10,000units

Working Note:

Sales	8,000
Closing Stock	2,700
Opening Stock (20,000/ 20)	(1,000)
Post rejection Production required	9,700
Pre rejection Production = $9,700 \times 100 / (100 - 3)$	10,000 units

32. Budgeted Production is Equal to:

- (A) Budgeted Sales + Budgeted Opening Stock - Budgeted Closing Stock
(B) Budgeted Sales - Budgeted Opening Stock + Budgeted Closing Stock
(C) Budgeted Sales + Budgeted Opening Stock + Budgeted Closing Stock
(D) Budgeted Sales - Budgeted Opening Stock - Budgeted Closing Stock

Ans. (B) Budgeted Sales - Budgeted Opening Stock + Budgeted Closing Stock

33. Divisional managers prepare _____ without reference to the past budget or achievements.

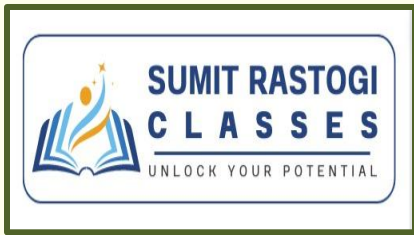
- (A) Outcome Budgets
(B) Performance Budgets
(C) Programme Budgets
(D) Zero Base Budgets

Ans. (D) Zero Base Budgets

34. ZBB is more suitably applicable to:

- (A) Manufacturing Activities
(B) Historical Cost Activities
(C) Service or Support Type Activities
(D) Discretionary Cost Area

Ans. (D) Discretionary Cost Area



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

35. _____ is the budget which incorporates all functional budgets, which is finally approved, adopted & employed.
- (A) Zero Base Budget
 - (B) Rolling Budget
 - (C) Master Budget
 - (D) Performance Budget

Ans. (C) Master Budget

36. FBT Ltd. is presently operating at 60% capacity and producing 600 units. The Cost structure at 60% Level of Activity is: Material ₹50 per unit, Labour ₹25 per unit, Direct expenses ₹5 per unit, Factory overheads ₹20,000 (60% variable) and Administration expenses ₹15,000 (60% fixed).
What will be the Total Cost per unit for production at 80% capacity?
- (A) ₹1,05,000
 - (B) ₹131.25
 - (C) ₹126.25
 - (D) None of the above

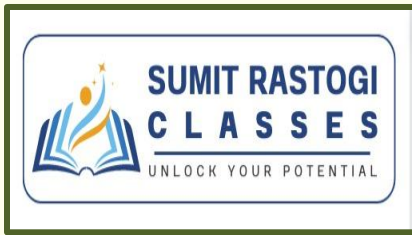
Ans. (B) ₹131.25

37. A _____ is defined as a budget continuously updated by adding a further accounting period when the earlier accounting period has expired.
- (A) Zero Base Budget
 - (B) Step-Up Budget
 - (C) Rolling Budget
 - (D) Performance Budget

Ans. (C) Rolling budget

38. M/s Unicorn Limited sold 200 units and 300 units of its product in 2023 and 2024 respectively. If total overhead for 2023 and 2024 is ₹10,000 and ₹12,000 respectively, the Fixed Overhead would be _____.
- (A) ₹6,000
 - (B) ₹4,000
 - (C) ₹8,000
 - (D) ₹10,000

Ans. (A) ₹6,000



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

39. All current or proposed programs, listed out in a Zero Based Budget are known as _____.
- (E) Cost Centres
 - (F) Responsibility Centres
 - (G) Decision Packages
 - (H) Budget Centres

Ans. (C) Decision Packages

40. For preparing a production budget which one of the following is not to be considered?
- (A) Research and Development Budget
 - (B) The Production plan of the factory
 - (C) The Sales Budget
 - (D) Cash Budget

Ans. (A) Research and Development Budget

41. 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

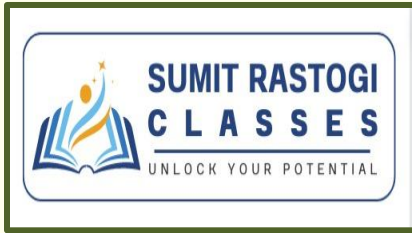
Ans. (C) Zero-based Budget

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

Ans. (D) Deliberate over-estimation of costs and under-estimation of revenues in a budget.

