



Unit 1: INTRODUCTION

- 1)Accounting is concerned with measurement of the cost and value of people for the organization.
 - a) Financial Accounting
 - b) Management Accounting
 - c) Corporate Accounting
 - d) Human resource Accounting
- 2) The important objective ofaccounting is to organize the accumulated financial data into meaningful information.
 - a) Financial Accounting
 - b) Management Accounting
 - c) Corporate Accounting
 - d) Human resource Accounting
- 3)accounting is the adoption and analysis of accounting information and its diagnosis and explanation in such a way so as to assist the decision -makers.
 - a) Financial Accounting
 - b) Management Accounting
 - c) Corporate Accounting
 - d) Human resource Accounting
- 4) Planning is that function ofwhich requires an efficient system of decision – making.
 - a) Finance
 - b) Management
 - c) H.R
 - d) Administration.
- 5) Financialensures effective utilization of available financial resources in the long period.
 - a) Accounting
 - b) Planning
 - c) Management
 - d) Administration.



- 6)costs are pre-determined targets against which actual results are evaluated.
- a) Marginal
 - b) Actual
 - c) Standard
 - d) Budgeted
 - e) Budgeted
- 7) Financial Accounting data is primarily meant for
- a) External users
 - b) Internal users
 - c) Employees
 - d) Bank
- 8) Cost Accountant should report to themanagement.
- a) Top
 - b) Middle.
 - c) Administration
 - d) Lower
- 9) The transaction which increase working capital are of funds
- a) Sources
 - b) Application
 - c) Utilization
 - d) Diversion
- 10) Management accounting begins where..... accounting ends.
- a) Financial Accounting
 - b) Management Accounting
 - c) Cost Accounting
 - d) Human resource Accounting
- 11) Purpose of management accounting is
- a) Past orientation
 - b) Helps bank in decision making
 - c) Helps manager to make decisions
 - d) For investors
- 12) Decisions regarding usage of material, kind and changes in plant processing are a part of
- a) Cost management
 - b) Past management
 - c) Help management
 - d) Future management



- 13) In management accounting, an emphasis and focus must be
- a) Future Oriented
 - b) Past oriented
 - c) Communication oriented
 - d) Bank oriented
- 14) The term management accounting was first coined in
- a) 1960
 - b) 1950
 - c) 1955
 - d) 1945
- 15) The use of management accounting is
- a) Optional
 - b) Compulsory
 - c) Legally obligatory
 - d) Compulsory to some and optional to others
- 16) The management accounting can be stated an extension of
- a) Cost Accounting & Financial Accounting
 - b) Financial Accounting
 - c) Responsibility Accounting
 - d) Cost Accounting & Financial Accounting & Responsibility Accounting
- 17) Management accounting assists the management
- a) Only in control
 - b) Only in direction
 - c) Only in planning
 - d) In planning, direction and control
- 18) Which of the following are tools of management accounting?
- a) Past accounting
 - b) NPO Accounting
 - c) Budgetary control
 - d) Human Resources Accounting
- 19) Management accountancy is a structure for
- a) Costing
 - b) Accounting
 - c) Decision making
 - d) Management
- 20) Who coined the concept of management accounting?
- a) R.N Anthony



- b) James H. Bliss
 - c) J. Batty
 - d) American Accounting Association
- 21) Management accounting deals with
- a) Quantitative information
 - b) Qualitative information
 - c) Both a and b
 - d) None of the above
- 22) Management accounting highlights staff relationship with top management as well as other personnel.
- a) True
 - b) False
- 23) Which of the following is not a feature of management accounting?
- a) Accounting information
 - b) Future oriented
 - c) Management oriented
 - d) Compulsory accounting
- 24) The definition 'Management Accounting is the presentation of accounting information in such a way as to assist management in the creation of policy and the day-to-day operation of an undertaking.'
- a) Anglo-American Council on Productivity
 - b) AICPA
 - c) Robert N. Anthony
 - d) All of the above
- 25) Management Accounting is the branch of accounting concerned with reporting to
- a) Internal Managers
 - b) Shareholders
 - c) The Government
 - d) Bankers
- 26) Management accounting reports are prepared
- a) To meet the needs of decision makers within the firm
 - b) Whenever shareholders request them
 - c) According to guidelines prepared by the shares and Financial Services Authority
 - d) According to financial accounting standards



- 27) Which of the following does NOT describe management accounting?
- a) Evaluation of segments or products within the firm
 - b) Emphasis on the future
 - c) Externally focused
 - d) Detailed information
- 28) Which of the following characteristics does NOT pertain to management accounting?
- a) Provides information and estimates about future activity
 - b) Generates specific-purpose financial statements and reports
 - c) Provides financial and operating data multidisciplinary in scope
 - d) Has externally imposed standards
- 29) Management accounting and financial accounting differ in that management accounting information is prepared
- a) Following prescribed rules.
 - b) Using whatever methods the company finds beneficial.
 - c) For shareholders.
 - d) To summarize the whole company with little detail.
- 30) Monitoring the number of defects produced is an example of the management function of
- a) planning.
 - b) control.
 - c) Decision making.
 - d) both a and c.
- 31) CIMA defines management accounting as: “The application of the principles of accounting and financial management to create, protect, preserve and increase value for the _____ of for-profit and not-for profit enterprises in the public and private sectors
- a) Auditors
 - b) Owners
 - c) Stakeholders
 - d) customer
- 32) accounts are prepared for external stakeholders. Management accounts are prepared for _____ stakeholders.
- a) Shadow, Internal
 - b) Financial, Internal
 - c) Financial, External
 - d) Internal, Budget
- 33) Management Accounting is concerned with the adjustment in the value of assets, and of profit in the light of changes in the price level.



