MOCK MCQ TEST

SUBJECT: MANAGEMENT ACCOUNTING

PAPER CODE: BCOM 203

FOR PRIVATE CIRCULATION

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Max Marks: 60

Q1. In management accounting, an emphasis and focus must be

- A) Past oriented
- B) Future oriented
- C) Bank oriented
- D) Communication oriented

Q2. In financial accounting, investors, banks, suppliers and government agencies are classified as

- A) External parties
- B) Internal parties
- C) Environmental parties
- D) Transactional parties

Q3. If the actual output is more than the budgeted output, volume variance is

- A) Favourable
- B) Non-favourable
- C) No impact
- D) None of the above

Q4. To get to labour efficiency variance, the formula to be applied is

- A) Total standard labour cost of actual output - Total actual cost of actual output
- B) (Standard rate per hour - Actual rate per hour) * Actual Hours
- C) (Standard time - Actual time) * Standard rate per hour
- D) Abnormal idle hours * Standard hourly rate

Q5. Which of the following is technique of financial statement analysis?

- A) Common-size statement
- B) Comparative statement
- C) Trend analysis
- D) All

Q6. For calculating trend percentages any year is selected as:

- A) Current year
- B) Previous year
- C) Base year
- D) None of these

Q7. If total cost of 100 units is Rs 5000 and those of 101 units is Rs. 5030 then increase of Rs. 30 in total cost is

A) Marginal cost
B) Prime cost
C) All Fixed overheads
D) None of the above

Q8. Which of the following statements are true?

A) In absorption costing, cost is divided into three major parts while in marginal costing cost is divided into two main parts.
B) In absorption costing period is important and in marginal costing product is important.
C) Both a and b
D) None of the above

Q9. In case of other enterprises cash flow arising from interest paid should be classified as cash flow from ________ while dividends and interest received should be stated as cash flow from ____.

A) Operating activities, financing activities
B) Financing activities, investing activities
C) Investing activities, operating activities
D) None of the above

Q10. 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

Q11. Which of the below is an Accounting Concept

A) Materiality
B) Separate Legal Entity
C) Consistency
D) Conservatism

Q12. The Carl Care Company established the following direct labour cost standards for one unit of product Z:

•Standard hours: 1.5 hours

•Standard rate: $20 per hour

•Standard cost: $30 (1.5 hours @ $20 per hour)

During the month of July, 20,000 direct labour hours were worked, and 12,500 units of product Z were manufactured. The total wages related to direct labour in July were $405,000. The direct labour rate variance for July was:

A) $5,000 unfavourable
B) $5,000 favourable
C) $30,000 favourable
D) $30,000 unfavourable

Q13. Which of the following is an example of Semi-Variable Costs

A) Salary
B) Tax
C) Telephone Expenses
D) Office Expenses

Q14. Long Term Solvency is indicated by:

A) Current Ratio
B) Debt / Equity Ratio
C) Net Profit Ratio
D) Gross Profit Ratio

Q15. 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

Q16. A department makes a product whose contribution per unit is £1,000, and which takes 20 hours machine time. A component used in this product with a marginal cost of £300 (taking 5 hours of machine time) could be purchased from an external supplier. The department is working at full capacity. What is the maximum price that the company may pay to buy the component from an external supplier?

A) £550
B) £500
C) £575
D) £600

Q17. A document which provides for the detailed cost centre and cost unit is _______.

A) Tender
B) Cost Sheet
C) Invoice
D) Profit Statement

Q18. An indirect setup labor costs, costs of setup and equipment maintenance and costs of indirect material can be categorized as

A) Variable batch costs
B) Fixed batch costs
C) Variable setup costs
D) Fixed setup costs

Q19. To establish an effective system of standard costing it is essential that

1) The technical process of operation should be prone to planning

2) The cost of the products should be given

3) The process or operating costs of products should be provided

4) The standard costing should be consistent with the technical procedure of the production of the specific entity

A) A, B and C
B) A, C and D
C) B, C and D
D) D, C and A

Q20. An officer responsible for financial operations of organization is considered as

A) Chief financial officer
B) Chief manager
C) Chief line function
D) Chief staff function

Q21. Which of the following are the assumptions of marginal costing?

1) All the elements of cost can be divided into fixed and variable components.

2) Total fixed cost remains constant at all levels of output.

3) Total variable costs vary in proportion to the volume of output.

4) Per unit selling price remain unchanged at all levels of operating activity.

A) A and B
B) B and C
C) A and D
D) A, B, C and D

Q22. Factory overhead is Rs 3,00,000 and direct material cost is Rs 5,00,000 What is the overhead rate under direct material cost method?