43. A division of a company has operating assets of ₹5,00,000 and generates an operating income of ₹1,00,000. If the company's minimum required rate of return is 15%, what is the division's Residual Income (RI)?
- (A) ₹1,00,000
 - (B) ₹75,0000
 - (C) ₹25,000
 - (D) ₹35,000

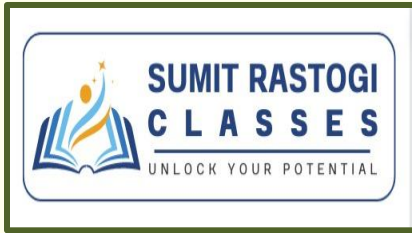
Ans. (C) ₹25,000



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

44. A _____ is projection of budget data at one level of activity
- (A) Zero Base Budgeting
 - (B) Rolling Budget
 - (C) Static Budget
 - (D) Master Budget

Ans. (C) Static Budget



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

CHAPTER - 8 DIVISIONAL PERFORMANCE MEASUREMENT

1. Which of the following factors does not affect Learning Curve?

- (A) Method of Production
- (B) Labour Strike
- (C) Shut Down
- (D) None of these

Ans. (D) None of these

2. Another name for the Learning Curve' is:

- (A) Exponential Curve
- (B) Growth Curve
- (C) Production Curve
- (D) Experience Curve

Ans. (D) Experience Curve

3. Which of the following Concepts suggests a basis for Correct staffing in Continuously expanding production?

- (A) Growth Curve
- (B) Learning Curve
- (C) Exponential Curve
- (D) Production Curve

Ans. (B) Learning Curve

4. According to Norton and Kaplan, the balanced scorecard should be used as _____.

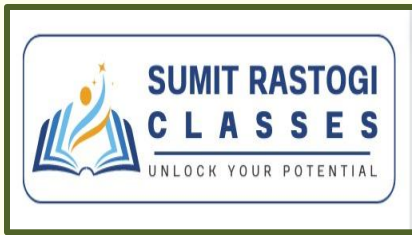
- (A) a control system
- (B) a diagnostic system
- (C) a strategic system
- (D) All of the above

Ans. (C) a strategic system

5. A/An _____ is an organizational unit whose manager is responsible for generating revenue and managing expenses related to current activity.

- (A) Expense Centre
- (B) Revenue Centre
- (C) Cost Centre
- (D) Profit Centre

Ans. (D) Profit Centre



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

6. **Economic Value Added (EVA) can be calculated as under.**

- (A) Return to Equity Shareholders Fund - Cost of capital Employed
- (B) Return to providers of Fund-Cost of capital Employed
- (C) Return to Long term loan Fund- Cost of capital Employed
- (D) Return to Equity Shareholders Fund-Cost of Equity

Ans. (C) Return to Long term loan fund - Cost of capital Employed

7. **According to DuPont methodology, the parameter(s) that drive Return on Equity (ROE) is/are:**

- (A) Operating performance
- (B) Asset usage performance
- (C) Financial leverage
- (D) All of the above

Ans. (D) All of the above

8. **An employee of RON Ltd., took 100 minutes to produce first unit of a product, The operation of the Company has an 90% learning curve. How much should the second unit time?**

- (A) 200 minutes
- (B) 100 minutes
- (C) 8 minutes
- (D) 80 minutes

Ans. (D) 80 minutes

Working Note:

Average time for 2 units

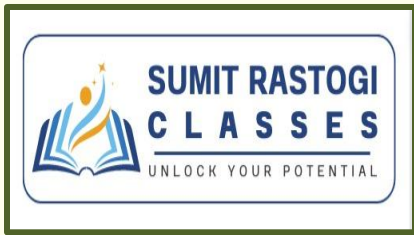
Total time for 2 units

Time for second unit $100 \times 90\% = 90$ minutes
 $90 \times 2 = 180$ minutes
 $180 - 100 = 80$ minutes.

9. **Which one of the following statements best demonstrates the concept of the learning curve?**

- (A) Learning curve is a linear cost behaviour influenced by learning.
- (B) Learning curve is a judgmental method of estimating costs when learning is present.
- (C) A learning curve is a percentage by which average time Per unit produced decreases as output doubles.
- (D) A learning Curve is a percentage by which average time falls as output Increases by one unit.

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



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

10. Economic Value Added (EVA) is a concept that is closely related to residual income. EVA is computed by
- (A) Subtracting the adjusted total cost of capital from the adjusted after tax income
 - (B) Subtracting adjusted after tax income from total divisional investment
 - (C) Dividing adjusted after tax income by adjusted divisional investment
 - (D) Dividing adjusted after tax income by adjusted total cost of capital

Ans. (A) Subtracting the adjusted total cost of capital from the adjusted after tax income.