- a) True
b) False
- 34) Financial accounting is a discipline, which is employed in industry and commerce to record, classify and summarise the mercantile transactions that occur in an organization
a) True
b) False
- 35) Inflation accounting helps the management in planning and controlling the cost relating to both, production and distribution activities.
a) True
b) False
- 36) The changes in the economic condition of the country have direct impact of the business position of an organization.
a) True
b) False
- 37) The main objective of financial accounting is to identify the profitability areas of business.
a) True
b) False
- 38) Human resource accounting serves as a vital source of information for effective and efficient planning
a) True
b) False
- 39) Management accounting furnishes useful accounting data and statistical information for the decision – making process
a) True
b) False
- 40) Stewardship accounting provides means to motivate the employees of the company organization.
a) True
b) False
- 41) The principle of objectivity is followed in its real spirit in management accounting
a) True
b) False
- 42) Management Accounting is not based on double - entry system.
a) True
b) False
- 43) Which of the following are the methods of Financial analysis?
a) Fund analysis



- b) Ratio analysis
 - c) Financial Accounting
 - d) Flow Chart
- 44) Management accounting is one of the techniques available to the managers for improving economic performance.
- a) Diagnostic
 - b) Financial
 - c) Costing
 - d) Mathematical
- 45) Strategic management Accounting is a type of accounting that focuses not only on
- a) Internal
 - b) External
 - c) Both (A) and (B)
 - d) None of the above
- 46) Management Accounting is an
- a) Inter-focus evaluation tool
 - b) Analytical tool
 - c) Performance tool
 - d) Management tool
- 47) Strategic management Accounting is a/ anprocess
- a) Expensive
 - b) Cheaper
 - c) Valuable
 - d) Critical
- 48) The main objective ofaccounting is to identify the profitability areas of business
- a) Financial
 - b) HR
 - c) Management
 - d) Cost
- 49) Management accounting furnishes useful accounting data and statistical information for the
- a) decision – making process
 - b) Evaluation Process
 - c) Costing
 - d) Financial



50) Management Accounting is based on Single - entry system

- a) True
- b) False

ANSWER KEY

1 a	2 a	3 b	4 b	5 b	6 c	7 a	8 a	9 a	10 c
11 c	12 c	13 a	14 b	15 a	16 d	17 d	18 c	19 c	20 b
21 c	22 b	23 d	24 a	25 d	26 a	27 c	28 d	29 b	30 b
31c	32 b	33 b	34 a	35 b	36 a	37 b	38 b	39 a	40 b
41 b	42 a	43 b	44 a	45 c	46 a	47 a	48 a	49 b	50b



Unit2: Analysis & interpretation of financial statement

1. When the concept of ratio is defined in respect to the item shown in the financial statements, it is termed as
 - a) Accounting ratio
 - b) Financial ratio
 - c) C costing ratio
 - d) none of the above
2. The relationship between two financial variables can be expressed in:
 - a) A Pure ratio
 - b) B. Percentage
 - c) C. Rate or time
 - d) D. all the above
3. Stock is considered as a liquid asset as anytime it can be converted into cash immediately.
 - a) Yes
 - b) No
 - c) Only YES
 - d) None of the above
- 4 . Return on properties funds is also known as.
 - a) Return on net worth
 - b) Return on shareholders fun
 - c) Return on the shareholders investment
 - d) All the above
5. What will be the Gross Profit if , total sales is Rs 2,60,000, cost of net goods sold is Rs 2,00,000 & sales return is Rs10,000 ?
 - a) 13 %
 - b) 28%
 - c) 26%
 - d) 20%
6. Liquid asset is determined by
 - a) Current asset - stock - prepaid expense
 - b) Current asset + Stock + prepaid expense



- c) Current asset + prepaid expense
- d) None of the above

7. Which of the following is not included in current assets.

- a) Debtors
- b) Stock
- c) Cash at bank
- d) Cash in hand

8. Liquidity ratios are expressed in

- a) Pure ratio form
- b) Percentage
- c) Rate or time
- d) None of the above

9. Working capital turnover ratio can be determined by :

- a) $(\text{Gross profit} / \text{Working capital})$
- b) $(\text{Cost of goods sold} / \text{Net sales})$
- c) $(\text{Cost of goods sold} / \text{Working capital})$
- d) None of the above

10. Determine Working capital turnover ratio if, Current asset is Rs 1,50,000, current liability is Rs 1,00,000 & cost of goods sold is Rs 3,00,000.

- a) 5 times
- b) 6 times
- c) 3 times
- d) 1.5 times

11. The ratio analysis is helpful to management in taking several decisions, but as a mechanical substitute for judgement and thinking, it is worse than useless.

