

# **MULTIPLE CHOICE QUESTIONS**

**MANAGEMENT ACCOUNTING - BBA 207**

**BBA III**

**DECEMBER 2021**

## **FOR PRIVATE CIRCULATION**

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1. Management accounting is mainly applicable to \_\_\_\_\_ entities.
  - A. non profit
  - B. service
  - C. manufacturing
  - D. All of the above
  
2. Management Accounting provides invaluable services to management in performing\_\_\_\_\_
  - A. planning and controlling management principles
  - B. analysis and interpretation of financial data
  - C. supply of regular funds
  - D. all management functions
  
3. The use of management accounting is \_\_\_\_\_
  - A. mandatory
  - B. compulsory
  - C. most essential
  - D. optional
  
4. Function of Management Accountant, who works as business partner comes under category of
  - A. Asset function
  - B. Investment function
  - C. Line function
  - D. Staff function
  
5. If flexible budget variance is Rs. 1,05,000, actual cost is Rs. 65,000 then flexible budget cost will be:
  - A. Rs. 40,000
  - B. Rs. 50,000
  - C. Rs. 1,50,000
  - D. Rs. 1,70,000
  
6. Cost operations such as wages, salaries, depreciation, utilities and rent are summed together to calculate
  - A. Throughput costs
  - B. Investments
  - C. Operating costs
  - D. Marginal costs
  
7. Costs that are incurred to find manufactured products which does not meet specifications are called
  - A. Prevention costs
  - B. External failure costs
  - C. Appraisal costs
  - D. Internal failure costs

8. Types of cost of quality consist of
- A. Appraisal costs
  - B. Internal and External failure costs
  - C. Prevention costs
  - D. All of the above
9. A Costing system which focuses on individual activities as particular cost object is classified as:
- A. activity based costing
  - B. improved costing
  - C. learned improvements
  - D. positive effectiveness
10. Actual price of material is less than budgeted price, this means that
- A. Price variance is favorable
  - B. Price variance is unfavorable
  - C. Cost variance is favorable
  - D. Cost variance is unfavorable
11. In management control, an efficiency variance is also referred as
- A. Controlled variance
  - B. Uncontrolled variance
  - C. Usage variance
  - D. Efficiency variance
12. If budgeted input quantity is 350 units and efficiency variance is 100, then an actual input quantity will be
- A. 250 units
  - B. 450 units
  - C. 550 units
  - D. 650 units
13. Formula to calculate Return on Investment, according to profitability analysis in DuPont method is
- A.  $\text{return on sales} \times \text{investment turnover}$
  - B.  $\text{return on sales} + \text{investment turnover}$
  - C.  $\text{return on sales} - \text{investment turnover}$
  - D.  $\text{investment turnover} + \text{residual income}$
14. Sum of Working capital and Current Liabilities is equal to:
- A. Imputed assets
  - B. Residual assets
  - C. Current Assets
  - D. Nominal Assets

15. If selling price is Rs. 5,000, Contribution margin per unit is Rs. 1,000, then contribution margin percentage will be:
- A. 12%
  - B. 20%
  - C. 5%
  - D. 15%
16. If Break-even number of units are 120 units and fixed cost is Rs. 62,000, then contribution margin per unit will be:
- A. Rs. 74,400
  - B. Rs. 74,40,000
  - C. Rs. 516.67
  - D. Rs. 51,667
17. If fixed cost is Rs. 30,000 and contribution margin per unit is Rs. 600 per unit then break-even in units will be:
- A. 50 units
  - B. 60 units
  - C. 70 units
  - D. 65 units
18. Gross Margin is added to Cost of Goods sold to calculate
- A. Revenues
  - B. Selling price
  - C. Unit price
  - D. Bundle price
19. Formula to calculate Contribution margin is
- A. Revenue – all variable cost
  - B. Revenue + all variable cost
  - C. Cost + Revenue
  - D. Revenue – Break even points
20. If fixed cost is Rs. 20,000, targeting operating income is Rs. 10,000 and contribution margin per unit is Rs. 1,200 then required units to be sold will be
- A. 55 units
  - B. 45 units
  - C. 35 units
  - D. 25 units
21. Relevant costs are classified in relevance concepts as:
- A. Expected future costs
  - B. Serial costs
  - C. Parallel costs
  - D. Abnormal costs