11. M/s. Shibaji Limited has Capital Employed of ₹4,50,000 and its Operating Income for the year ended 31-03-2023 is ₹1,00,000. If the minimum expected rate of return is 14%, the Residual Income (RI) of the Company is

- (A) ₹35,000
- (B) ₹43,000
- (C) ₹40,000
- (D) ₹37,000

Ans. (D) ₹37,000

Working note:

Residual Income = 1,00,000 $[4,50,000 \times 14\%]$ = ₹37,000.

12. According to DU-Pont Methodology, the parameter(s) that drive Return on Equity (ROE) is/are_____.

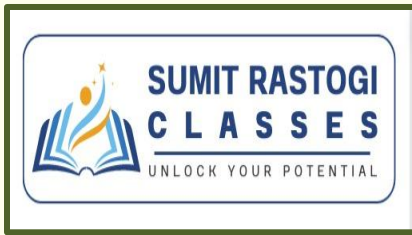
- (A) Operating performance
- (B) Asset usage performance
- (C) Financial Leverage
- (D) All of the above

Ans. (D) All of the above

13. Bon, a division of BANT Ltd. a manufacturing company, has total assets of ₹12,00,000 and an Operating Income of ₹ 3,00,000. What is the Division's Residual Income (RI) if the cost of capital is 15%?

- (A) ₹1,80,000
- (B) ₹1,50,000
- (C) ₹1,20,000
- (D) ₹60,000

Ans. (C) ₹1,20,000



To buy classes visit our website
sumitrastogiclassses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

14. An employee of DOXIN Ltd. took 5 hours to complete the first unit job in the assembly line. Using an 80% incremental unit time learning model, the time to be taken to complete the second unit job will be_____.

(A) 4 hours
(B) 3 hours
(C) 2 hours
(D) 5 hours

Ans. (B) 3 hours

15. ROI (Return on Investment) can be decomposed into the following ratios:

(A) Overall Turnover Ratio and Current Ratio
(B) Working Capital Turnover Ratio and Net Profit Ratio
(C) Net Profit Ratio and Fixed Assets Turnover
(D) Net Profit Ratio and Overall Turnover Ratio

Ans. (D) Net Profit Ratio and Overall Turnover Ratio

16. _____ refers to a repetitive Job or task and represents the relationship between experience and productivity. Using the appropriate word(s) fill in the blanks.

(A) Growth Curve
(B) Learning Curve
(C) Exponential Curve
(D) Production Curve

Ans. (B) Learning Curve

17. WDV of Fixed Asset of M/s. Vanguard Ltd. as on 31.03.2024 is ₹22,50,000. On 01-07-2024, the Company sold an asset having WDV of ₹2,50,000 for ₹2,75,000. Other income for the year 2024-25 is ₹2,00,000. The ROI of the company is _____.

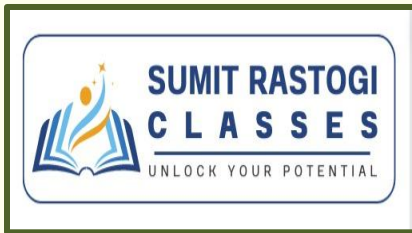
(A) 10.50%
(B) 8.88%
(C) 11.25%
(D) 10%

Ans. (D) 10%

18. Which of the following is the formula for calculating RI (Residual Income)?

(A) Divisional Profit – (Percentage of change in Sales × Divisional Investment)
(B) Divisional Profit – (Percent Capital charge × Total Investment)
(C) Divisional Profit – (Percent Capital Charge × Divisional Investment)
(D) Total Profit – (Percent Capital Charge × Divisional Investment)

Ans. (C) Divisional Profit – (Percent Capital Charge × Divisional Investment)



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

19. The theory of learning curves will only hold if which of the following conditions apply?

- (A) The task must be repetitive
- (B) Production must be at an early stage so that there is room for improvement
- (C) There is inconsistency in the workforce
- (D) Both (A) and (B)

Ans. (D) Both (A) and (B)

20. According to DuPont model, the main functional parameters that drive Return on Equity (ROE) is _____.

- (A) Operating Performance
- (B) Asset usage Performance
- (C) Financial Leverage
- (D) All of the above

Ans. (D) All of the above

21. The following ratios have been calculated for a company:

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

What is the return on capital employed for the company?