- a) True
- b) False

12. Profit for the objective of calculating a ratio may be taken as

- a) Profit before tax but after interest
- b) Profit before interest & tax
- c) Profit after interest & tax



- d) All the above
13. If sales is Rs 5,00,000 & net profit is Rs 1,20,000 Net profit ratio is
- a) 24%
 - b) 41.6%
 - c) 60%
 - d) None of the above
14. General profitability ratios are based on
- a) Investment
 - b) Sales
 - c) A & B
 - d) None of the above
15. Determine stock turnover ratio if, Opening stock is Rs 31,000 , Closing stock is Rs 29,000, Sales is Rs 3,20,000 & Gross profit ratio is 25% on sales.
- a) 31 times
 - b) 11 times
 - c) 8 times
 - d) 32 times
16. Financial Statement Analysis can be used for assessment of past performance only.
- a) false
 - b) true
17. Ratio analysis is an important means of expressing the relationship between two numbers.
- a) true
 - b) false
18. Ratio analysis helps in investment decision.
- a) true
 - b) false
19. Liquid Ratio is also known as 2:1 ratio.
- a) false
 - b) true
20. Current ratio indicates the solvency position of the business.



- a) true
 - b) false
21. An ideal Liquid ratio is considered as 1:1
- a) true
 - b) false
22. The gross profit represents the net margin.
- a) false
 - b) true
23. Reliability of ratios depend upon the reliability of financial data.
- a) true
 - b) false
24. Ratio analysis ensures effective cost control.
- a) true
 - b) false
25. An ideal current ratio is considered as 1:2
- a) false
 - b) true
26. The ratios which reveal the final result of the managerial policies and performance is .
- a) turnover ratios.
 - b) profitability ratios.
 - c) short term solvency ratio.
 - d) long term solvency ratio.
27. Return on investment is a .
- a) turnover ratios.
 - b) short term solvency ratio.
 - c) profitability ratios.
 - d) long term solvency ratio.
28. Net profit ratio is a .
- a) turnover ratio.
 - b) long term solvency ratio.



- c) short term solvency ratio
 - d) profitability ratio.
29. Stock turnover ratio is a .
- a) turnover ratio.
 - b) profitability ratio.
 - c) short term solvency ratio.
 - d) long term solvency ratio.
30. Current ratio is a
- a) short-term solvency ratio.
 - b) long-term solvency ratio.
 - c) profitability ratio.
 - d) turnover ratio.
31. Proprietary ratio is a .
- a) short-term solvency ratio.
 - b) long-term solvency ratio.
 - c) profitability ratio.
 - d) turnover ratio.
32. Fixed assets ratio is a
- a) short-term solvency ratio.
 - b) long-term solvency ratio.
 - c) profitability ratio.
 - d) turnover ratio.
33. Fixed assets turnover ratio is a
- a) short-term solvency ratio.
 - b) long-term solvency ratio.
 - c) profitability ratio.
 - d) turnover ratio.
34. The ratio which measures the profit in relation to capital employed is known as
- a) return on investment.
 - b) gross profit ratio.
 - c) operating ratio.



d) operating profit ratio.

35. The ratio which determines the profitability from the shareholder's point of view is .

- a) return on investment.
- b) gross profit ratio.
- c) return on shareholders funds.
- d) operating profit ratio.

36. Return on equity is also called

- a) return on investment.
- b) gross profit ratio.
- c) return on shareholders funds.
- d) return on net worth.

37. Preliminary expenses is an example of

- a) fixed assets.
- b) current assets.
- c) fictitious assets.
- d) current liabilities.

38. Prepaid expenses is an example of .

- a) fixed assets.
- b) current assets.
- c) fictitious assets.
- d) current liabilities.

a) 39. The ratio which is calculated to measure the productivity of total assets is

- a) return on equity.
- b) return on share holders funds.
- c) return on total assets.
- d) return on equity share holders' funds.

40. The ratio which shows the proportion of profits retained in the business out of the current year's profits is

- a) retained earnings ratio.
- b) pay out ratio
- c) earnings per share.
- d) price earnings ratio.



41. The ratio which indicates earnings per share reflected by the market price is .
- a) retained earnings ratio.
 - b) pay out ratio.
 - c) earnings per share.
 - d) price earnings ratio.
42. The ratio establishes the relationship between profit before interest and tax and fixed interest charges is .
- a) interest cover ratio.
 - b) fixed dividend cover ratio.
 - c) debt service coverage ratio.
 - d) dividend yield ratio.
43. The ratio shows the preference dividend as a proportion of profit available for shareholders is
- a) interest cover ratio.
 - b) fixed dividend cover ratio.
 - c) debt service coverage ratio.
 - d) dividend yield ratio.
44. The dividend is related to the market value of shares in .
- a) interest cover ratio.
 - b) fixed dividend cover ratio.
 - c) debt service coverage ratio.
 - d) dividend yield ratio.
45. Turnover ratio is also known as .
- a) activity ratios.
 - b) solvency ratios.
 - c) liquidity ratios.
 - d) profitability ratios.
46. Inventory or stock turnover ratio is also called .
- a) stock velocity ratio.
 - b) debtors velocity ratio.
 - c) creditors velocity ratio.
 - d) working capital turnover ratio.



47. Which ratio is calculated to ascertain the efficiency of inventory management in terms of capital investment?

- a) stock velocity ratio.
- b) debtors velocity ratio.
- c) creditors velocity ratio.
- d) working capital turnover ratio.

