



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

## STRATEGIC COST MANAGEMENT (PAPER - 16)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
1	Which of the following is not a primary activity of Value Chain?	Inbound Logistics	Operations	Service	Infrastructure
2	Which of the following is not a secondary activity of Value Chain?	Procurement	Human Resource Development	Service	Technology Development
3	Which of the following is not a term normally used in value analysis?	Resale value	Use value	Esteem value	Cost value
4	A company has forecast sales and cost of goods sold for the coming year as Rs. 25 lakhs and Rs. 18 lakhs respectively. The inventory turnover has been taken as 9 times per year. In case the inventory turnover increases to 12 times and the short-term interest rate on working capital is taken as 10%, what will be the saving in cost?	Rs. 10,000	Rs. 20,000	Rs. 15,000	Rs. 5,000
5	Which of the following important pillars of Strategic Cost Management determines the company's comparative position in the industry in terms of performance?	Cost Driver Analysis	Value Chain Analysis	Strategic Positioning Analysis	Competitive Value Analysis
6	_____ is defined as the real and permanent reduction in the unit costs of goods manufactured or services rendered without impairing their suitability for the use intended.	Cost control	Cost reduction	Cost measurement	Cost strategy
7	There are three core areas to consider when developing the supply chain strategy and business case. These are:	People, Process & Systems	Control, Process & Systems	People, Planning & Systems	Control, Money & Systems
8	TQM stands for:	Technical Quantitative Management	Total Quality Management	Theory of Queuing Management	None of the Above
9	Four Ps of Total Quality Management:	Principles, Project, Problem, & Process	People, Process, Problem & Preparation	Product identification, Product quality, Product utility & Product expectation	None of the Above
10	PRAISE stands for:	Appreciating someone	Product, Recognition, Adoption, Invention, Solution & Evaporation	Problem Identification, Ranking, Analysis, Innovation, Solution & Evaluation	None of the Above
11	DMIADV is a methodology associated with:	Pareto Analysis	PRAISE	Six Sigma	None of the Above
12	Pareto analysis recognizes:	80:20 Rule	50:50 Rule	20:80 Rule	None of the Above
13	Cost of Rework is a cost related to:	Internal failure	Appraisal	Prevention	None of the Above
14	The cost incurred to ensure that failures do not happen:	External failure cost	Internal failure cost	Prevention cost	None of the Above
15	The break-even point of a manufacturing company is Rs.1,60,000. Fixed cost is Rs.48,000. Variable cost is Rs.12 per unit. The PV ratio will be:	20%	40%	30%	25%
16	The higher the actual hours worked:	The lower the capacity usage ratio	The higher the capacity usage ratio	The lower the capacity utilization ratio	The higher the capacity utilization ratio



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17	<p>XYZ Ltd. has the following alternative planned activity levels:            Total cost (Rs.): 1,00,000 (Level E)                                      1,50,000 (Level F)                                      2,00,000 (Level G)</p> <p>No. of units produced: 5,000 (Level E)                                              10,000 (Level F)                                              15,000 (Level G)</p> <p>If fixed overhead remains constant, then fixed overhead cost per unit at Level E is:</p>	Rs. 20	Rs. 15	Rs. 13.33	Rs. 10
18	<p>T Ltd. produces and sells a product. The company expects the following revenues and costs in 2024:            Revenues (400 sets sold @ Rs.600 per product) = Rs. 2,40,000            Variable costs = Rs. 1,60,000            Fixed costs = Rs. 50,000</p> <p>What amount of sales must T Ltd. have to earn a target net income of Rs.63,000 if they have a tax rate of 30%?</p>	Rs. 4,20,000	Rs. 4,29,000	Rs. 3,00,000	Rs. 4,89,000
19	<p>Excel Products Ltd. manufactures four products e.g. Product E, Product F, Product G and Product H using same raw materials. The input requirements for Products E, F, G and H are 1kg, 2kgs, 5kgs and 7kgs, respectively. Product-wise Selling Price and Variable Cost data are given hereunder:            Selling Price of Products E, F, G &amp; H are Rs.100, Rs.150, Rs.200 &amp; Rs.300 respectively and variable costs are Rs.50, Rs.70, Rs.100 &amp; Rs.125 respectively. Assuming raw material availability is a limiting factor, the correct ranking of the products would be:</p>	E, F, G & H	E, F, H & G	F, E, G & H	F, E, H & G
20	<p>A company has a breakeven point when sales are Rs. 3,20,000 and variable cost at that level of sales are Rs. 2,00,000. How much would p/v ratio increase or decrease if variable expenses are dropped by Rs.30,000?</p>	Increase by 27.5%	Increase by 9.375%	Decrease by 9.375%	Increase by 37.5%
21	<p>The Tech Company has fixed costs of Rs.400,000 and variable costs are 75% of the selling price. To realize profits of Rs.100,000 from sales of 5,00,000 units, the selling price per unit:</p>	must be Rs.1.00	must be Rs.4.80	must be Rs.4.00	cannot be determined
22	<p>A company makes components and sells internally to its subsidiary and also to external market. The external market price is Rs.24 per component, which gives a contribution of 40% of sales. For external sales, variable costs include Rs.1.50 per unit for distribution costs. This is, however not incurred in internal sales. There are no capacity constraints. To maximize company profit, the transfer price to subsidiary should be:</p>	Rs. 9.60	Rs. 12.90	Rs. 14.40	None of these



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23	H Group has two divisions, Division P and Division Q. Division P manufactures an item that is transferred to Division Q. The item has no external market and 6000 units produced are transferred internally each year. The costs of each division: Variable Cost: Rs.100 per unit & Rs.120 per unit for Division P & Q respectively. Fixed cost each year: Rs.1,20,000 & Rs.90,000 for Division P & Q respectively. Head Office management decided that a transfer price should be set that provides a profit of Rs. 30,000 to Division P. What should be the transfer price per unit?	Rs. 145	Rs. 125	Rs. 120	Rs. 135
24	A particular job required 800 kgs of material – P. 500 kgs. of the particular material is currently in stock. The original price of the material – P was Rs.300 but current resale value of the same has been determined as Rs.200. If the current replacement price of the material – P is Rs.0.80 per kg., the relevant cost of the material – P required for the job would be:	Rs. 640	Rs. 440	Rs. 300	None of these
25	What is the opportunity cost of making a component part in a factory given no alternative use of the capacity?	The variable manufacturing cost of the component	The total manufacturing cost of the component	The total variable cost of the component	Zero
26	If project A has a net present value (NPV) of Rs.30,00,000 and project B has an NPV of Rs.50,00,000, what is the opportunity cost if project B is selected?	Rs. 23,00,000	Rs. 30,00,000	Rs. 20,00,000	Rs. 50,00,000
27	X Ltd. has 1000 units of an obsolete item which are carried in inventory at the original price of Rs.50,000. If these items are reworked for Rs. 20,000, they can be sold for Rs. 36,000. Alternatively, they can be sold as a scrap for Rs. 6,000 in the market. In a decision model used to analyse the reworking proposal, the opportunity cost should be taken as:	Rs. 16,000	Rs. 6,000	Rs. 30,000	Rs. 20,000
28	The shadow price of skilled labour for SD Ltd. is currently Rs. 10 per hour. What does this mean?	The cost of obtaining additional skilled labour is Rs. 10 per hour.	There is a hidden cost of Rs. 10 for each hour of skilled labour actively worked	Contribution will be increased by Rs. 10 per hour for each extra hour of skilled labour that can be obtained.	The total costs will be reduced by Rs. 10 for each additional hour of skilled labour that can be obtained.
29	A factory can make only one of the three products X, Y or Z in a given production period. The selling price per unit of Product X, Y & Z is Rs.1,500, Rs.1,800 & Rs.2,000 respectively and variable cost per unit is Rs.700, Rs.950 & Rs.1,000 respectively. Assume that there is no constraint on resource utilization or demand and similar resources are consumed by X, Y and Z. The opportunity cost of making one unit of Z is:	Rs. 850	Rs. 800	Rs. 1,800	Rs. 1,500



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30	A company has 2000 units of an obsolete item which are carried in inventory at the original purchase price of Rs. 30,000. If these items are reworked for Rs.10,000, they can be sold for Rs. 18,000. Alternatively, they can be sold as scrap for Rs.3,000 in the market. In a decision model used to analyse the reworking proposal, the opportunity cost should be taken as:	Rs. 8,000	Rs. 12,000	Rs. 3,000	Rs. 10,000
31	TM Company can make 100 units of a necessary component part with the following costs: Direct Materials - Rs.60,000 Direct Labour - Rs.10,000 Variable Overhead - Rs.30,000 Fixed Overhead - Rs.20,000 TM Company can purchase the component externally for Rs.1,10,000 and only Rs.5,000 of the fixed costs can be avoided, what is the correct make-or-buy decision?	Make and Save Rs.5000	Buy and save Rs.5,000	Make and Save Rs.15,000	Buy and save Rs.15,000
32	AP Products sells product A at a selling price of Rs.40 per unit. AP's cost per unit based on the full capacity of 5,00,000 units is as follows Direct Materials - Rs.6 Direct Labour - Rs.3 Indirect Manufacturing Expense 60% of which is fixed - Rs.10 A one-time only special order offering to buy 50,000 units was received from an overseas distributor. The only other costs that would be incurred on this order would be Rs. 4 per unit for shipping. AP has sufficient existing capacity to manufacture the additional units. In negotiating a price for the special order, AP should consider that the minimum selling price per unit should be:	Rs. 17	Rs. 19	Rs. 21	Rs. 23
33	In cost plus pricing, the markup consist of:	Manufacturing cost	Desired ROI	Selling and administrative cost	Total cost and desired ROI
34	MN paid Rs. 5,30,000 for a machine used to powder wheat. The machine can be sold for Rs. 1,30,000. The sale value of wheat is Rs. 8,00,000 and its variable cost is Rs. 4,00,000. The opportunity cost of producing wheat flour is:	Rs.5,30,000	Rs.1,30,000	Rs.3,50,000	Rs. 8,00,000
35	A Ltd. Plans to introduce a new product and issuing the target cost approach. Projected sales revenue is Rs. 90,00,000 (Rs. 45 per unit) and target costs are Rs. 64,00,000. What is the desired profit per unit?	Rs. 13	Rs. 17	Rs. 32	Rs. 10
36	Target costing is the answer to:	Market driven prices	Sellers' market	No Profit situation	None of the above
37	The product of XYZ company is sold at a fixed price of Rs. 1,500 per unit. As per company's estimate, 500 units of the product are expected to be sold in the coming year. If the value of investments of the company is Rs. 15 lakhs and it has a target ROI of 15%, the target cost would be:	Rs. 930	Rs. 950	Rs. 1050	Rs. 1130