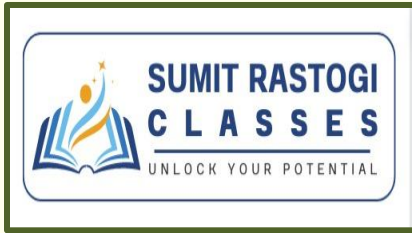
- (A) 27.30%
- (B) 18.20%
- (C) 11.20%
- (D) 16.80%

Ans. (B) 18.20%

22. A factory is making a certain product where learning curve ratio of 80% and 90% apply respectively for two equally paid workers, A and B. Which of the following statements hold good for the factory?

- (A) The labour cost of manufacturing the 4th product will be more for A.
- (B) The labour cost of manufacturing the 4th product will be more for B.
- (C) The labour cost is the same for the 4th product.
- (D) Nothing can be said about the specific product since learning ratio applies to the average quantity of the product.

Ans. (B) The labour cost of manufacturing the 4th product will be more for B.



To buy classes visit our website
sumitrastogiclass.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

23. 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 Receivables
- (D) Common Stock

Ans. (C) Accounts Receivables

24. Which one of the following Responsibility Centres is an organizational unit whose manager is responsible for generating revenues and managing expenses related to current activity?

- (A) Cost Centre
- (B) Profit Centre
- (C) Revenue Centre
- (D) Investment Centre

Ans. (B) Profit Centre

25. PICON Ltd.'s current financial year's income statement reports its net income after tax as ₹24,00,000. The company's marginal tax rate is 35% and its interest expense for the year was ₹ 18,00,000. What is the Operating Income (EBIT) earned by PICON Ltd. the current year?

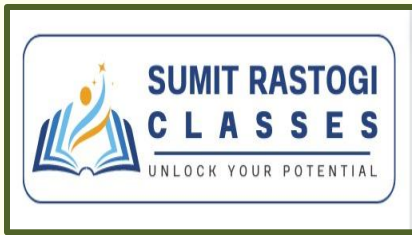
- (A) ₹42,00,000
- (B) ₹54,92,308
- (C) ₹55,00,000
- (D) ₹37,00,000

Ans. (B) ₹54,92,308

Working Note:

$$\text{EBT} = 24,00,000 / (1 - 0.35) = ₹36,92,308$$

$$\text{EBIT} = 36,92,308 + 18,00,000 = ₹54,92,308$$



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

CHAPTER - 9 RESPONSIBILITY ACCOUNTING

1. _____ Centre is defined as a business entity's segment by which both revenues are earned and costs are incurred.
- (A) Loss
 - (B) Profit
 - (C) Cost
 - (D) None of the Above

Ans. (B) Profit

2. Responsibility Accounting is used for
- (A) Cost Control
 - (B) Planning
 - (C) Decision Making
 - (D) Pricing

Ans. (A) Cost Control

3. Which one of the following Responsibility Centers, is an Organizational Unit whose manager is responsible for Managing Revenues and Current Expenses?
- (A) Investment Center
 - (B) Revenue Center
 - (C) Profit Center
 - (D) Cost Center

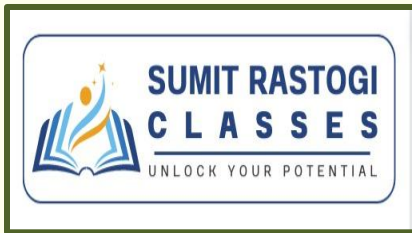
Ans. (C) Profit Center

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

Ans. (D) Attempts to control the processes

5. 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 shop is ₹1,200 (62% repairs in Repair Shop done for department X). Determine total costs treating department X as a responsibility center.
- (A) ₹3,200
 - (B) ₹2,200
 - (C) ₹1,200
 - (D) ₹8,000

Ans. (A) ₹3,200



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

6. A business is deciding between 3 different investment options (A, B and C). The profitability of each option depends on 4 possible economic scenarios (Recession, Stability, Growth & Boom). How many unique payoff values will exist in the payoff table for this decision problem?

(A) 3
(B) 4
(C) 7
(D) 12

Ans. (D) 12

7. Two investment projects have the following characteristics:

Project	Expected Return	Standard Deviation of Return
A	20%	15%
B	10%	9%

Which project is relatively riskier?