48. The ratio which measures the relationship between the cost of goods sold and the amount of average inventory is

- a) stock turnover ratio.
- b) debtors velocity ratio.
- c) creditors velocity ratio.
- d) working capital turnover ratio.

49. Sales – Gross Profit = .

- a) net profit.
- b) administrative expenses.
- c) cost of production.
- d) cost of goods sold.

50. Opening stock + purchases + direct expenses – closing stock =

- a) net profit.
- b) cost of production
- c) administrative expenses.
- d) cost of goods sold

51. Which ratio measures the number of times the receivables are rotated in a year in terms of sales?

- a) stock turnover ratio.
- b) debtors turnover ratio.
- c) creditors velocity ratio.
- d) working capital turnover ratio.

52. Debtors turnover ratio is also called .

- a) stock turnover ratio.
- b) debtors velocity ratio.
- c) creditors velocity ratio.
- d) working capital turnover ratio



53. Creditors turnover ratio is also called .

- a) stock turnover ratio.
- b) debtors velocity ratio.
- c) accounts payables ratio.
- d) working capital turnover ratio.

54. Which of the following shows details and results of the company's profit-related activities for a period of time?

- a) Balance sheet
- b) Income statement
- c) Statement of cash flows
- d) Statement of financial position

55. Which of the following financial statements is also known as a statement of financial position?

- a) Balance sheet
- b) Statement of cash flows
- c) Income statement
- d) None of the above

56 Which statement is true

- a) Financial statements are an important source of information to shareholders and stakeholders.
- b) Preparation of Profit & Loss Appropriation A/c is a requirement under the Companies Act, 1956.
- c) Ratio Analysis is the only technique of analysis of financial statements.
- d) In Common Size Statements, each item is expressed as a percentage of some common items (total).

57 A firm has Capital of Rs. 10,00,000; Sales of Rs. 5,00,000; Gross Profit of Rs. 2,00,000 and Expenses of Rs. 1,00,000. What is the Net Profit Ratio?

- a) 20%,
- b) 50%,
- c) 10%,
- d) 40%

58. Which technique used for figures of two or more periods are placed side by side to facilitate easy and meaningful comparisons?

- a) Comparative statement
- b) Common-size statement



- c) Trend Analysis
d) None
59. Which of these is NOT a limitation of ratio analysis:
- a) They are calculated on past data and there is may not be a true reflection of the business current performance
 - b) Financial records may have been manipulated and there are the ratios calculated could be based on potentially mis leaked
 - c) Ratios only consider qualitative matters, making than hard to calculate
 - d) inter-firm comparisons can be difficult to not firms report their performance/ generate accounts in the Way
60. Comparison of financial statements highlights the trend of the _____ of the business.
- a) Financial position
 - b) Performance
 - c) Profitability
 - d) All of the above
61. Which of the following are techniques, tools or methods of analysis and interpretation of financial statements?
- a) Ratio Analysis
 - b) Average Analysis
 - c) Trend Analysis
 - d) All of the above
62. Which of the following is NOT a key ratio in the prediction of bankruptcy as developed by Edward Altman?
- a) debt to equity
 - b) current ratio
 - c) retained earnings as a percent of total assets
 - d) total assets
63. _____ ratios measure the ability of a firm to earn an adequate return on sales, total assets and invested capital.
- a) Asset utilization
 - b) Liquidity
 - c) Profitability



d) Debt utilization

64. Which of the following statements about liquidity ratios is true?

- a) The higher the current ratio, the more likely a firm is able to pay its short-term obligations.
- b) The lower the quick ratios relative to the current ratio, the safer a firm is in terms of liquidity.
- c) The ratio of net working capital to total assets always lies between 0 and 1.
- d) Relatively high current ratios are usually a sign of efficient working capital management.

65. The _____ ratios help determines the degree of financial risk and earnings volatility present in a firm.

- a) profitability
- b) asset utilization
- c) liquidity
- d) none of the above.

66. Which of the following statements are true?

- a) Debt to equity and debt to asset ratios measure capital structure and vary widely among industries.
- b) Debt utilization ratios alone do not measure a firm's ability to meet its cash obligations.
- c) DuPont analysis considers the impact of debt on the profitability of the firm
- d) All of the above are true.

67. _____ analysis is the process of studying a series of ratios for a company and/or industry over time.

- a) DuPont
- b) Trend
- c) Common size
- d) all of the above

68. Overall Profitability ratios are based on

- a) Investments
- b) Sales
- c) a & B
- d) None of the above

69. The ideal level of current ratio is

- a) 4:2
- b) 2:1



- c) Both a and b
- d) None of the above

70. The most precise test of liquidity is

- a) Quick ratio
- b) Current ratio
- c) Absolute Liquid ratio
- d) None of the above

71. Debt-equity ratio is a sub-part of

- a) Short-term solvency ratio
- b) Long-term solvency ratio
- c) Debtors turnover ratio
- d) None of the above

72 Quick ratio is 1.8:1, current ratio is 2.7:1 and current liabilities are Rs 60,000. Determine value of stock.

- a) Rs 54,000
- b) Rs 60,000
- c) Rs 1, 62,000
- d) None of the above

73. Which of the following are Non-current assets?

- a) Land, Building and plant
- b) Leasehold property
- c) Computer software
- d) All of the above