22. Cost of new machine is considered as
- A. Relevant
  - B. Bunk
  - C. Dispose value
  - D. Sunk
23. Statement of cash flows includes
- A. Financing Activities
  - B. Operating Activities
  - C. Investing Activities
  - D. All of the Above
24. As per AS-3, Cash Flow Statement is mandatory for
- A) All enterprises
  - B) Companies listed on a stock exchange
  - C) Companies with a turnover of more than Rs 50 crores
- A. Both A and B
  - B. Both A and C
  - C. Both C and B
25. When a fixed asset is bought as hire purchase, interest element is classified under \_\_\_\_\_ and loan element is classified under\_\_\_\_\_.
- A. Operating activities, financing activities
  - B. Financing activities, investing activities
  - C. Investing activities, operating activities
  - D. None of the above
26. Marginal costing is also known as
- A. Direct costing
  - B. Variable costing
  - C. Both a and b
  - D. None of the above
27. Which of the following statements related to Contribution Analysis are true?
- A. If contribution is zero, there is loss equal to fixed costs
  - B. If contribution is negative, loss is less than fixed costs
  - C. If contribution is positive and more than fixed cost there will be profit.
  - D. All of the above
28. Given production is 1,00,000 units, fixed costs is Rs 2,00,000 Selling price is Rs 10 per unit and variable cost is Rs 6 per unit. Determine profit using technique of marginal costing.
- A. Rs 2,00,000
  - B. Rs 8,00,000
  - C. Rs 6,00,000
  - D. None of the above

29. In the calculation of return on shareholders investments the referred investment deals with
- A. All reserves
  - B. Preference and equity capital only
  - C. All appropriations
  - D. All of the above
30. Which of the following are tools of management accounting?
- I) Decision accounting
  - II) Standard costing
  - III) Budgetary control
  - IV) Human Resources Accounting
- A. I, II and IV
  - B. I, III and IV
  - C. I, II and III
  - D. I, II, III, IV
31. \_\_\_\_\_ is the relationship between quick assets and current liabilities .
- A. Current ratio
  - B. Absolute liquidity ratio
  - C. Acid test ratio
  - D. Proprietary ratio
32. Which of the following statements are true about Ratio Analysis?
- I) Ratio analysis is useful in financial analysis.
  - II) Ratio analysis is helpful in communication and coordination
  - III) Ratio Analysis is not helpful in identifying weak spots of the business.
  - IV) Ratio Analysis is helpful in financial planning and forecasting.
- A. I, II and IV
  - B. I, III and IV
  - C. I, II and III
  - D. I, II, III, IV
33. While calculating Gross Profit ratio,
- A. Closing stock is deducted from cost of goods sold
  - B. Closing stock is added to cost of goods sold
  - C. Closing stock is ignored
  - D. None of the above
34. If selling price is fixed 25% above the cost, the Gross Profit ratio is
- A. 13%
  - B. 28%
  - C. 26%
  - D. 20%

35. If reserve for bad and doubtful debts is mentioned in the question of Funds Flow Statement Preparation, it can be shown as
- A. In the schedule by deducting from total debtors under current assets
  - B. In the schedule separately under the heading of capital liabilities
  - C. Both a & b
  - D. None of the above
36. Debentures are Rs 2,50,000 and Rs 3,50,000 in the balance sheet of 2019 and 2020. 1000 of the debentures of Rs 100 each were issued at par in 2020 of which 400 debentures were issued to a supplier for the purchase of a machine. Determine amount of issue for debentures for the purpose of funds flow statement.
- A. Rs 60,000
  - B. Rs 40,000
  - C. RS 10,000
  - D. None of the above
37. Which of the following are applications of funds?
- A. Payment of dividend on share capital
  - B. Payment of tax
  - C. Increase in working capital
  - D. All of above
38. Cash Flow Statement is based upon
- A. Cash basis of accounting
  - B. Accrual basis of accounting
  - C. Credit basis of accounting
  - D. None of the above
39. Which of the following are cash flow from operating activities?
- A) Cash Receipts from customers
  - B) Cash Paid to Supplier and Employees
  - C) Purchase of fixed assets
  - D) Sale of fixed assets
- A. Both A and B
  - B. Both A and C
  - C. Both B and C
  - D. Both C and D
40. While preparing Cash Flow Statement, non-cash items and non-operating items are not required to be adjusted under \_\_\_\_\_
- A. Indirect method
  - B. Direct method
  - C. Both a & b
  - D. None of the above
41. In indirect method, net cash flow from operating activities is calculated on the basis of
- A. Net Profit after tax
  - B. Net profit before tax
  - C. Both and b
  - D. None of the above