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38	A company has the capacity of producing 80000 units and presently sells 20000 units at Rs. 100 each. The demand is sensitive to selling price and it has been observed that with every reduction of Rs. 10 in selling price the demand is doubled. What should be the target cost if the demand is doubled at full capacity and profit margin on sale is taken at 25%?	Rs.75	Rs.90	Rs.25	Rs.60												
39	120 units of semi-conductors are required to be sold to earn a profit of Rs.1,00,000 in a monopoly market. The fixed cost for the period is Rs.80,000. The contribution in the monopoly market is as high as 3/4th of its variable cost. Determine the target selling price per unit.	Rs. 4500	Rs.3250	Rs.4000	Rs.3500												
40	Cost Driver is:	Grouping of costs on a particular activity which drives them	Item for which cost measurement is required.	Elements that would cause a change in the cost activity.	All of the above												
41	ABC Management:	Accurately identifies sources of profit and loss	Assigns costs using measure of service consumed	Recognizes the casual relationship of cost drivers to activities	All of the above												
42	Process of Cost allocation under Activity Based Costing is:	Cost of Activities → Activities → Cost Driver → Cost allocated to cost objects	Cost Driver → Cost of Activities → Cost allocated to cost objects → Activities	Activities → Cost of Activities → Cost Driver → Cost allocated to cost objects	Activities → Cost Driver → Cost allocated to cost objects → Cost of Activities												
43	P operates an activity-based costing (ABC) system to attribute its overhead costs to cost objects. In its budget for the year ending 31st March 2022, the company expected to place a total of 2,895 purchase orders at a total cost of Rs. 1,10,010. This activity and its related costs were budgeted to occur at a constant rate throughout the budget year, which is divided into 13 four-week periods. During the four-week period ended 30 June 2021, a total of 210 purchase orders were placed at a cost of Rs. 7,650. The over-recovery of these costs for the four-week period was:	Rs. 330	Rs. 350	Rs. 370	Rs. 390												
44	At KL Company, cost of personnel department has always been charged to production department based upon number of employees. Recently, opinion gathered from the department managers indicate that number of new hires might be better predictor of personnel cost. Total personnel department cost are Rs. 2,00,000. <table style="margin-left: 20px;"> <tr> <td>Department</td> <td>A</td> <td>B</td> <td>C</td> </tr> <tr> <td>Number of employees</td> <td>30</td> <td>270</td> <td>100</td> </tr> <tr> <td>The number of new hires</td> <td>8</td> <td>12</td> <td>5</td> </tr> </table> If number of new hires is considered the cost driver, what amount of cost will be allocated to Department A?	Department	A	B	C	Number of employees	30	270	100	The number of new hires	8	12	5	Rs. 15,000	Rs. 64,000	Rs. 72,000	Rs. 40,000
Department	A	B	C														
Number of employees	30	270	100														
The number of new hires	8	12	5														
45	Which of the following is not suitable for a JIT production system?	Batch production	Jobbing production	Process production	Service production												



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46	JIT relates to:	Time Management	Inventory and product handling	Delivery systems	None of the above
47	Glasso, a manufacturer of large windows, is experiencing a bottleneck in its plant. Setup time at one of its workstations has been identified as the culprit. A manager has proposed a plan to reduce setup time at a cost of Rs. 7,20,000. The change will result in 800 additional windows. The selling price per window is Rs. 18,000, direct labour costs are Rs. 3000 per window, and the cost of direct materials is Rs. 7,000 per window. Assume all units produced can be sold. The change will result in an increase in the throughput contribution of .....	Rs. 64,00,000	Rs. 88,00,000	Rs. 56,80,000	Rs. 1,44,00,000
48	Cost per unit under throughput accounting and marginal costing are mainly different because:	Labour is not considered in throughput accounting	Direct labour is considered fixed in throughput accounting	Total cost is considered in throughput accounting	Variable cost is considered in marginal costing
49	Ankit Ltd., operates throughput accounting system. The details of product A per unit are as under: Selling Price: Rs. 75 Material Cost: Rs. 30 Conversion Cost: Rs. 20 Time to bottleneck resources: 10 minutes What is the throughput contribution per bottleneck resource per hour?	Rs. 270	Rs. 150	Rs. 120	Rs. 90
50	Producing more non-bottleneck output:	Creates more inventory, but does not increase throughput contribution	Creates more inventory and increases throughput contribution	Creates less pressure for the bottleneck workstations	Allows for the maximization of overall contribution
51	Twin Ltd. uses JIT and back flush accounting. It does not use a raw material stock control account. During September 2023, 10000 units were produced and sold. The standard cost per unit is Rs. 150 which includes materials of Rs. 60. During September 2023, Rs. 9,90,000 of conversion costs were incurred. The debit balance in cost of goods sold account for September 2023 is:	Rs. 14,00,000	Rs. 14,80,000	Rs. 15,90,000	Rs. 16,20,000
52	The companies that would benefit from back-flush costing include companies:	Which have fast manufacturing lead time	Whose inventory vary from period to period	Companies that require audit trails	None of these
53	Bench marking is:	A continuous process	The practice of setting targets using external information	Method to provide performance assessment	All of the above
54	Kanban Japanese System under JIT approach ensures that:	Continuous supply of inventory or product	Minimum & maximum level of stock to be maintained	Inventory valuation	All of the above



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55	The information relating to the direct material cost of a company is as follows: Standard price per unit: Rs. 7.20 Actual quantity purchased in units: 1600 Standard quantity allowed for actual production in units: 1450 Material price variance on purchase (Favourable): Rs. 480 What is the actual purchase price per unit?	Rs. 7.50	Rs. 6.40	Rs. 6.5	Rs. 6.90
56	In a factory where standard costing system is followed, the production department consumed 1100 kgs of a material @ Rs. 8 per kg for product X resulting in material price variance of Rs. 2200 (Fav) and material usage variance of Rs. 1000 (Adv). What is the standard material cost of actual production of product X?	11,000	20,000	14,000	10,000
57	AB Ltd. uses standard cost system. The following information pertains to direct labour for Product X for the month of March, 2024: Standard rate per hour = Rs. 8 Actual rate per hour = Rs. 8.40 Standard hours allowed for actual production = 2000 hours Labour Efficiency variance = Rs. 1,600 (Adverse) What were the actual hours worked?	1,800	1,810	2,200	2,190
58	Aderholt uses activity-based costing to allocate its overheads. The budgeted cost/ expected for the Supervisor cost pool was: Budgeted units: 5,000 Number of employees: 75 Budgeted Cost: Rs. 7,500 The actual costs incurred were: Actual Units: 5,500 Actual Employees: 77 Actual cost: Rs. 8,085 What was the total variance for the pool?	Rs. 585 Adverse	Rs. 165 Favourable	Rs. 5550 Favourable	Rs. 385 Adverse
59	The following figures are extracted from the books of a company: Budgeted O/H Rs. 10,000 (Fixed Rs. 6,000, Variable Rs. 4,000) Budgeted Hours 2000 Actual O/H Rs. 10,400 (Fixed Rs. 6,100, Variable Rs. 4,300) Actual Hours 2100 Variable O/H cost variance and Fixed O/H cost variance will be:	100 (A) and 200 (A)	100 (F) and 200 (F)	100 (A) and 200 (F)	200 (A) and 100 (F)



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60	A company uses standard absorbing costing. The following information is recorded by the company for October: Budgeted - Output and sales: 8,700 Selling Price per unit: Rs. 26 Variable Cost per unit: Rs.10 Total Fixed Overheads: Rs. 34800 Actuals - Output and sales: 8,200 Selling Price per unit: Rs.31 Variable Cost per unit: Rs.10 Total Fixed Overheads: Rs. 37000 The sales price variance for October was:	38,500 (A)	38,500 (F)	41,000 (A)	41,000 (F)
61	Which of the following may be the cause of Material Price Variance?	Change in quantity of purchase or uneconomical size of purchase order	Failure to take advantage of off-season price or failure to purchase when price is cheaper	Change in basic purchase price of material	All of the above
62	Variance analysis involves breaking down and analysing the total variance to explain:	How much of the variance is caused by using the resources that are different from the standards, i.e., the quantity variance	How much of the variance is caused by using the cost of the resources being different from the standards, i.e., the rate variance	All of the Above	None of the above
63	standard costing system consists of the following key elements:	Setting standards for each of the operations	Comparing the actual performance with the standard performance	Analyzing and reporting variances arising from the difference between actual and standard performance	All of the Above
64	Which of the following statements is correct?	Standard costing facilitates the integration of accounts so that reconciliation between cost accounts and financial accounts may be eliminated	Standard costs are planned costs determined on a scientific basis and they are based upon certain assumed conditions of efficiency and other factors	Standard costing is defined as the preparation and use of standard cost, their comparison with actual cost and the measurement and analysis of variances to their cause and points of incidence	All of the Above



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65	Which of the following statements is true?	If the actual cost is more than the standard, we call it adverse variance and if the difference is less than the standard, we call it favourable variance.	In case of sales and profit, if the standard is more than actual, it is adverse variance and if the standard is less than the actual, it is favourable variance	Both (1) and (2)	None of the above
66	Standard cost and budgeted cost are:	Interrelated but not interdependent	Interdependent but not interrelated	Interrelated and interdependent	None of the above
67	Efficiency Ratio is:	Available working days ÷ Budgeted working days × 100	Budgeted hours ÷ Maximum hours in budgeted period × 100	Standard hours ÷ Actual hours × 100	None of the above
68	Uniform Costing may not be successfully applied in the following case:	In a single enterprise having a number of branches, each of which manufactures the same set of products with the same facilities	In a number of entities in the same industry bound by a trade association	In a number of units across different geographical locations manufacturing one or more of a given set of products	In different branches of the same company, each branch making a different product using a unique process
69	A constraint in an L.P. Model restricts:	Value of the Objective Function	Values of the Decision Variables	Use of the available resources	All the above
70	A feasible solution of LPP –	Must satisfy all the constraints simultaneously.	Need not satisfy all the constraints, only some of them.	Must be a corner point of the feasible region	All the above.
71	The Objective Function of a LPP is $Z = 3x_1 + 2x_2$ . If $x_1 = 10$ and $x_2 = 5$ then the value of Z is –	35	40	45	50
72	Multiple solution exist in a Linear Programming problem when –	One of the constraints is redundant	Objective Function is parallel to one of the constraints	Two constraints are parallel	All of the above
73	The linear function of the variables which is to be optimized is called –	Constraints	Objective Function	Decision variables	None of the above
74	If the value of the Objective Function can be increased or decreased indefinitely then the solution is called –	Unbounded	Bounded	Infeasible	None of the above
75	The best use of Linear Programming is to find the optimal use of –	Manpower	Material	Money	All of the above