74. Funds flow statements are prepared so as to

- a) To identify the changes in working capital
- b) To identify reasons behind change in working capital
- c) To know the item-wise outflow of funds during given period
- d) All of the above

75. Net Profit ratio is calculated by

- a) $(\text{Gross Profit}/\text{Gross sales}) \times 100$
- b) $(\text{Gross Profit}/\text{Net sales}) \times 100$
- c) $(\text{Net Profit}/\text{Net sales}) \times 100$



d) None of the above

76. If sales is Rs 5, 00,000 and net profit is Rs 1, 20,000 Net Profit ratio is

- a) 24%
- b) 41%
- c) 60%
- d) None of the above

77. Operating ratio is calculated by

- a) $(\text{Operating Cost}/\text{Gross sales}) \times 100$
- b) $(\text{Operating Cost}/\text{Gross sales}) \times 100$
- c) $(\text{Operating cost}/\text{Net sales}) \times 100$
- d) None of the above

78. Determine Operating ratio, if operating expenses is Rs 60,000, Sales is Rs 9,40,000, Sales Return is Rs 40,000 and Cost of net goods sold is Rs 6,60,000.

- a) 80%
- b) 15%
- c) 25%
- d) 11%

79. Stock is considered as a liquid asset as anytime it can be converted into cash immediately.

- a) True
- b) False

80. Determine Working capital turnover ratio if, Current assets is Rs 1,50,000, current liabilities is Rs 1,00,000 and Cost of goods sold is Rs 3,00,000.

- a) 5 times
- b) 6 times
- c) 3 times
- d) 1.5 times



ANSWERS - KEY

1. B	2. D	3. B	4. D	5. D	6. A	7. B	8. A
9. A	10. B	11. A	12. D	13. A	14. B	15. 8.	16. A
17. A	18. A	19. A	19.A	20. A	21. A	22. A	23. A
24. A	25. A	26. B	27. C	28. D	29. A	30. A	31. B
32. B	33. D	34. A	35. C	36. D	37. C	38. B	39. C
40. A	41. D	42. A	43. B	44. D	45. A	46. A	47. A
48. A	49. D	50. D	51. B	52.B	53.C	54.B	55.A
56.C	57 A	58A	59C	60D	61D	62A	63C
64A	65C	66A	67C	68B	69B	70C	71A
72C	73D	74D	75C	76A	77A	78A	79B
80B							



Unit3.: Marginal Costing

- 1) The term contribution refers to ____
 - a) The difference between selling price and fixed cost
 - b) The difference between selling price and variable cost
 - c) Profit
 - d) None of these
- 2) Marginal costing technique helps the management in deciding ____
 - a) Pricing
 - b) To accept fresh orders at low price
 - c) To make or buy
 - d) All of the above
- 3) The other name of marginal costing is ____
 - a) Direct costing
 - b) Variable costing
 - c) Incremental costing
 - d) All of the above
- 4) The term gross margin refers to ____
 - a) Total profit
 - b) Contribution
 - c) Profit before tax
 - d) Profit before interest and tax
- 5) Sales Rs. 100000, variable cost Rs. 50000 and net profit ratio is 10% on sales, find out fixed cost.
 - a) 50000
 - b) 40000
 - c) 20000
 - d) The data inadequate



- 6) Profit volume ratio establishes the relationship between _____
- a) Contribution and profit
 - b) Fixed cost and contribution
 - c) Profit and sales
 - d) Contribution and sales value
- 7) Contribution/sales is equal to _____
- a) P/V ratio
 - b) Net profit ratio
 - c) BEP
 - d) EPS
- 8) The profit of an undertaking is affected by _____
- a) Selling price of the products
 - b) Volume of sales
 - c) Variable cost per unit and total fixed cost
 - d) All of the above
- 9) The profit at which total revenue is equal to total cost is called _____
- a) BEP
 - b) Margin of safety
 - c) Break even analysis
 - d) None
- 10) The break even chart helps the management in _____
- a) Forecasting costs and profits
 - b) Cost control
 - c) Long term planning and growth
 - d) All of the above
- 11) Break even chart presents only cost volume profits. It ignores other considerations such as _____
- a) Capital
 - b) Marketing aspects
 - c) Government policy
 - d) All of the above



- 12) Expenses that do not vary with the volume of production are known as _____
- a) Fixed expenses
 - b) Variable expenses
 - c) Semi-variable expenses
 - d) None
- 13) _____ is the excess of sales over the break even sales.
- a) Actual sales
 - b) Total sales
 - c) Margin of safety
 - d) Net sales
- 14) _____ indicates the extent of which the sales can be reduced without resulting in loss.
- a) BEP
 - b) Key factor
 - c) Contribution
 - d) Margin of safety
- 15) The formula for Margin of Safety is one of the following _____
- a) PV ratio/profit
 - b) Profit/P/v ratio
 - c) Profit/sales
 - d) Contribution/fixed cost
- 16) Margin of safety can be improved by _____
- a) Increasing production
 - b) Increasing selling price
 - c) Reducing the costs
 - d) All of the above
- 17) If a firm is dealing in several products the _____ is calculated.
- a) Composite BEP
 - b) BEP
 - c) Break even sales
 - d) Cash BEP