42. Which of the following statements represent example of cash flow from investing activities?
- A. Cash advances and loans made by financial enterprises
  - B. Cash advances and loans made to third parties
  - C. Both a and b
  - D. None of the above
43. Which of the following statements are false?
- I) Old Furniture written off doesn't affect cash flow.
  - II) Cash flow statement is a substitute for cash account.
  - III) Appropriation of retained earnings is not shown in Cash flow statement.
  - IV) Net cash flow during a period can never be negative.
- A. I, II, III
  - B. II, III, IV
  - C. III, IV, I
  - D. None of the above
44. Under absorption costing, managerial decisions are based on
- A. Profit
  - B. Contribution
  - C. Profit volume ratio
  - D. None of the above
45. Absorption costing is used for
- A. Price determination on basis of full cost
  - B. Solution of separation of costs
  - C. Calculation of gross and net profit
  - D. All of the above
46. Profit for the objective of calculating a ratio may be taken as
- A. Profit before tax but after interest
  - B. Profit before interest and tax
  - C. Profit after interest and tax
  - D. All of the above
47. Net operating profit ratio determines \_\_\_\_\_ while net profit ratio determines
- A. Overall efficiency of the business, working efficiency of the management
  - B. Working efficiency of the management, overall efficiency of the business
  - C. Overall efficiency of the external market, working efficiency of the internal management
  - D. None of the above
48. Return on Proprietors' funds is also known as:
- A. Return on net worth
  - B. Return on Shareholders' fund
  - C. Return on Shareholders' Investment
  - D. All of the above

49. 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.
- 5 times
  - 6 times
  - 3 times
  - 1.5 times
50. Higher the ratio, the more favorable it is, doesn't stand true for
- Operating ratio
  - Liquidity ratio
  - Net profit ratio
  - Stock turnover ratio
51. In the context of Funds Flow Analysis, the word "funds" is used to define
- Net Working capital
  - Total current assets - Total current liabilities
  - Both a and b
  - None of the above.
52. Which of the following are current assets?
- Fixed investments
  - Trade Payables
  - Short-term loans and advances
  - Furniture
- Only I
  - Only II
  - Only III
  - I, II, III and IV
53. Given Net profit for the year Rs 2, 50,000 Transferred to general reserves Rs 40,000 and old machinery bought for Rs 50,000 was sold for Rs 20,000. Calculate funds from operations.
- Rs 2, 80,000
  - Rs 2, 20,000
  - Rs 2, 90,000
  - Rs 3, 00,000
54. Provision of taxation is treated as
- As a current liability
  - As an appropriation of profits
  - Either a or b
  - None of the above
55. For year 2019 Equity Share Capital is Rs 3,00,000 Preference Share Capital is 1,00,000 10% debentures is 2,00,000 and Share premium is 30,000. For year 2020 Equity Share Capital is Rs 4,00,000 Preference Share Capital is 60,000 10% debentures is 1,00,000 and Share premium is 40,000. Also given, Dividend paid on shares Rs 15,000 and Interest paid on debentures Rs. 20,000. Determine net cash flow from financing activities.
- Cash inflow of Rs 65,000
  - Cash outflow of Rs 65,000

- C. Cash inflow of Rs 56,000  
D. Cash outflow of Rs 56,000
56. Which of the following is a conventional method of ascertaining cost?  
A. Absorption costing  
B. Full Costing  
C. Both a & b  
D. None of the above
57. Marginal costs is taken as equal to  
A. Prime Cost plus all variable overheads  
B. Prime Cost minus all variable overheads  
C. Variable overheads  
D. None of the above
58. Management accounting is deals with –  
A. Quantitative Information  
B. Qualitative Information  
C. Both (a) and (b)  
D. None of the above
59. Calculate the production budget from the following data: sales 89,350 units; opening inventory 23,864 units; closing inventory 33,156 units.  
A. 80,058 units  
B. 1,46,370 units  
C. 32,320 units  
D. 98,642 units
60. Production budget is –  
A. Dependent on purchase budget  
B. Dependent on sales budget  
C. Dependent on cash budget  
D. None of the above

**Answer Key**

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