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76	Which of the following is assumption of Linear Programming Model?	Divisibility	Proportionality	Additivity	All of the above
77	Which of the following considers difference between least cost and the cost just before least for each row and column while finding Basic Feasible Solution in Transportation?	North West Corner Method	Least Cost Method	Vogel's Approximation Method	Both (b) and (c) above
78	When the total allocation of a Transportation Problem match with supply and demand values, the solution is –	Non-degenerate	Feasible	Degenerate	None of the above
79	The solution to a Transportation Problem with 'm' sources and 'n' destinations is feasible if the number of cell allocations are –	$m + n$	$mn$	$m - n - 1$	$m + n - 1$
80	To resolve Degeneracy in the solution of a Transportation Problem an infinitely small allocation is made to the solution already obtained. This allocation is known as –	Dummy	Epsilon	$\epsilon$ – the Greek letter	All of the above except (a)
81	Which of the following is not correct with respect to Transportation as a tool of Quantitative Technique?	Transportation technique is a special case of LP.	Transportation technique might give rise to solutions which are degenerate.	No Transportation problem can be given with supply $\neq$ demand.	Using Transportation technique one can maximize an Objective Function.
82	Which of the following method is used to test optimality of a solution in Transportation?	Modified Distribution	Simplex	VAM	LCM
83	In a solution of Transportation problem, empty cells are called –	Unoccupied cells	Unallocated cells	Empty cells	All of the above
84	The Transportation Problem deals with the transportation of –	Single product from a source to several destinations	Several products from a source to a destination.	Single product from several sources to a destination.	Single product from several sources to several destinations.
85	Which of the following methods is used to solve the Assignment problems?	Stepping Stone Method	Hungarian Method	North West Corner Method	Vogel's Approximation Method
86	Assignment of work to men and machines is known as:	Scheduling	Loading	Balancing of Line	None of these
87	In an Assignment matrix of size $(5 \times 5)$ , the total number of decision variables in the objective function is –	10	5	25	15
88	An Assignment problem is solved to minimise the total time required to complete three jobs on three different machines such that each job is processed by exactly one machine and each machine processes exactly one job. The minimum total processing time is found to be 480 minutes. After a few days of operation, there has been a change in the design of the second job. Due to this, the processing time of the second job is increased by 15 minutes in either of the machines. The revised minimum total processing time will be –	495 minutes	465 minutes	480 minutes	None of these
89	Assignment problem can be considered as a particular case of -	Transportation problem	Sequencing problem	Queuing problem	All of these



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90	Dummy row or column is added in an assignment problem –	To prevent a solution to become degenerate	To reduce the total cost of assignment	To increase the profit function	To balance total activities and total resources
91	While solving an assignment problem, an activity is assigned to a resource with zero opportunity cost because objective is to –	Reduce total cost of assignment to zero	Reduce cost of that assignment to zero	Minimise total cost of assignment	Maximise total cost of assignment
92	In an assignment problem –	First activity is assigned to first resource	Any number of activities can be assigned to each resource	It depends on how many resources are available	Only one activity be assigned to each resource
93	An assignment problem can be viewed as a special case of transportation problem in which the capacity from each source is ____ and the demand at each destination is ____.	Unlimited, unlimited	One, unlimited	One, one	Unlimited, one
94	In marking assignments which of the following should be preferred?	Only row having single zero	Only column having single zero	Column having more than one zero	Only row / column having single zero
95	The assignment matrix is always a ____	Rectangular matrix	Identity matrix	Square matrix	None of these
96	Maximisation assignment problem is transformed into a minimisation problem by ____	Adding each entry of a column to the maximum value of that column	Subtracting each entry in a column from maximum value in that column	Subtracting each entry of the table from the maximum value of the table	Adding each entry of the table to the maximum value in the table
97	In the Hungarian Method of solving Assignment problem, the row reduction is obtained by	Dividing each row by the elements of the row above it	Subtracting the elements of the row from the elements of the row above it	Subtracting the smallest element from all other elements of the row	Subtracting all the elements of the row from the highest element in the matrix
98	The horizontal and vertical lines drawn to cover all zeros of the total opportunity matrix for an optimal solution must be –	Equal to $m \times n$ , where $m$ = No. of rows & $n$ = No. of columns	Equal to each other	Equal to $m + n$ , where $m$ = No. of rows & $n$ = No. of columns	Equal to the Order of the matrix
99	The similarity between Assignment Problem and Transportation Problem is –	Both are rectangular matrices	Both are square matrices	Both can be solved by graphical method	Both have objective function and non-negativity constraints
100	When we try to solve the Assignment problem by Transportation algorithm the following difficulty arises.	There will be a tie while making allocations	The problem will get alternate solution	The problem degenerates and we have to use epsilon to solve degeneracy	The Assignment problem cannot be solved by Transportation algorithm
101	The following character dictates that the Assignment matrix is a square one:	The allocations in Assignment problem are one to one	Because we find row opportunity cost matrix	Because we find column opportunity cost matrix	Because after making allocations, horizontal and vertical lines are to be drawn
102	An Assignment problem can be solved by –	Simplex method	Transportation method	Both (1) and (2)	None of the above
103	If there are $n$ jobs and $n$ workers, there would be –	$n!$ solutions	$(n - 1)!$ solutions	$(n!).n$ solutions	$n$ solutions



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
104	The Assignment problem:	Requires that only one activity be assigned to each resource	Is a special case of Transportation problem	Can be used to maximise the resources	All of the above
105	To proceed with the MODI algorithm for solving an assignment problem, the number of dummy allocations need to be added are –	n	n - 1	2n	2n – 1
106	The procedure used to solve Assignment problems wherein one reduces the original assignment costs to a table of opportunity costs is called _____	Stepping Stone Method	Matrix Reduction	MODI Method	Northwest Reduction
107	When a maximisation assignment problem is converted to minimisation problem, the resultant matrix is called:	Cost matrix	Profit matrix	Regret matrix	Dummy matrix
108	Two person zero sum game means that:	The sum of losses of one player is equal to the sum of the gains of the other	The sum of losses of one player may not be equal to the sum of the gains of the other	No player gains or loses	None of the above
109	Game theory models are classified by the:	Number of players	Sum of all payoffs	Number of strategies	All of these
110	A game is said to be unfair if:	Upper and lower values of the game are not equal	Upper and lower values of the game are equal and the sum is zero	Both option (a) and option (b)	None of the above
111	What happens when the maximin and minimax values of the game are equal?	No solution exists	Solution is mixed	Saddle point exists	None of these
112	A mixed strategy game can be solved by:	Arithmetic method	Graphical method	Dominance method	All of these
113	The size of the payoff matrix of a game can be reduced by using the principle of:	Game inversion	Rotation reduction	Dominance	Game transpose
114	The payoff value for which each player in a game always selects the same strategy is called the:	Saddle point	Equilibrium point	Both option (a) and option (b)	None of the above
115	Games which involve more than two players are called:	Conflicting games	Negotiable games	N person game	All of these
116	Which of the following is first step for performing Simulation analysis?	Choose input variables.	Create entities for the simulation process.	Prepare a problem statement.	Determine the output variables.
117	Which of the following are the advantages of using Modelling and Simulation?	Easy to understand.	Easy to test.	Easy to upgrade.	All of the above.
118	Which one of the following is not an application area of Modelling and Simulation?	Military applications	Designing semiconductors	Telecommunications	Food industry
119	Which of the following is the first step for developing the Simulation Model?	Design the problem	Identify the problem.	Collect and start processing the system data	Develop the model using Network diagram.
120	Simulation is the process of using a model to study the performance of a system.	Agreeable	Not agreeable	Partly agreeable	Cannot comment



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121	Disadvantage of using Modelling and Simulation lies in the statement –	Simulation requires manpower and it is a time consuming process.	Simulation results are difficult to translate and only experts can understand it.	Simulation is an expensive process.	All of the above.
122	Monte Carlo Simulation gets its name from which of the following?	Data collection.	Model formulation	Random number assignment	Analysis
123	Select the valid reasons for using Simulation.	Relationship between the variables is non-linear.	Optimized solutions are obtained.	Conduct experiment without disrupting the real system.	Both (a) and (c)
124	The drive up window of a fast food centre was being studied using simulation for a variety of operating characteristics. As part of the study data was collected on Customer Arrivals as given in the following table. Using expected value calculations determine the expected time between customer arrivals. Inter arrival time (Minutes) 0.5 1.0 2.0 3.0 4.0 5.0 6.0 Probability 0.10 0.25 0.20 0.30 0.05 0.05 0.05	2.35 minutes	2.00 minutes	2.70 minutes	1.65 minutes
125	Critical Activities have:	Maximum float	Minimum float	Zero float	Negative float
126	In PERT Chart, the Activity time distribution is -	Normal	Binomial	Poisson	Beta
127	A PERT Network has nine activities on its Critical Path. The Standard Deviation of each activity on the Critical Path is 3. The S. D of the Critical Path is –	3	9	81	27
128	For an activity the pessimistic, most likely and optimistic times are respectively 10, 6 and 2 days. The expected duration of the activity is –	6 days	3 days	2 days	9 days
129	The time by which the activity completion time can be delayed without affecting the start of the succeeding activities is known as –	Total float	Free float	Independent float	Head slack
130	Which of the following statement is not true?	PERT is deterministic in nature.	CPM is probabilistic in nature.	PERT Network can not be crashed.	All of the above.
131	Following data refers to a project Network. What will be the Critical Path? Activity 1 – 2, 2 – 3, 3 – 4, 1 – 4, 2 – 5, 3 – 5, 4 – 5 Duration 2 Days, 1 Day, 3 Days, 3 Days, 3 Days, 2 Days, 4 Days	1 – 2 – 3 – 5	1 – 2 – 3 – 4 – 5	1 – 4 – 5	1 – 4 – 3 – 5
132	The amount of time by which an activity can be delayed without affecting the project completion is called –	Free float	Total float	Interfering float	None of the above
133	Optimistic time and pessimistic time of an activity are respectively 4 days and 16 days. Variance of the duration of the activity will be –	4 days	2 days	3 days	None of the above
134	In a project planning Free float can affect which of the following?	Succeeding activity	Only that activity	Preceding activity	All of the above
135	Solution of problems of Crashing has to be started by applying the technique on –	Any activity of the Network.	Non critical activities	Critical activities.	None of the above.