- 18) _____ refers to a situation where the costs of operating two alternative plants are equal.
- a) Simple BEP
 - b) Cost BEP
 - c) Contribution BEP
 - d) None
- 19) The angle formed by the sales line and total cost line at the break even point is known as _____
- a) Profit variable
 - b) Margin of safety
 - c) Angle of incidence
 - d) None
- 20) A high margin of safety indicates the more actual sales than break even sales.
- a) True
 - b) False
- 21) The term contribution margin refers to _____
- a) Marginal income
 - b) **Marginal cost**
 - c) Gross profit
 - d) Net income
- 22) Overvaluation of stock is practiced on absorption costing technique.
- a) True
 - b) False
- 23) The BEP decreases if the fixed cost _____
- a) Increases
 - b) Decreases
 - c) Remains constant
 - d) Inadequate data
- 24) Marginal costing is the most useful technique for the _____
- a) Shareholders
 - b) Management
 - c) **Auditors**



- d) Creditors
- 25) The term period cost refers to...
- a) Variable cost
 - b) Fixed cost marginal cost
 - c) Prime cost
 - d) None
- 26) Breakeven point can be calculated in terms of units as well as in terms of amount.
- a) True
 - b) False
- 27) Which of the following statements are true?
- a) If per unit information is given in question and no specific direction available, B.E.P should be calculated in terms of amount as well as in units.
 - b) If technique of P/V ratio is to be used, B.E.P should be obtained in terms of amount.
 - c) B.E.P is measured as Sales-Margin of safety
 - d) All of the above
- 28) Determine B.E.P in units and amount if Units produced if Rs 10,000, Fixed cost is Rs 40,000, Selling price is Rs 50 per unit and Variable cost is Rs 30 per unit.
- a) Rs 40 per unit, Rs 2,00,000
 - b) Rs 50 per unit, Rs 10,00,000
 - c) Rs 20 per unit, Rs 1,00,000
 - d) None of the above
- 29) Determine B.E.P if Sales is Rs 1,00,000, Variable cost is Rs 50,000 and Profit is Rs 20,000.
- a) Rs 60,000
 - b) Rs 40,000
 - c) Rs 80,000
 - d) None of the above
- 30) What will be the B.E.P if P/V ratio is 20% and Fixed cost is Rs 40,000.
- a) Rs 2,00,000
 - b) Rs 4,00,000
 - c) Rs 6,00,000
 - d) None of the above



31) What will be the B.E.P if Variable cost ratio is 70% and Fixed cost is Rs 36,000.

- a) Rs 3,20,000
- b) Rs 2,20,000
- c) Rs 1,20,000
- d) None of the above

32) Calculate B.E.P if Fixed cost is Rs 1,50,000, Variable cost is Rs 2,00,000 and Profit is Rs 1,50,000.

- a) Rs 2,00,000
- b) Rs 2,50,000
- c) Rs 3,00,000
- d) None of the above

33) Given Sales in first and second year is Rs 80,000 and Rs 90,000 respectively. Also, profit is Rs 10,000 and Rs 14,000 respectively. What is the break-even point in rupees?

- a) Rs 10,000
- b) Rs 24,000
- c) Rs 55,000
- d) None of the above

34) Margin of safety is that sales which is above Break-even point.

- a) True
- b) False

35) Margin of safety can be increased by

- a) Decrease in setting price
- b) Decline in volume of production
- c) Reduction in fixed or the variable costs or both
- d) None of the above

36) ABC Company manufactures and sells trucks at Rs 75,000 each made up of Direct Materials Rs 30,000, Direct Labour Rs 8,000 Variable Overheads is Rs 12,000, Fixed overheads is Rs 6,000, Variable selling expenses is Rs 3,000 Royalty is Rs 4,000 Profit is Rs 7,000. There is enough idle capacity. If the company decides to sell 4 trucks to ABC Company under the same management, what should be the minimum price to be charged?

- a) Rs 86,000



- b) Rs 54,000
- c) Rs 45,000
- d) None of the above

37) The few items of fixed costs which can be saved or eliminated by suspending the trading activities are

- a) Escapable fixed costs
- b) Special fixed costs
- c) Suspension fixed costs
- d) None of the above

38) During trade recession, the goods are sold at

- a) Depression price
- b) Normal price
- c) Minimum price
- d) None of the above

39) Determine total as well as per unit contribution if Sales is Rs 40,000, Sales in units is 4,000 and variable cost is Rs 30,000.

- a) Rs 10,000 and Rs 2.5
- b) Rs 70,000 and Rs 3.5
- c) Rs 36,000 and Rs 3.6
- d) None of the above

40) The term marginal cost can be used as a substitute of variable cost while measuring Contribution.

- a) True
- b) False

41) Determine Contribution if Sales is Rs 1,50,000 and P/V ratio is 40%.

- a) Rs 60,000
- b) Rs 70,000
- c) Rs 30,000
- d) None of the above

42) Determine Contribution if Fixed cost is Rs 40,000 and profit is Rs 30,000.

- a) Rs 60,000
- b) Rs 70,000



- c) Rs 30,000
- d) None of the above

43) Determine Contribution if Fixed cost is Rs 50,000 and loss is Rs 20,000.

- a) Rs 60,000
- b) Rs 70,000
- c) Rs 30,000
- d) None of the above

44) Contribution and profit both are same concepts.