A) 25%
B) 30%
C) 60%
D) 75%

Q23. The cost per unit of a product manufactured in a factory amounts to Rs 160 (75% variable) when the production is 10,000 units. When production increases by 25%, the cost of production will be Rs per unit.

A) Rs 145
B) Rs 150
C) Rs 152
D) Rs 140

Q24. In master budgeting, the cost drivers for manufacturing overhead costs are

A) Direct manufacturing labour-hours
B) Setup labour-hours
C) Budgeted labour-hours
D) Both 1 and 2

Q25. Which of the following is incorrect about the statement of cash flows?

A) It provides information about the cash receipt and cash payments of an enterprise.
B) It reconciles ending cash balance with the balance as per bank statement.
C) It provides information about the operating, investing and financing activities.
D) It explains the deviation of cash from Earnings.

Q26. If break-even number of units are 120 units and the fixed cost is $62000, then the contribution margin per unit will be

A) $74,400
B) $7,440,000
C) $516.67
D) $51,667

Q27. Cash flow example from an operating activity is

A) Purchase of Own Debenture
B) Sale of Fixed Assets
C) Interest Paid on Term-deposits by a Bank
D) Issue of Equity Share Capital

Q28. During the month of December actual direct labour cost amounted to $39,550, the standard direct labour rate was $10 per hour and the direct labour rate variance amounted to $450 favourable. The actual direct labour hours worked were:

A) 3,955 hours
B) 4,000 hours
C) 3,910 hours
D) 4,500 hours

Q29. Batch Costing is useful in determining:

A) Maximum Quantity of output
B) Minimum Quantity of output
C) Economic Batch Quantity
D) Profit of Batches

Q30. Overhead Cost is the total of

A) All Direct Cost
B) All Indirect Cost
C) All Specific Cost
D) All Indirect and Direct Cost

Q31. **Regal Industries is replacing a grinder purchased 5 years ago for $15,000 with a new one costing $25,000 cash. The original grinder is being depreciated on a straight-line basis over 15 years to a zero-salvage value. Regal will sell this old equipment to a third party for $6,000 cash. The new equipment will be depreciated on a straight-line basis over 10 years to a zero-salvage value. Assuming a 40% marginal tax rate, Regal's net cash investment at the time of purchase if the old grinder is sold and the new one purchased is**

- **A) $19000**
- **B) $15000**
- **C) $17400**
- **D) $25000**

Q32. The Moore Corporation is considering the acquisition of a new machine. The machine can be purchased for $90000; it will cost $6000 to transport to Moore's plant and $9,000 to install. It is estimated that the machine will last 10 years, and it is expected to have an estimated salvage value of $5,000. Over its 10-year life, the machine is expected to produce 2,000 units per year, each with a selling price of $500 and combined material and labour costs of $450 per unit. Federal tax regulations permit machines of this type to be depreciated using the straight-line method over 5 years with no estimated salvage value. Moore has a marginal tax rate of 40%. What is the net cash flow for the tenth year of the project that Moore Corporation should use in a capital budgeting analysis?

- **A) $100000**
- **B) $91000**
- **C) $68400**
- **D) $63000**

Q33. An annual report is issued by company to its :

- **A) Directors**
- **B) Auditors**
- **C) Shareholders**
- **D) Management**

Q34. Which of the following statement is correct ?

- **A) Assets = Liabilities + Shareholders funds**
- **B) Assets = Total funds**
- **C) Assets = Funds of outsiders**
- **D) None of the above**

Q35. The process of budgeting includes

- **A) Preparation of budget**
- **B) Budget Control**
- **C) Budget co-ordination**
- **D) All of the above**

Que36. The labour engaged in the making of a product is known as _______

- **A) Direct labour**

B) Indirect labour
C) Temporary labour
D) None of the above

Q37. Which of the following is not a cash outflow?

A) Increase in Prepaid expenses
B) Increase in debtors
C) Increase in stock
D) Increase in creditors

Q38. Cash from Operations is equal to:

A) Net Profit plus increase in outstanding Expenses
B) Net Profit plus increase in Debtors
C) Net Profit plus increase in Stock
D) Net Profit

Q39. 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

Q40. When profit-volume ratio is 40 % and sales value Rs.10,000, the variable costs will be :

A) Rs. 4,000
B) Rs. 6,000
C) Rs. 10,000
D) None of these

Q41. 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 us 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

Q42. When margin of safety is 20% and P/V ratio is 60%, the profit will be :

A) 30%
B) 33 1/3 %
C) 12%
D) None of these

Q43. Which of the following costs is not relevant when considering the closure of a department within a factory?