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136	A PERT activity has an optimistic time of 3 days, pessimistic time of 15 days and an expected time of 7 days. What is the most likely time of the activity?	10 days	6 days	5 days	None of the above
137	The reduction in project time normally results in –	Decrease in Direct Cost and increase in Indirect Cost	Increase in Direct Cost and decrease in Indirect Cost	Increase in both Direct and Indirect Costs.	Decrease in both Direct and Indirect Costs.
138	The Normal duration and Normal cost of an activity are 10 days and Rs. 350 respectively. The cost slope is Rs. 75 per day. If the Crash duration is 8 days then what is the Crash cost of the activity?	Rs. 400/-	Rs. 500/-	Rs. 600/-	Rs. 650/-
139	Which of the following is incorrect?	PERT is suitable for projects having probabilistic time estimates.	CPM is suitable for projects having deterministic activities.	Both PERT and CPM are event oriented.	PERT is event oriented while CPM is activity oriented.
140	The activity that must be completed prior to the start of an activity is called –	Dummy activity	Successor activity	Concurrent activity	Predecessor activity
141	The slack times of Tail and Head events of Activity P are 10 days and 4 days respectively. If the Free float of the Activity P is 12 days then the Total float would be –	8 days	16 days	22 days	none of the above
142	Which of the following represents reduction in project duration?	Crashing	Negative slack	Variance	All of the above
143	Critical Path Method is good for –	Small projects only	Large projects only	Both small and large projects equally	Neither small nor large projects
144	The optimum duration is the –	Summation of normal durations of each activity of the project.	Summation of normal durations of activities in the Critical Path.	One which gives the minimum Total Cost for the completion of the project.	Summation of crash durations of activities in the Critical Path.
145	Which of the following is not a notable challenge while scheduling a project?	Deadlines exist	Independent activities	Too many workers may be required	Costly delay
146	A critical path is –	The shortest path	The longest path	The path that begins from the start node and ends at the last node.	All of the above.
147	Activities A, D and F merges at the event 6. If the earliest finish times of A, D and F are respectively 13, 17 and 8 then the earliest time of Event 6 is –	8	13	17	Cannot be determined from the given information.
148	A Learning Curve describes:	The increase in number of units produced per unit time as the total number of units produced increases	The rate at which an organisation acquires new information.	The amount of production time per unit as the total number of units produced increases.	The increase in production time as the total number of units produced increases.



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149	Limitations of the Learning Curve approach include –	Learning Curves must be redeveloped whenever the product or the production process is modified.	Learning Curves are applicable when considering a highly automated process.	Learning Curves are only valid when considering simple production process.	Learning Curves are only valid when the total number of units produced is relatively small.
150	Which of the following statements about Learning Curve is incorrect?	A change in the process disrupts the Learning Curve.	The rate of learning varies depending on the quality of management.	The Learning Curve can be disrupted by the change in personnel.	Learning Curves show that the time saved in completing each subsequent unit increases.
151	Which of the following is not an application of Learning Curve?	Learning Curves allow a manager to predict the time required for new employee orientation on company policies and procedures.	Learning Curves permit a manager to prepare a work schedule.	Learning Curves allow a manager to forecast the labour requirements while preparing a departmental employee budget.	Learning Curves can be employed in supply chain negotiations.
152	Bimal and Kamal are the two industrial workers engaged in doing a similar job. They have different learning rates of 80% and 90% respectively. Times taken to complete their first jobs are respectively 12 and 8 hours. If both continue with the same learning rate then after how many units Bimal will be faster than Kamal?	5th unit	7th unit	11th unit	19th unit
153	How long will it take to produce the fifth unit with 85% learning rate, if the third unit took 13 hours?	10.3 hours	10.0 hours	11.4 hours	11.5 hours
154	When 24 hours is required to produce a condenser of a particular type then the time required to produce the 16th unit with 85% Learning Curve is –	Between 9 and 10 hours	Between 12 and 14 hours	Between 15 and 17 hours	Between 18 and 20 hours
155	A diesel engine manufacturing company has an order of 4 large engines. A crew of 16 members took 4000 hours to assemble the first engine. If 80% Learning Curve is used then what will be the labour cost of the fourth engine, assuming average labour rate to be Rs. 180 per hour?	Between Rs. 4 to 4.5 Lakhs	Between Rs. 3.5 to 4 Lakhs	Between Rs. 3 to 3.5 Lakhs	Between Rs. 4.5 to 5 Lakhs
156	Optimization is the method of finding:	The maximum point	The minimum point	The critical point	All of the above
157	Choose the correct answer:	Optimization problems should have only one objective function	Constraint functions are compulsory for any optimization problem.	Objective function must be a continuous function	None of the above
158	The process of finding relative maximum or minimum of a function is known as:	Optimization	Maximization	Minimization	Any of these
159	For a Cost Function $TC = 3Q^2 + 7Q + 12$ , MC is –	6Q	6Q + 7	3Q + 12	None of the above
160	MR is:	First order derivative of TC	Second order derivative of TR	First order derivative of TR	Second order derivative of TC



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161	In the expression $D = AC - B^2$ used for describing the sufficient conditions for unconstrained optimization involving two variables (x and t), the meaning of A and C are –	2nd order partial derivative of the objective function (f) with respect to x and y respectively.	2nd order partial derivative of $\partial f/\partial x$ with respect to y	Both (a) and (b)	none of the above
162	A price discriminating Monopolist Firm operates in –	Such a Market where it is the sole supplier.	More than one Market	Markets where it sells same product but in different prices.	All of the above.
163	For a dual plant Monopolist Firm with respective production costs $C_1$ & $C_2$ in the two plants, the necessary condition of equilibrium is:	$MC_1 = MC_2 \neq MR$	$MC = MR$	$MC_1 = MC_2 = MR$	$MC_1 = MR_1$ & $MC_2 = MR_2$
164	In Exponential Smoothing Method which one of the following is true?	$0 \leq \alpha \leq 1$ and high value of $\alpha$ is used for stable demand.	$0 \leq \alpha \leq 1$ and high value of $\alpha$ is used for unstable demand.	$\alpha \geq 1$ and high value of $\alpha$ is used for stable demand.	$\alpha \leq 0$ and high value of $\alpha$ is used for unstable demand.
165	Which of the following is not a Casual Forecasting Method?	Trend adjusted Exponential Smoothing	Econometric models	Linear Regression	Multiple Regression
166	In a Time Series forecasting model, the demands for five time periods are 10, 13, 15, 18 and 22. A linear regression fit resulted in the equation $y = 6.9 + 2.9t$ , where y is the forecast for the period t. The sum of the absolute deviations for the five data with respect to their corresponding forecasts (taking $t = 1$ for the first one) is;	2.3	0.2	1	2.2
167	Which of the following is not a forecasting technique?	Trend line estimate	Delphi Method	Hungarian Method	Judgemental technique
168	In Simple Exponential Smoothing forecast, to give higher weightage to recent demand information, the smoothing constant must be close to –	-1	0	0.5	1
169	A linear Trend equation has the form –	$F = a - bt$	$F = a + bt$	$F = 2a - bt$	$F = 2a + bt$
170	The actual demand for a period is 100 units. But forecast demand was 90 units. The forecast error is –	- 10	10	₹ 5	None of the above
171	If the estimate of the Trend Component is 158.2, the estimate of Seasonal Component is 94%, the estimate of the Cyclical Component is 105% and the estimate of the Irregular Component is 98%, then the multiplicative model will produce a forecast of –	1.53	1.53%	153.02	15,30,20,532
172	Which of the following is not true for forecasting?	Forecasts are rarely perfect.	The underlying casual system will remain same in the future.	Forecast for group of items is accurate than individual item	Short range forecasts are less accurate than long range forecasts
173	Delphi Method is used for –	Judgemental forecast	Time Series forecast	Associative model	All of the above
174	Tableau is a –	Business Intelligence Tool	Visualisation Tool	Both (a) and (b)	None of the above
175	Which of the following statement is correct?	Functioning of ETL Tool is same as that of ELT Tool.	For Data Analytics the purpose of ETL Tool is same as that of ELT Tool.	Both (a) and (b)	None of the above



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176	Which of the following statement is incorrect?	Microsoft Excel is most popular among all the available spreadsheets.	Zoho Analytics is a tool used for Financial Data analysis.	Visualisation Tools are the Reporting Tools.	None of the above.
177	Prescriptive Analytics is very important because –	It tells about the action to be taken.	It tells about what is likely to happen	It tells about how something has happened.	It tells about what has happened.
178	Which of the following has no relation to Business Intelligence?	A set of business analytics solutions to retrieve, analyse and transform data into useful business sights	Visualisation Tools are primarily BI Tools.	ABS Glue is a tool used for the purpose of Business Intelligence.	Embedded Analytics is an important part of any Business Intelligence tool.
179	Which of the following is related to Financial Data Analytics?	Value driver analytics	Financial ratio analytics	Predictive sales analysis	All the above
180	Analysis of a dataset has revealed the fact that profit of a business has reduced for the financial year 2021-22. What category of data analytics it comes under?	Descriptive Analytics	Predictive Analytics	Diagnostic Analytics	Prescriptive Analytics
181	#Script Ends – is related to which type of programming language?	R Programming	SAS	Python	SPSS
182	Which one of the following is a Key feature of SAS language?	Capability of handling data analysis related to Operations Research and Project Management.	Capability of report formation with perfect graphs.	Capability to interact with multiple host systems	All the above
183	Which one of the following is not a spreadsheet?	Google Sheets	MS Excel	E-views	Quip
184	ABC Company uses a throughput accounting system. The details of product X per unit are as follows Selling Price - Rs. 40 Material cost- Rs. 12, Conversion Cost -Rs. 18, Time on bottle neck resource - 7 Minutes. The return per hour for product X is:	Rs. 280	Rs. 180	Rs. 240	Rs. 120
185	The break-even point of a manufacturing company is Rs.2,50,000. Fixed cost is Rs.50,000. Variable cost is Rs.14 per unit. The PV ratio will be:	30%	35%	20%	40%
186	Which of the following is not a method of transfer pricing?	Cost plus transfer price	Internal price transfer price	Market-based transfer price	Two part transfer price
187	Total fixed overhead variance can be defined as	Measure of the lack of production volume	Cost Reduction achieved from difference in productions	Amount of the under-applied or over-applied fixed overhead costs	Measure of production inefficiency
188	A company has the capacity of production of 80000 units and presently it sells 20000 units at Rs. 100 each. The demand is sensitive to selling price and it has been observed that every reduction of Rs. 10 in selling price the demand is doubled. What should be the target cost at full capacity if profit margin on sales is taken at 25%?	Rs. 48 lakhs	Rs. 58 lakhs	Rs. 42 lakhs	Rs. 52 lakhs