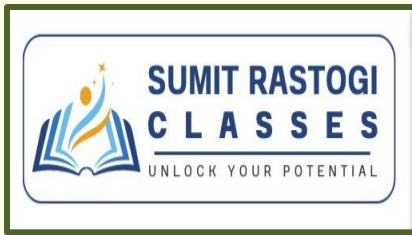
(A) Project A, because its standard deviation is higher
(B) Project B, because its standard deviation is lower relative to its return
(C) Project A, because its coefficient of variation is higher
(D) Project B, because its coefficient of variation is higher

Ans. (D) Project B, because its coefficient of variation is higher

8. The main focus of responsibility accounting lies on:

(A) Cost Centre
(B) Profit Centre
(C) Revenue Centre
(D) Responsibility Centre

Ans.(D) Responsibility Centre



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

CHAPTER - 10 DECISION THEORY

1. The Minimum expected opportunity loss (EOL) is _____.

- (A) Equal to EVIP
- (B) Minimum Regret
- (C) Equal to EMV
- (D) Both (A) And (B)

Ans. (D) Both (A) and (B)

2. The Laplace Criterion is the feature of which of the following?

- (A) Deterministic Model
- (B) Decision making under certainty
- (C) Decision making under uncertainty
- (D) Optimization

Ans. (C) Decision making under uncertainty

3. Expected value in decision analysis is

- (A) A standard deviation using the probabilities as weights.
- (B) The square root of the squared deviations.
- (C) A measure of the difference between the best possible outcome and the outcome of the original decision.
- (D) An arithmetic mean using the probabilities as weights.

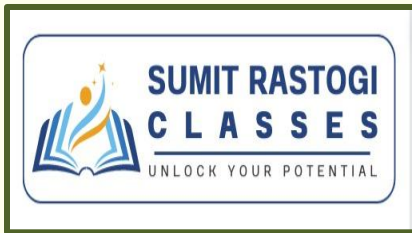
Ans. (D) An arithmetic mean using the probabilities as weights.

Reason: Expected value is similar to arithmetic mean, the only difference being arithmetic mean takes simple average of values, while expected value takes probabilities based average values.

4. Decision making concerns the:

- (A) Future
- (B) Past
- (C) Future and Past Both
- (D) None of these

Ans. (A) Future



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

5. SNG Ltd. is choosing which of three products P, Q and R to make and has calculated likely payoffs under three possible scenarios (A_1 , A_2 or A_3) giving the following payoff table:

Profit/(Loss) Scenarios	Product Chosen		
	P	Q	R
A_1	40	80	20
A_2	80	100	150
A_3	100	(20)	70

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

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

Ans. (C) Product R

6. Expected returns of two mutually exclusive project is 15%. The S.D. of return of Project-1 is 20% while S.D. of return of Project-2 is 10%. The Coefficient of variation of Project-1 and Project-2 are:

- (A) Project-1 = 0.75 and Project-2 = 0.90
(B) Project-1 = 1.33 and Project-2 = 0.66
(C) Project-1 = 1.43 and Project-2 = 0.86
(D) Project-1 = 1.39 and Project-2 = 0.56

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

7. A new product is expected to generate the following profits or losses:

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

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

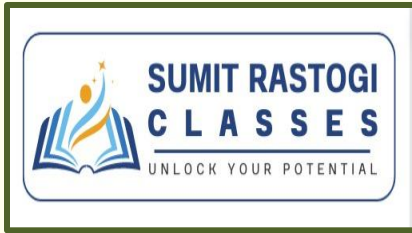
- (A) Profit ₹35,000
(B) Loss ₹8,000
(C) Profit ₹27,000
(D) Profit ₹43,000

Ans. (C) Profit ₹27,000

8. The value of coefficient of optimism (α) is needed while using the criterion of

- (A) Realism
(B) Maximin
(C) Minimax
(D) Equally Likely

Ans. (A) Realism



To buy classes visit our website
sumitrastogiclasses.com
and for further queries contact us on
8826965733, 9811229279, 9560978857

9. M/s NORD Limited is evaluating a project with the following payoff:

High demand (Probability: 0.40): ₹100 lacs

Low demand (Probability: 0.60): ₹20 lacs

If risk penalty of 15% of expected payoff is applicable, the risk-adjusted expected return is:

- (A) 52.00 lakhs
- (B) 44.20 lakhs
- (C) 59.80 lakhs
- (D) 42.90 lakhs

Ans. (b) 44.20 lakhs

Working Note:

Expected Pay-off = $(100 \times 0.40) + (20 \times 0.60) = ₹52$ lakhs

Risk Adjusted return = $52 - (52 \times 15\%) = ₹44.20$ Lakhs

10. The Regret Table is also known as:

- (A) Pay-off Table
- (B) Opportunity Loss Table
- (C) Probability Table
- (D) Cost and Revenue Table

Ans. (B) Opportunity Loss Table