- a) True
- b) False

45) Which of the following statements are true?

- a) Contribution doesn't include fixed cost whereas profit includes fixed cost.
- b) Contribution is not based on the concept of marginal cost.
- c) Contribution above breakeven point becomes profit.
- d) All of the above

46) Profit-Volume ratio is also known as

- a) Contribution ratio
- b) Contribution/Sales ratio
- c) Marginal Income percentage
- d) All of the above

47) Which of the following statements are true?

- a) P/V Ratio can never be used to measure break-even point
- b) Higher the P/V ratio less will be the profit and vice versa
- c) Concept of P/V ratio is also used to determine profit at a given volume of sales
- d) All of the above

48) Which of the following statements are true?

- a) P/V Ratio can never be used to measure break-even point
- b) Higher the P/V ratio less will be the profit and vice versa
- c) Concept of P/V ratio is also used to determine profit at a given volume of sales
- d) All of the above

49) The term contribution refers to



- a) The difference between selling price and fixed cost
- b) The Difference between selling price and variable cost
- c) profit
- d) none of these

50) Marginal costing technique help the management in deciding

- a) Pricing
- b) To accept fresh orders at low price
- c) To make or buy
- d) All of the above

ANSWER KEY									
1 b	2 d	3 d	4 b	5 b	6 d	7 a	8 d	9 a	10 d
11 d	12 a	13 c	14 d	15 b	16 d	17 a	18 b	19 c	20 a
21 b	22 a	23 b	24 b	25 b	26a	27d	28c	29a	30a
31c	32b	33c	34b	35c	36b	37a	38a	39a	40a
41a	42b	43c	44b	45c	46d	47c	48c	49b	50d



Unit4: Budgetary Control

- 1). A budget is a plan of action expressed in...
 - a) Financial terms
 - b) Non-financial terms
 - c) Both
 - d) Subjective matter
- 2). Budget is prepared for a...
 - a) Indefinite period
 - b) Definite period
 - c) Period of one year
 - d) Six months
- 3). A budget is tool which helps the management in planning and control of...
 - a) All business activities
 - b) Production activities
 - c) Purchase activities
 - d) Sales activities
- 4). Budgetary control system acts as a friend, philosopher and guide to the...
 - a) Management
 - b) Share holders
 - c) Creditors
 - d) Employees
- 5). Budgetary control system defines the objectives and policies of the...
 - a) Production department
 - b) Finance department
 - c) Marketing department
 - d) All
- 6). Budgetary control system facilitates centralized control with...
 - a) Decentralized activity
 - b) Centralized activity
 - c) Both
 - d) None



- 7). Budgetary control facilitates easy introduction of the...
- a) Marginal costing
 - b) Ratio analysis
 - c) Standard costing
 - d) Subjective matter
- 8). Budgetary control helps the management in...
- a) Obtaining bank credit
 - b) Issue of shares
 - c) Getting grants from government
 - d) All of these
- 9) Budgetary control system helps the management to eliminate...
- a) Undercapitalization
 - b) Overcapitalization
 - c) Both
 - d) Subjective matter
- 10). Budgetary control provides a basis for...
- a) Bonus shares
 - b) Rights shares
 - c) Remuneration plans
 - d) None
- 11). Budgetary control helps to introduce a suitable incentive and remuneration based on...
- a) Changes in government policies
 - b) Inflationary conditions
 - c) Both
 - d) None
- 12). Budgetary control _____ replace management in decision-making.
- a) Can
 - b) Cannot
 - c) Sometimes
 - d) Inadequate data
- 13) The success of budgetary control system depends upon the willing cooperation of...



- a) Shareholders
 - b) Management
 - c) Creditors
 - d) All the functional areas of management
- 14). Recording of actual performance is....
- a) An advantage of budgetary control
 - b) A step-in budgetary control
 - c) A limitation of budgetary control
 - d) None
- 15) Revision of budgets is...
- a) Unnecessary
 - b) Can't determine
 - c) Necessary
 - d) Inadequate data
- 16). Frequent revision of budgets will...
- a) Affects its reliability
 - b) Increase the accuracy
 - c) Both
 - d) Subjective matter
- 17). Usually the production budget is stated in terms of...
- a) Money
 - b) Quantity
 - c) Both
 - d) None
- 18). Budget period is the...
- a) Period of budget committee
 - b) Period of budget centre
 - c) Period for which a budget is prepared
 - d) Period of budget officer
- 19). Budget period depends upon...
- a) The type of budget
 - b) The nature of business