A) Variable overheads
B) Direct materials

C) Fixed overheads
D) Direct labour

Q44. A Cost Unit is _____________

A) The cost per machine hour
B) The Cost per labour hour
C) A unit of production in relation to which costs are ascertained
D) A measure of work Output in a standard hour

Q45. Factory Overheads are also called :

A) Sundry Overhead
B) Works Overhead
C) Extra Overhead
D) Total Overhead

Q46. Expenditure over and above prime cost is known as ________.

A) overhead
B) factory cost
C) cost of sales
D) cost of production

Q47. If the actual price input is $700, the budgeted price of input is $400 and the actual quantity of input are 50 units, then the price variance will be

A) $15,000
B) $13,000
C) $11,000
D) $9,000

Q48. During the month of December actual direct labour cost amounted to $39,550, the standard direct labour rate was $10 per hour and the direct labour rate variance amounted to $450 favourable. The actual direct labour hours worked were:

A) 3,955 hours
B) 4,000 hours
C) 3,910 hours
D) 4,500 hours

Q49. Return on capital employed shows the ________ of a firm.

A) Profitability
B) Overall efficiency
C) Both
D) Subjective matter

Q50. A Company's Quick Ratio is 1.5 : 1; Current Liabilities are ₹2,00,000 and Inventory is ₹1,80,000. Current Ratio will be :

A) 0.9 : 1
B) 1.9 : 1

C) 1.4 : 1
D) 2.4 : 1

Q51. Total revenue from operations ₹27,00,000; Credit revenue from operations ₹18,00,000; Opening Debtors ₹3,20,000; Closing Debtors ₹4,00,000; Provision for Doubtful Debts ₹60,000. Trade Receivables Turnover Ratio will be :

A) 7.5 times
B) 9 times
C) 6 times
D) 5 times

Q52. In a product mix decision, which is the most important factor to consider to try to maximise profit?

A) Product unit selling price
B) Contribution per unit of a scarce resource used to make the product
C) Contribution per unit of the product
D) Variable cost per unit of the product

Q53. If the contribution margin per unit is $700 per unit and the break-even per unit is $40, then the fixed cost would be

A) $35,000
B) $28,000
C) $17,500
D) $82,000

Q54. The budget which commonly takes the form of budgeted Profit and Loss Account and Balance Sheet is

A) Cash Budget
B) Fixed Budget
C) Master Budget
D) Flexible Budget

Q55. Which of the following is not likely to be a reason of unfavourable direct labour efficiency variance?

A) Increase in direct materials prices
B) Frequent break downs during production process
C) Lack of proper supervision
D) Use of old, outdated or faulty equipment

Q56. Cash flow example from an operating activity is

A) Purchase of Own Debenture
B) Sale of Fixed Assets
C) Interest Paid on Term-deposits by a Bank
D) Issue of Equity Share Capital

Q57. What is main component of operating expenses?

A) Selling expenses
B) Distribution expenses
C) Production expenses
D) None

Q58. Comprehensive Machine Hour Rate includes :

A) Machine Operators Wages
B) Managing Directors Salary
C) Income Tax
D) Office rent

Q59. The purpose of financial accounting is to provide information for ________.

A) fixing prices
B) controlling cost
C) locating factors leading to wastages and losses
D) assessing the profitability and financial position of the firm

Q60. XYZ factory working for 50 hours per week employs hundred workers on a job work. The standard output is 200 units per gang hour and standard rate is Rs 1 per hour. During a week in June, five employees were paid @ Rs 1.20 per hour and ten employees were paid @ 80 paise per hour. Rest of the employees were paid @ standard hour rate. The actual number of units produced was 10,200. Determine labour cost variance

A) Rs 100 favourable
B) Rs 150 unfavourable
C) Rs 150 favourable
D) Rs 100 unfavourable

Answer Key of QUESTIONS

1	B	11	B	21	D	31	C	41	C	51	D
2	A	12	A	22	C	32	D	42	C	52	B
3	A	13	C	23	C	33	C	43	C	53	B
4	C	14	B	24	D	34	A	44	C	54	C
5	D	15	C	25	B	35	D	45	B	55	A
6	C	16	A	26	C	36	A	46	A	56	C
7	A	17	B	27	C	37	D	47	A	57	D
8	C	18	C	28	B	38	A	48	B	58	A
9	B	19	B	29	A	39	C	49	C	59	D
10	C	20	A	30	B	40	B	50	D	60	C