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189	The information relating to the direct material cost of a company is as follows: Standard price per unit Rs. 7.20 Actual quantity purchased in units 1600 Standard quantity allowed for actual production in units 1450 Material price variance on purchase (Favourable) Rs. 480 What is the actual purchase price per unit	Rs. 7.9	Rs. 6.5	Rs. 7.3	Rs. 6.9
190	Cost driver means	production overheads items	Common cost which is shared by cost centres	An activity which generates costs	Transport relating Cost
191	The profit volume ratio of DEF Ltd. is 30%, while the margin of safety is 40%. If fixed cost of the company is Rs. 1,80,000, what will be its profit (net)?	Rs. 90000	Rs. 120000	Rs. 180000	Rs. 100000
192	The following figures are extracted from the books of a company: Budgeted O/H Rs. 10,000 (Fixed Rs. 6,000, Variable Rs. 4,000) Budgeted Hours 2000 Actual O/H Rs. 10,400 (Fixed Rs. 6,100, Variable Rs. 4,300) Actual Hours 2100 Variable O/H cost variance and Fixed O/H cost variance will be:	100 (A) and 200 (A)	100 (F) and 200 (F)	200 (A) and 100 (F)	100 (A) and 200 (F)
193	Which of the following is not a benefit of Activity Based Costing	Improvement in decision making	Accurate cost allocation	Prime cost reduction	Better control on activity and costs
194	The P/V ratio of a firm is 50% and the margin of safety is 40%. BEP of the firm at a sales volume of Rs. 50,00,000 will be	₹ 30,00,000	₹ 20,00,000	₹ 25,00,000	₹ 50,00,000
195	ABC Limited has current PBIT of Rs. 19.20 lakhs on total assets of ₹96 lakhs. The company has decided to increase assets by Rs. 24 lakhs, which is expected to increase the operating profit before depreciation by Rs. 8.40 lakhs. There will be a net increase in depreciation by Rs. 4.80 lakhs. This will result in ROI	to decrease by 1%	to increase by 1%	to decrease by 2%	to decrease by 1.5%
196	ABC Limited is facing downfall in its demand. Marketing team has suggested to reduce the selling price by 10% to compete in the market. Variable cost is 72% of the current selling price. What will be the P/V Ratio after reducing the price by 10%.	15%	18%	20%	25%
197	For a Learning Curve percentage of 72%, the time to be taken to complete the 4th unit of a 12-unit job involved in the assembly line, if the initial unit requires 80 hours, will be	42.50 hrs	42.47 hrs	41.58 hrs	41.47 hrs
198	Marketing department of an organisation estimates that 60,000 of new mixers could be sold annually at a price of Rs. 70 each. To design, develop and produce these new mixers an investment of Rs. 40,00,000 would be required. The company desires a 15% return on investment (ROI). Given these data, the target cost to manufacture, sell, distribute and service one mixer will be	Rs. 60	Rs. 45	Rs. 55	Rs. 25
199	When you wait until the manufacture of a product has been completed and then record all of the related issuances of inventory from stock that were required to create the product, it is called	Forensic Accounting	Tax Accounting	Lean Accounting	Back-flush Accounting



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200	XYZ Ltd. Plans to introduce a new product and issuing the target cost approach. Projected sales revenue is Rs. 80,00,000 (Rs. 50 per unit) and target costs are Rs. 56,00,000. What is the desired profit per unit?	Rs. 14	Rs. 15	Rs. 24	Rs. 22
201	Assignment Problem can obtain a optimal solution only if -	Each row and column has only one zero element	Each row and column has at least one zero element	Both the diagonals of the matrix have zero element	None of the above
202	A company uses traditional standard costing system. The inspection and set-up costs are actually Rs. 1,760 against a budget of Rs. 2,000. ABC system is being implemented and accordingly the number of batches is identified as the cost driver for inspection and set up. The budgeted production is 10,000 units in batches of 1,000 units whereas actually 9,000 units were produced in 11 batches. The cost per batch under ABC system will be	Rs. 160	Rs. 180	Rs. 200	Rs. 120
203	A company has the capacity of production of 80,000 units and presently sells 20,000 units at Rs. 100 each. The demand is sensitive to selling price and it has been observed that with every reduction of Rs. 10 in selling price the demand is doubled. What should be the target cost at full capacity if profit margin on sale is taken as 25%?	Rs. 80	Rs. 60	Rs. 50	Rs. 70
204	In Simple Exponential Smoothing forecast to give higher weightage to recent demand information, the smoothing constant must be close to	1	-1	0	0.5
205	Children's Park in a city with various signals and crossing is the simulated model of city traffic. This is a type of	Analogue Simulation	Computer Simulation	Monte Carlo Simulation	Both (A) and (C) of the above
206	When Backflush costing is most likely to be used?	Management desires sequential tracking of costs	The company carries significant amount of inventory	A Just-in-Time inventory philosophy has been adopted	Actual production costs are debited to work-in-progress
207	Optimistic and pessimistic time of an activity respectively are 4 days and 16 days. Variance of the duration of the activity will be:	8 days	4 days	2 days	16 days
208	Preparation and use of standard cost, their comparison with actual costs and the measurement and analysis of variances to originating causes is defined as:	Standard Costing	Throughput Costing	Marginal Costing	Kaizen Costing
209	A company determines its selling price by marking up variable costs 60%. In addition, the company uses frequent selling price mark down to stimulate sales. If the mark down average 10%, what is the company's contribution margin ratio?	30.60%	38.00%	42.40%	None of these
210	A Ltd. Has earned net profit of Rs. 1 lakh, and its overall P/V ratio and margin of safety are 25% and 50% respectively. Find the total fixed cost of the company?	Rs. 50000	Rs. 200000	Rs. 100000	Rs. 230000
211	The normal duration and normal cost of an activity of project XYZ are 12 days and Rs. 400 respectively. The cost slope is Rs. 80 per day, if the crash cost of the activity is Rs. 560, what will be the crash duration of the activity?	6 days	16 days	12 days	10 days



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212	XYZ Ltd., a manufacturing company has developed a new product and just completed the manufacture of first 16 units of the product. If the first unit took 6 hours to manufacture and the first 16 units together took 62.9856 hours to produce, the Learning Curve (LC) rate would be	90%	92%	95%	98%
213	If the time taken to produce the first unit of a product is 4000 hrs, what will be the total time taken to produce the 5th to 8th unit of the product, when a 90% learning curve applies?	10,146 hours	9,265 hours	10,368 hours	11,782 hours
214	A company makes a single product which it sells at Rs. 10 per unit. Fixed costs are Rs. 48,000 per month and the product has a contribution to sales ratio of 40%. In a period when actual sales were Rs. 1,40,000, the company's margin of safety in units was:	4000	2000	5000	1000
215	The following tasks are associated with ABC system: (I). Allocation of costs to products (II). Identification of cost pools (III). Identification of cost drivers (IV). Calculation of pool rates. The proper order of the preceding tasks is:	III, II, IV, I	I, II, III, IV	III, IV, II, I	IV, III, II, I
216	A company has forecast sales and cost of sales for the coming year as Rs. 25 lakhs and Rs. 18 lakhs respectively. The inventory turnover has been taken as 9 times per year. In case the inventory turnover increases to 12 times and the short term interest rate on working capital is taken as 10%, what will be saving in cost?	Rs. 4000	Rs. 5000	Rs. 10000	Rs. 6000
217	Which of the following would decrease unit contribution margin the most?	15% increase in variable costs	15% decrease in fixed costs	15% decrease in variable costs	15% decrease in selling price
218	Which of the following is a Forecasting technique	Control Chart	Gantt Chart	Exponential Smoothing	PERT / CPM
219	A company produces two joint products, P and V. In a year, further processing costs beyond split-off point spent were Rs. 8,000 and Rs. 12,000 for 800 units of P and 400 units of V respectively. P sells at Rs. 25 and V sells at Rs. 50 per unit. A sum of Rs. 9,000 of joint cost were allocated to product P based on the net realization method. What were the total joint cost in the year?	Rs. 18000	Rs. 12000	Rs. 10000	Rs. 15000
220	Nulook Ltd. Uses a JIT system and back flush accounting. It does not use a raw material stock control account During May, 8000 units were produced and sold. The standard cost per unit is Rs. 100; this includes materials of Rs. 45. During May, Rs. 4,80,000 of conversion costs were incurred. The debit balance on cost of goods sold account for May was	Rs. 840000	Rs. 780000	Rs. 880000	Rs. 800000
221	A factory of ABC Ltd. has a key resource (bottleneck) of a facility D which is available for 48000 minutes per week. The time taken per unit of product P in facility A is 6 minutes. Last week's actual output was 5000 units of product P and actual factory cost (excluding material cost) was Rs. 1,20,000. What is throughput cost per week?	Rs. 70000	Rs. 80000	Rs. 850000	Rs. 75000
222	In a PERT network, the optimistic time for a particular activity is 9 weeks and the pessimistic time is 21 weeks. Which one of the following is the best estimate of the standard deviation for the activity?	2	5	8	11



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223	What is the opportunity cost of making a component part in a factory given no alternative use of the capacity?	The total variable cost of the component	The variable manufacturing cost of the component	The total manufacturing cost of the component	Zero
224	The particular task performance in CPM is known as	Event	Activity	Dummy	Contract
225	In calculating the life cycle costs of a product, which of the following items would be included? A. Planning and concept design costs B. Preliminary and detailed design costs C. Testing costs D. Production costs E. Distribution costs	D and E	B, D and E	D	All of the above
226	The expected time for an activity of Project B is 10 days. If the optimistic and pessimistic times are 8 days and 12 days respectively, the most likely time estimate will be:	3 days	4 days	6 days	10 days
227	XYZ Ltd., developing a new product, makes a model for testing and goes for regular production. From past experience of similar models, it is known that a 90% learning curve applies. If the time taken to make the model is 300 hours, what will be the total time taken to produce 3rd to 4th unit of the product?	432 hours	470 hours	522 hours	390 hours
228	Activity in a Network diagram is shown by	Cone	Curve	Square	Arrow
229	Which of the following quality costs is incurred when inferior products are delivered to customers?	External Failure Costs	Appraisal Costs	Internal Failure Costs	Prevention Costs
230	During which phase of the Product Life Cycle, sales rise at an increasing rate?	Growth	Introduction	Decline	Maturity
231	A company has 2000 units of an obsolete item which are carried in inventory at the original purchase price of Rs. 30,000. If these items are reworked for Rs. 10,000, they can be sold for Rs. 18,000. Alternatively, they can be sold as scrap for Rs. 3,000 in the market. In a decision model used to analyze the reworking proposal, the opportunity cost should be taken as:	Rs. 3000	Rs. 30000	Rs. 2000	Rs. 4000
232	When fewer than $m+n-1$ shipment exist in a feasible solution	a dummy source must be created	the problem is capacitated.	an occupied cell must be created artificially.	the problem is unbalanced.
233	When allocation service department cost to production departments, the method that does not consider different cost behavior patterns is the	Step method	Step method	Single rate-method	Step method
234	Which one of the following is not a support activity of value chain?	Human Resource Management	Service	Technological Development	Infrastructure
235	In a factory where standard costing system is followed the production department consumed 1100 kgs of a material @ Rs. 8 per kg for product X resulting in material price variance of Rs. 2200(Fav) and material usage variance of Rs. 1000(Adv).What is the standard material cost of actual production of product X?	Rs. 20000	Rs. 15000	Rs. 12000	Rs. 10000
236	Which of the following is a recognised method of arriving at the selling price for the products of a business? (A) Life cycle pricing (B) Price skimming (C) Penetration pricing (D) Target costing	(A) and (B) only	(A), (B) and (C) only	(B) and (C) only	(A), (B), (C) and (D)