- c) The length of trade cycles
 - d) All of these
- 20) A key factor is one which restricts...
- a) The volume of production
 - b) The volume of sales
 - c) The volume of purchase
 - d) All of the above
- 21) Key factor is also known as.....
- a) Limiting factor
 - b) Governing
 - c) Principal factor
 - d) All
- 22).Budget relating to the key factor is prepared...
- a) After other budgets
 - b) With other budgets
 - c) Before other budgets
 - d) None
- 23) The budgets are classified on the basis of...
- a) Time
 - b) Function
 - c) Flexibility
 - d) All
- 24) An example of long period budget is...
- a) R& D budget
 - b) Master budget
 - c) Sales
 - d) Personnel budget
- 25).Sales budget shows the sales details as...
- a) Month wise
 - b) Product
 - c) Area wise
 - d) All of the above
- 26).Production budget is...
- a) Dependent on purchase budget
 - b) Dependent on sales budget
 - c) Dependent on cash budget
 - d) None
- 27).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
- 28). A budget centre is...
- a) Department or part of the department
 - b) Meeting place for budget committee
 - c) Office of the budget officer
 - d) None
- 29). The budget committee consists of...
- a) Managers
 - b) Budget officers
 - c) Creditors
 - d) Both
- 30). Fixed budget is useless for comparison when the level of activity...
- a) Increases
 - b) Fluctuates both ways
 - c) Decreases
 - d) Constant
- 31). In a month, payment for salary was Rs. 5,750 when the lag in payment of salary is $\frac{1}{8}$ month. If total salaries of current month are Rs 6,000, determine the salaries of previous month.
- a. Rs 4,800
 - b. Rs 4,250
 - c. Rs 4,000
 - d. Rs 4,750
- 32) In a firm, the forecast of wages for month of December, January, February and March are Rs 4,800, Rs 6,000, Rs 6,400 and Rs 6,800. The time-lag in payment of wages is $\frac{1}{8}$ month. Determine the amount of wages payable in each month January to March.
- a. Rs 6,750, Rs 6,350 and Rs 5,850
 - b. Rs 5,850, Rs 6,350 and Rs 6,750
 - c. Rs 5,850, Rs 6,750 and Rs 6,350
 - d. None of the above
- 33) Cash budget deals with historical data whereas Cash Flow Statement deals with future data.
- a. True
 - b. False



34) In cash flow method for preparing cash budget, payment of dividends and prepaid payments are

- a. Deducted from opening balance of cash
- b. Added to opening balance of cash
- c. Not included in cash budget
- d. None of the above

35) In cash flow method for preparing cash budget, payment of dividends and prepaid payments are

- a. Deducted from opening balance of cash
- b. Added to opening balance of cash
- c. Not included in cash budget
- d. None of the above

36) As per Cash flow method, the amount of expected net operating cash profit during the fiscal is

- a. Added to the opening balance of cash
- b. Deducted from the opening balance of cash
- c. Not included in cash budget
- d. None of the above

37) Which of the following method is based on technique of cash flow statement?

- a. Cash Accounting Period
- b. Projected Balance Sheet Method
- c. Project forecast method
- d. None of the above

38) Which of the following statements are not true about Projected Balance Sheet Method?

- a. It is good for long-term
- b. It is appropriate for annual cash forecast
- c. It is of extreme use for planning and control
- d. None of the above



39) A budgeted balance sheet is prepared in Projected Balance sheet method and an estimate is made of the values of all assets including bank overdraft, cash balance and bank.

- a. True
- b. False

40) Given estimated sales in February, March, April, May and June are Rs 90,000, Rs 96,000, Rs 54,000, Rs 87,000 and Rs 63,000. In case 50% of sales are realized in the next month and balance in the next of next month, determine cash collection from sales in April and May.

- a. Rs 93,000 and Rs 75,000
- b. Rs 93,000 and Rs 70,500
- c. Rs 75,000 and Rs 70,500
- d. None of the above

41) If in any month, the amount of payment exceeds, it will be carried forward as opening balance in the next month.

- a. True
- b. False

42) While preparing cash budget from Cash Accounting method, if there is no specific direction in respect of a particular item, it is assumed that payments or receipts will take place in

- a. Current month
- b. Month of occurrence
- c. Insufficient data to decide
- d. None of the above

43) The receipts or payments having time lag are not included in cash budget.

- a. True
- b. False

44) While preparing cash budget from Cash Accounting method,

- a. Payments and receipts related to budget period are considered
- b. Payments and receipts before budget period are considered



c. Payments and receipts after budget period are considered

d. All of the above

45) A columnar statement is prepared in _____ in which first column shows items of payments and receipts, whereas the other columns represents the amount of payments and receipts in each time break-up of budget period.

a. Cash Accounting method

b. Budgeted method

c. Cash flow method

d. None of the above

46) Which of the following statements are true about cash budget?

a. Cash budget and cash flow statement are same

b. Fixed expenses are not shown in cash budget

c. Actual payments and receipts are shown in cash budget

d. None of the above

47) Cash budget is a _____ budget.

a. Short-term

b. Long-term

c. Both a and b

d. None of the above

48) Project forecast method is also known as

a. Projected Balance Sheet Method

b. Cash Flow method

c. Budgeted Method

d. None of the above

49) The payment made in lieu of purchase of fixed asset is

a. Cash payment for capital transaction

b. Cash payment for non-operating expenses

c. Cash payment for business operations

d. None of the above



50) The payment of income tax, dividend, interest, and donation are examples of

- a. Cash payment for capital transaction
- b. Cash payment for non-operating expenses
- c. Cash payment for business operations
- d. None of the above

ANSWER KEY									
1c	2b	3a	4a	5d	6c	7c	8a	9c	10c
11b	12b	13d	14b	15c	16a	17c	18c	19d	20a
21d	22c	23d	24a	25d	26b	27c	28a	29b	30b
31a	32b	33b	34a	35b	36a	37c	38c	39b	40a
41a	42b	43b	44a	45a	46d	47a	48b	49a	50b