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

## STRATEGIC COST MANAGEMENT (PAPER - 16)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
237	Warranty period return of finished goods sold falls under the following quality cost:	Prevention	Appraisal	Internal failure	External failure
238	P operates an activity based costing (ABC) system to attribute its overhead costs to cost objects. In its budget for the year ending 31 August 2017, the company expected to place a total of 2,895 purchase orders at a total cost of Rs. 1,10,010. This activity and its related costs were budgeted to occur at a constant rate throughout the budget year, which is divided into 13 four-week periods. During the four-week period ended 30 June 2016, a total of 210 purchase orders were placed at a cost of Rs. 7,650. The over-recovery of these costs for the four-week period was:	Rs. 430	Rs. 330	Rs. 380	₹ 390
239	Which one of the following is not true for a Red ocean strategy and why?	Make the value cost trade-off	Beat the competition	Break the value cost trade-off	Exploit existing demand
240	Mohan Ltd., has developed a new product just complete the manufacture of first four units of the product. The first unit took 2 hours to manufacture and the first four units together took 5.12 hours to produce. The Learning Curve rate is	83.50%	75.50%	80.00%	None of (A), (B) or (C)
241	A company has a capacity to make 4,00,000 units of a product. It has noted from market conditions that at a price of Rs. 50 per unit, it can sell 1,00,000 units but the demand would double for each Rs. 5 fall in the selling price. A minimum margin of 25% is required. The target cost for the company should be:	₹ 30	₹ 25	₹ 40	₹ 10
242	Maximising player in a Payoff Matrix always uses	First strategy	Second strategy	Both Strategies	None of the above
243	SINT Ltd. determine its selling price by marking up the variable cost 50%. In addition, the company uses frequent selling price mark down to stimulate sales. If the mark down average is 20%, what is the company's contribution margin Ratio?	19.50%	18.50%	16.67%	20.00%
244	Subham Ltd., has the capacity of production of 80,000 units and presently sells 20,000 units at ₹100 each. The demand is sensitive to selling price and it has been observed that with every reduction of ₹10 in selling price, the demand is doubled. What should be the target cost at full capacity if profit margin on sale is taken as 25%?	₹ 55.00	₹ 68.00	₹ 65.50	₹ 60.00
245	A Company requires ₹85,00,000 in sales to meet its target net profit. Its contribution margin is 30% and the fixed costs are Rs.15,00,000. What is the target net profit?	Rs.050000	Rs.1020000	Rs.1050000	Rs.980000
246	Depreciation of product testing equipment is	Appraisal Cost	Internal Failure Cost	Not a Quality Cost	Irrelevant, but Quality Cost
247	The P/V ratio of a company dealing in Mechanical equipment is 50% and the margin of safety is 20%. BEP of the firm at a sales volume of Rs.50,00,000 will be	Rs.4000000	Rs.2500000	Rs.3000000	Rs.3500000



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

## STRATEGIC COST MANAGEMENT (PAPER - 16)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
248	ABC Ltd., a manufacturing company has a break-even point when sales are Rs.12,00,000 and fixed costs at that level of sales are Rs. 4,80,000. If the margin of safety (MOS) and sales of the company are 40% and 5,00,000 units respectively, what will be the sale price per unit?	Rs.3	Rs.4	Rs.5	Rs.6
249	Random numbers are used	To give random outcomes	To describe the uncertainty of the input values	To change the problem solution	To assign values to the parameters
250	In a factory where standard costing system is followed, the production department consumed 1100 kgs of a material @ Rs.8 per kg for product X resulting in material price variance of Rs.2200 (Fav) and material usage variance of Rs.1000 (Adv). What is the standard material cost of actual production of product X?	10,500	12,000	9,000	10,000
251	When Minimax and Maximin criteria matches then	Saddle point exists	Mixed strategy exists	A unfair game exists	A fair game exists
252	A Firm is said to achieve Condition of equilibrium when	Its loss is minimized	Its objective is optimized	Its profit is maximized	All of the above
253	An operation has a 90% learning curve and the first unit produced took 28 minutes. The labour cost is Rs.20 per hour. How much should the second unit cost?	Rs.7.3	Rs.7.6	Rs.7.7	Rs.8.2
254	The constraints in a linear programming Model are -	Included in the Objective function	Costs	Scarce Resources	Dependent Variables
255	If project A has a net present value (NPV) of Rs.30,00,000 and project B has an NPV of Rs.50,00,000, what is the opportunity cost if project B is selected?	Rs.5000000	Rs.2000000	Rs.8000000	Rs.3000000
256	To obtain the break-even point in rupee sales value, total fixed costs are divided by	Contribution Margin Per Unit	Variable Cost Per Unit	Profit/Volume Ratio	Fixed Cost Per Unit
257	Which of the following Quality Cost is incurred in the process of uncovering defects?	Prevention Costs	Prevention Costs	Appraisal Costs	Prevention Costs
258	A company that is a price-taker would most likely use which of the following methods?	Cost plus pricing, contribution approach	Target costing	Cost plus pricing, absorption approach	Cost plus pricing, absorption approach
259	The Break Even Sales of GXT Ltd., a manufacturing company, is Rs.3,75,000, while its fixed cost is Rs.1,12,500. If the Margin of Safety is 40%, what will be its Profit?	Rs.80000	Rs.70000	Rs.75000	Insufficient information
260	The product of XYZ company is sold at a fixed price of Rs.1,500 per unit. As per company's estimate, 500 units of the product is expected to be sold in the coming year. If the value of investments of the company is Rs.15 lakh and it has a target ROI of 15%, the target cost would be:	Rs.930	Rs.1050	Rs.1000	Rs.920
261	A PERT network has only two activities on its critical Path. The Standard Deviation of these activities are 6 and 8 respectively. What is the Standard Deviation of the Project completion time?	7	5	10	3



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## STRATEGIC COST MANAGEMENT (PAPER - 16)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
262	A 100% Learning Curve implies that	No learning has been achieved	Organisational learning has taken place	The Learning Curve can be applied universally across an industry	Direct labour time is reduced 100% for each doubling of production
263	Analysis of a dataset has revealed the fact that profit of a business has reduced for the financial year 2024-25. What category of data analytics it comes under?	Descriptive Analytics	Predictive Analytics	Diagnostic Analytics	Prescriptive Analytics
264	Learning Curve is also known as	Growth curve	Production curve	Experience curve	Exponential curve
265	PQR Ltd., a manufacturer of components for XYZ, has a capacity to produce 4 Lakh units. The market demand is sensitive to the sale price and the company could sell 1 Lakh units at a price of Rs.5,000 each. The demand thereafter would double for each 500 per unit fall in the selling price. If the company expects a minimum margin of 25%, what would be the Target Cost per unit for the company to sell at full capacity utilization?	Rs.3000	Rs.4000	Rs.5000	Rs.4500
266	In cost-plus pricing, the markup consists of	total cost and desired ROI.	selling and administrative costs.	desired ROI	manufacturing costs
267	Which of the following is/are not the features of Jedox tool?	Deployable in the cloud as well as on premise server or Hybrid.	BI and Analytics platform.	Allows users to easily create and share powerful reports within minutes.	(B) and (C) only
268	A particular job MB requires 800 kgs. of a material. 500 kgs. of the particular material is currently in stock. The original price of the material was Rs.300 but current resale value of the same has been determined as Rs.200. The current replacement price of the material is Re. 0.80 per kg., what will be the relevant cost of material for job MB?	Rs.440	Rs.320	Rs.400	Rs.380
269	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?	Rolling budget	Zero based budget	Incremental budget	Flexible budget
270	1200 units of microchips are required to be sold to earn a profit of Rs.1,06,000 in a monopoly market. The fixed cost for the period is Rs.74,000. The contribution in the monopoly market is as high as 3/4th of its variable cost. Determine the target selling price per unit.	Rs.310	Rs.280	Rs.350	Rs.380
271	A company produces a product which is sold at a price of Rs.80. Its Variable cost is Rs.32. The company's Fixed cost is Rs.11,52,000 p.a. The company operates at a margin of safety of 40%. The total sales of the company is:	40,000 units	30,000 units	10,000 units	20,000 units
272	In the context of Critical Path Analysis, the portion of the float of an activity which cannot be consumed without affecting adversely the float of the subsequent activities is called	Free float	Interfering float	Total float	Independent float



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## STRATEGIC COST MANAGEMENT (PAPER - 16)

### MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
273	In CPA (Critical Path Analysis) which of the following is not a correct step in sequence?	Understanding the logic of the system under consideration	Providing estimates for activity duration	Implementing and controlling the net work	Constructing the net work
274	By making and selling 9,000 units of a product, a company makes a profit of Rs.10,000, whereas in the case of 7,000 units, it would lose Rs.10,000 instead. The number of units to break-even is	7,500 units	8,200 units	7,750 units	8,000 units
275	A learning curve is a function	that increases at a greater rate as workers become more familiar with their tasks	A learning curve is a function	that measures the decline in labor-hours per unit due to workers becoming better at a job	that is linear
276	The break-even point of a manufacturing company is Rs.1,60,000. Fixed cost is Rs.48,000. Variable cost is Rs.₹ 12 per unit. The PV ratio will be	20%	30%	40%	35%
277	A factory has a key resource (bottleneck) of Facility A which is available for 31,300 minutes per week. The time taken by per unit of Product X and Y in Facility A are 5 minutes and 10 minutes respectively. Last week's actual output was 4750 units of product X and 650 units of Product Y. Actual factory cost was Rs.78,250. The throughput cost for the week would be:	Rs.78200	Rs.79375	Rs.73745	Rs.75625
278	S Ltd. manufactures a product whose time for the first unit is 1000 hours. It experience a learning curve of 80%, What will be the total time taken in hours for unit 5 to 8?	1536 hours	4096 hours	2000 hours	3200 hours
279	M/s Zimbra Limited sold 55,000 units of its product at Rs. 80 per unit. P/V Ratio is 20%. If total Fixed Cost is Rs. 6,40,000, the Margin of Safety (Units) is	15,000 Units	25,000 Units	20,000 Units	22,000 Units
280	Which one of the following is true for Blue Ocean Strategy?	Exploit existing demand	Beat the competition	Make the competition irrelevant	Make the value-cost trade off
281	The important step(s) required for simulation approach in solving a problem is/are	Test and validate the Model	Design the experiment	Conduct the experiment	All of the above
282	The expected time for an activity of Project LM is 20 days. If the most likely and pessimistic time are 19 days and 28 days, what will be the variance of the activity?	4	1.5	2.6	3.8
283	Down time due to defect in quality is an example of	Prevention cost	Internal failure cost	Appraisal cost	External failure cost



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## STRATEGIC COST MANAGEMENT (PAPER - 16)

### ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
1	Which of the following is not a primary activity of Value Chain?	Infrastructure
2	Which of the following is not a secondary activity of Value Chain?	Service
3	Which of the following is not a term normally used in value analysis?	Resale value
4	A company has forecast sales and cost of goods sold for the coming year as Rs. 25 lakhs and Rs. 18 lakhs respectively. The inventory turnover has been taken as 9 times per year. In case the inventory turnover increases to 12 times and the short-term interest rate on working capital is taken as 10%, what will be the saving in cost?	Rs. 5,000
5	Which of the following important pillars of Strategic Cost Management determines the company's comparative position in the industry in terms of performance?	Strategic Positioning Analysis
6	_____ is defined as the real and permanent reduction in the unit costs of goods manufactured or services rendered without impairing their suitability for the use intended.	Cost reduction
7	There are three core areas to consider when developing the supply chain strategy and business case. These are:	People, Process & Systems
8	TQM stands for:	Total Quality Management
9	Four Ps of Total Quality Management:	People, Process, Problem & Preparation
10	PRAISE stands for:	Problem Identification, Ranking, Analysis, Innovation, Solution & Evaluation
11	DMIADV is a methodology associated with:	Six Sigma
12	Pareto analysis recognizes:	80:20 Rule
13	Cost of Rework is a cost related to:	Internal failure
14	The cost incurred to ensure that failures do not happen:	Prevention cost
15	The break-even point of a manufacturing company is Rs.1,60,000. Fixed cost is Rs.48,000. Variable cost is Rs.12 per unit. The PV ratio will be:	30%
16	The higher the actual hours worked:	The higher the capacity utilization ratio
17	XYZ Ltd. has the following alternative planned activity levels: Total cost (Rs.): 1,00,000 (Level E) 1,50,000 (Level F) 2,00,000 (Level G) No. of units produced: 5,000 (Level E) 10,000 (Level F) 15,000 (Level G) If fixed overhead remains constant, then fixed overhead cost per unit at Level E is:	Rs. 10
18	T Ltd. produces and sells a product. The company expects the following revenues and costs in 2024: Revenues (400 sets sold @ Rs.600 per product) = Rs. 2,40,000 Variable costs = Rs. 1,60,000 Fixed costs = Rs. 50,000 What amount of sales must T Ltd. have to earn a target net income of Rs.63,000 if they have a tax rate of 30%?	Rs. 4,20,000
19	Excel Products Ltd. manufactures four products e.g. Product E, Product F, Product G and Product H using same raw materials. The input requirements for Products E, F, G and H are 1kg, 2kgs, 5kgs and 7kgs, respectively. Product-wise Selling Price and Variable Cost data are given hereunder: Selling Price of Products E, F, G & H are Rs.100, Rs.150, Rs.200 & Rs.300 respectively and variable costs are Rs.50, Rs.70, Rs.100 & Rs.125 respectively. Assuming raw material availability is a limiting factor, the correct ranking of the products would be:	E, F, H & G
20	A company has a breakeven point when sales are Rs. 3,20,000 and variable cost at that level of sales are Rs. 2,00,000. How much would p/v ratio increase or decrease if variable expenses are dropped by Rs.30,000?	Increase by 9.375%
21	The Tech Company has fixed costs of Rs.400,000 and variable costs are 75% of the selling price. To realize profits of Rs.100,000 from sales of 5,00,000 units, the selling price per unit:	must be Rs.4.00
22	A company makes components and sells internally to its subsidiary and also to external market. The external market price is Rs.24 per component, which gives a contribution of 40% of sales. For external sales, variable costs include Rs.1.50 per unit for distribution costs. This is, however not incurred in internal sales. There are no capacity constraints. To maximize company profit, the transfer price to subsidiary should be:	Rs. 12.90
23	H Group has two divisions, Division P and Division Q. Division P manufactures an item that is transferred to Division Q. The item has no external market and 6000 units produced are transferred internally each year. The costs of each division: Variable Cost: Rs.100 per unit & Rs.120 per unit for Division P & Q respectively. Fixed cost each year: Rs.1,20,000 & Rs.90,000 for Division P & Q respectively. Head Office management decided that a transfer price should be set that provides a profit of Rs. 30,000 to Division P. What should be the transfer price per unit?	Rs. 125
24	A particular job required 800 kgs of material – P. 500 kgs. of the particular material is currently in stock. The original price of the material – P was Rs.300 but current resale value of the same has been determined as Rs.200. If the current replacement price of the material – P is Rs.0.80 per kg., the relevant cost of the material – P required for the job would be:	Rs. 440
25	What is the opportunity cost of making a component part in a factory given no alternative use of the capacity?	Zero
26	If project A has a net present value (NPV) of Rs.30,00,000 and project B has an NPV of Rs.50,00,000, what is the opportunity cost if project B is selected?	Rs. 30,00,000
27	X Ltd. has 1000 units of an obsolete item which are carried in inventory at the original price of Rs.50,000. If these items are reworked for Rs. 20,000, they can be sold for Rs. 36,000. Alternatively, they can be sold as a scrap for Rs. 6,000 in the market. In a decision model used to analyse the reworking proposal, the opportunity cost should be taken as:	Rs. 6,000
28	The shadow price of skilled labour for SD Ltd. is currently Rs. 10 per hour. What does this mean?	Contribution will be increased by Rs. 10 per hour for each extra hour of skilled labour that can be obtained.



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## STRATEGIC COST MANAGEMENT (PAPER - 16)

### ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER								
29	A factory can make only one of the three products X, Y or Z in a given production period. The selling price per unit of Product X, Y & Z is Rs.1,500, Rs.1,800 & Rs.2,000 respectively and variable cost per unit is Rs.700, Rs.950 & Rs.1,000 respectively. Assume that there is no constraint on resource utilization or demand and similar resources are consumed by X,Y and Z. The opportunity cost of making one unit of Z is:	Rs. 850								
30	A company has 2000 units of an obsolete item which are carried in inventory at the original purchase price of Rs. 30,000. If these items are reworked for Rs.10,000, they can be sold for Rs. 18,000. Alternatively, they can be sold as scrap for Rs.3,000 in the market. In a decision model used to analyse the reworking proposal, the opportunity cost should be taken as:	Rs. 3,000								
31	TM Company can make 100 units of a necessary component part with the following costs: Direct Materials - Rs.60,000 Direct Labour - Rs.10,000 Variable Overhead - Rs.30,000 Fixed Overhead - Rs.20,000 TM Company can purchase the component externally for Rs.1,10,000 and only Rs.5,000 of the fixed costs can be avoided, what is the correct make-or-buy decision?	Make and Save Rs.5000								
32	AP Products sells product A at a selling price of Rs.40 per unit. AP's cost per unit based on the full capacity of 5,00,000 units is as follows Direct Materials - Rs.6 Direct Labour - Rs.3 Indirect Manufacturing Expense 60% of which is fixed - Rs.10 A one-time only special order offering to buy 50,000 units was received from an overseas distributor. The only other costs that would be incurred on this order would be Rs. 4 per unit for shipping. AP has sufficient existing capacity to manufacture the additional units. In negotiating a price for the special order, AP should consider that the minimum selling price per unit should be:	Rs. 17								
33	In cost plus pricing, the markup consist of:	Desired ROI								
34	MN paid Rs. 5,30,000 for a machine used to powder wheat. The machine can be sold for Rs. 1,30,000. The sale value of wheat is Rs. 8,00,000 and its variable cost is Rs. 4,00,000. The opportunity cost of producing wheat flour is:	Rs.1,30,000								
35	A Ltd. Plans to introduce a new product and issuing the target cost approach. Projected sales revenue is Rs. 90,00,000 (Rs. 45 per unit) and target costs are Rs. 64,00,000. What is the desired profit per unit?	Rs. 13								
36	Target costing is the answer to:	Market driven prices								
37	The product of XYZ company is sold at a fixed price of Rs. 1,500 per unit. As per company's estimate, 500 units of the product are expected to be sold in the coming year. If the value of investments of the company is Rs. 15 lakhs and it has a target ROI of 15%, the target cost would be:	Rs. 1050								
38	A company has the capacity of producing 80000 units and presently sells 20000 units at Rs. 100 each. The demand is sensitive to selling price and it has been observed that with every reduction of Rs. 10 in selling price the demand is doubled. What should be the target cost if the demand is doubled at full capacity and profit margin on sale is taken at 25%?	Rs.60								
39	120 units of semi-conductors are required to be sold to earn a profit of Rs.1,00,000 in a monopoly market. The fixed cost for the period is Rs.80,000. The contribution in the monopoly market is as high as 3/4th of its variable cost. Determine the target selling price per unit.	Rs.3500								
40	Cost Driver is:	Elements that would cause a change in the cost activity.								
41	ABC Management:	All of the above								
42	Process of Cost allocation under Activity Based Costing is:	Activities → Cost of Activities → Cost Driver → Cost allocated to cost objects								
43	P operates an activity-based costing (ABC) system to attribute its overhead costs to cost objects. In its budget for the year ending 31st March 2022, the company expected to place a total of 2,895 purchase orders at a total cost of Rs. 1,10,010. This activity and its related costs were budgeted to occur at a constant rate throughout the budget year, which is divided into 13 four-week periods. During the four-week period ended 30 June 2021, a total of 210 purchase orders were placed at a cost of Rs. 7,650. The over-recovery of these costs for the four-week period was:	Rs. 330								
44	At KL Company, cost of personnel department has always been charged to production department based upon number of employees. Recently, opinion gathered from the department managers indicate that number of new hires might be better predictor of personnel cost, Total personnel department cost are Rs. 2,00,000. <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Department</td> <td></td> </tr> <tr> <td style="text-align: center;">A      B      C</td> <td style="text-align: center;">Number of</td> </tr> <tr> <td style="text-align: center;">employees      30      270      100</td> <td></td> </tr> <tr> <td style="text-align: center;">The number of new hires      8      12      5</td> <td></td> </tr> </table> If number of new hires is considered the cost driver, what amount of cost will be allocated to Department A?	Department		A      B      C	Number of	employees      30      270      100		The number of new hires      8      12      5		Rs. 64,000
Department										
A      B      C	Number of									
employees      30      270      100										
The number of new hires      8      12      5										
45	Which of the following is not suitable for a JIT production system?	Batch production								
46	JIT relates to:	Inventory and product handling								
47	Glasso, a manufacturer of large windows, is experiencing a bottleneck in its plant. Setup time at one of its workstations has been identified as the culprit. A manager has proposed a plan to reduce setup time at a cost of Rs. 7,20,000. The change will result in 800 additional windows. The selling price per window is Rs. 18,000, direct labour costs are Rs. 3000 per window, and the cost of direct materials is Rs. 7,000 per window. Assume all units produced can be sold. The change will result in an increase in the throughput contribution of .....	Rs. 88,00,000								
48	Cost per unit under throughput accounting and marginal costing are mainly different because:	Direct labour is considered fixed in throughput accounting								
49	Ankit Ltd., operates throughput accounting system. The details of product A per unit are as under: Selling Price: Rs. 75 Material Cost: Rs. 30 Conversion Cost: Rs. 20 Time to bottleneck resources: 10 minutes What is the throughput contribution per bottleneck resource per hour?	Rs. 270								
50	Producing more non-bottleneck output:	Creates more inventory, but does not increase throughput contribution								



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## STRATEGIC COST MANAGEMENT (PAPER - 16)

### ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
51	Twin Ltd. uses JIT and back flush accounting. It does not use a raw material stock control account. During September 2023, 10000 units were produced and sold. The standard cost per unit is Rs. 150 which includes materials of Rs. 60. During September 2023, Rs. 9,90,000 of conversion costs were incurred. The debit balance in cost of goods sold account for September 2023 is:	Rs. 15,90,000
52	The companies that would benefit from back-flush costing include companies:	Which have fast manufacturing lead time
53	Bench marking is:	All of the above
54	Kanban Japanese System under JIT approach ensures that:	Continuous supply of inventory or product
55	The information relating to the direct material cost of a company is as follows: Standard price per unit: Rs. 7.20 Actual quantity purchased in units: 1600 Standard quantity allowed for actual production in units: 1450 Material price variance on purchase (Favourable): Rs. 480 What is the actual purchase price per unit?	Rs. 6.90
56	In a factory where standard costing system is followed, the production department consumed 1100 kgs of a material @ Rs. 8 per kg for product X resulting in material price variance of Rs. 2200 (Fav) and material usage variance of Rs. 1000 (Adv). What is the standard material cost of actual production of product X?	10,000
57	AB Ltd. uses standard cost system. The following information pertains to direct labour for Product X for the month of March, 2024: Standard rate per hour = Rs. 8 Actual rate per hour = Rs. 8.40 Standard hours allowed for actual production = 2000 hours Labour Efficiency variance = Rs. 1,600 (Adverse) What were the actual hours worked?	2,200
58	Aderholt uses activity-based costing to allocate its overheads. The budgeted cost/ expected for the Supervisor cost pool was: Budgeted units: 5,000 Number of employees: 75 Budgeted Cost: Rs. 7,500 The actual costs incurred were: Actual Units: 5,500 Actual Employees: 77 Actual cost: Rs. 8,085 What was the total variance for the pool?	Rs. 165 Favourable
59	The following figures are extracted from the books of a company: Budgeted O/H Rs. 10,000 (Fixed Rs. 6,000, Variable Rs. 4,000) Budgeted Hours 2000 Actual O/H Rs. 10,400 (Fixed Rs. 6,100, Variable Rs. 4,300) Actual Hours 2100 Variable O/H cost variance and Fixed O/H cost variance will be:	100 (A) and 200 (F)
60	A company uses standard absorbing costing. The following information is recorded by the company for October: Budgeted - Output and sales: 8,700 Selling Price per unit: Rs. 26 Variable Cost per unit: Rs.10 Total Fixed Overheads: Rs. 34800 Actuals - Output and sales: 8,200 Selling Price per unit: Rs.31 Variable Cost per unit: Rs.10 Total Fixed Overheads: Rs. 37000 The sales price variance for October was:	41,000 (F)
61	Which of the following may be the cause of Material Price Variance?	All of the above
62	Variance analysis involves breaking down and analysing the total variance to explain:	All of the Above
63	standard costing system consists of the following key elements:	All of the Above
64	Which of the following statements is correct?	All of the Above
65	Which of the following statements is true?	Both (1) and (2)
66	Standard cost and budgeted cost are:	Interrelated but not interdependent
67	Efficiency Ratio is:	Standard hours ÷ Actual hours × 100
68	Uniform Costing may not be successfully applied in the following case:	In different branches of the same company, each branch making a different product using a unique process
69	A constraint in an L.P. Model restricts:	All the above
70	A feasible solution of LPP –	Must satisfy all the constraints simultaneously.
71	The Objective Function of a LPP is $Z = 3x_1 + 2x_2$ . If $x_1 = 10$ and $x_2 = 5$ then the value of Z is –	40
72	Multiple solution exist in a Linear Programming problem when –	Objective Function is parallel to one of the constraints
73	The linear function of the variables which is to be optimized is called –	Objective Function
74	If the value of the Objective Function can be increased or decreased indefinitely then the solution is called –	Unbounded
75	The best use of Linear Programming is to find the optimal use of –	All of the above
76	Which of the following is assumption of Linear Programming Model?	All of the above



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## STRATEGIC COST MANAGEMENT (PAPER - 16)

### ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
77	Which of the following considers difference between least cost and the cost just before least for each row and column while finding Basic Feasible Solution in Transportation?	Vogel's Approximation Method
78	When the total allocation of a Transportation Problem match with supply and demand values, the solution is –	Feasible
79	The solution to a Transportation Problem with 'm' sources and 'n' destinations is feasible if the number of cell allocations are –	$m + n - 1$
80	To resolve Degeneracy in the solution of a Transportation Problem an infinitely small allocation is made to the solution already obtained. This allocation is known as –	All of the above except (a)
81	Which of the following is not correct with respect to Transportation as a tool of Quantitative Technique?	No Transportation problem can be given with supply $\neq$ demand.
82	Which of the following method is used to test optimality of a solution in Transportation?	Modified Distribution
83	In a solution of Transportation problem, empty cells are called –	All of the above
84	The Transportation Problem deals with the transportation of –	Single product from several sources to several destinations.
85	Which of the following methods is used to solve the Assignment problems?	Hungarian Method
86	Assignment of work to men and machines is known as:	Loading
87	In an Assignment matrix of size (5 × 5), the total number of decision variables in the objective function is –	25
88	An Assignment problem is solved to minimise the total time required to complete three jobs on three different machines such that each job is processed by exactly one machine and each machine processes exactly one job. The minimum total processing time is found to be 480 minutes. After a few days of operation, there has been a change in the design of the second job. Due to this, the processing time of the second job is increased by 15 minutes in either of the machines. The revised minimum total processing time will be –	495 minutes
89	Assignment problem can be considered as a particular case of -	Transportation problem
90	Dummy row or column is added in an assignment problem –	To balance total activities and total resources
91	While solving an assignment problem, an activity is assigned to a resource with zero opportunity cost because objective is to –	Minimise total cost of assignment
92	In an assignment problem –	Only one activity be assigned to each resource
93	An assignment problem can be viewed as a special case of transportation problem in which the capacity from each source is _____ and the demand at each destination is _____.	One, one
94	In marking assignments which of the following should be preferred?	Only row / column having single zero
95	The assignment matrix is always a _____	Square matrix
96	Maximisation assignment problem is transformed into a minimisation problem by _____	Subtracting each entry of the table from the maximum value of the table
97	In the Hungarian Method of solving Assignment problem, the row reduction is obtained by	Subtracting the smallest element from all other elements of the row
98	The horizontal and vertical lines drawn to cover all zeros of the total opportunity matrix for an optimal solution must be –	Equal to the Order of the matrix
99	The similarity between Assignment Problem and Transportation Problem is –	Both have objective function and non-negativity constraints
100	When we try to solve the Assignment problem by Transportation algorithm the following difficulty arises.	The problem degenerates and we have to use epsilon to solve degeneracy
101	The following character dictates that the Assignment matrix is a square one:	The allocations in Assignment problem are one to one
102	An Assignment problem can be solved by –	Both (1) and (2)
103	If there are n jobs and n workers, there would be –	n! solutions
104	The Assignment problem:	All of the above
105	To proceed with the MODI algorithm for solving an assignment problem, the number of dummy allocations need to be added are –	n - 1
106	The procedure used to solve Assignment problems wherein one reduces the original assignment costs to a table of opportunity costs is called _____	Matrix Reduction
107	When a maximisation assignment problem is converted to minimisation problem, the resultant matrix is called:	Regret matrix
108	Two person zero sum game means that:	The sum of losses of one player is equal to the sum of the gains of the other
109	Game theory models are classified by the:	All of these
110	A game is said to be unfair if:	Upper and lower values of the game are not equal
111	What happens when the maximin and minimax values of the game are equal?	Saddle point exists
112	A mixed strategy game can be solved by:	All of these
113	The size of the payoff matrix of a game can be reduced by using the principle of:	Dominance
114	The payoff value for which each player in a game always selects the same strategy is called the:	Saddle point
115	Games which involve more than two players are called:	N person game
116	Which of the following is first step for performing Simulation analysis?	Prepare a problem statement.
117	Which of the following are the advantages of using Modelling and Simulation?	All of the above.
118	Which one of the following is not an application area of Modelling and Simulation?	Food industry
119	Which of the following is the first step for developing the Simulation Model?	Identify the problem.
120	Simulation is the process of using a model to study the performance of a system.	Agreeable
121	Disadvantage of using Modelling and Simulation lies in the statement –	All of the above.
122	Monte Carlo Simulation gets its name from which of the following?	Random number assignment
123	Select the valid reasons for using Simulation.	Both (a) and (c)
124	The drive up window of a fast food centre was being studied using simulation for a variety of operating characteristics. As part of the study data was collected on Customer Arrivals as given in the following table. Using expected value calculations determine the expected time between customer arrivals. Inter arrival time (Minutes) 0.5 1.0 2.0 3.0 4.0 5.0 6.0 Probability 0.10 0.25 0.20 0.30 0.05 0.05 0.05	2.35 minutes
125	Critical Activities have:	Zero float



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## STRATEGIC COST MANAGEMENT (PAPER - 16)

### ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
126	In PERT Chart, the Activity time distribution is -	Beta
127	A PERT Network has nine activities on its Critical Path. The Standard Deviation of each activity on the Critical Path is 3. The S. D of the Critical Path is -	9
128	For an activity the pessimistic, most likely and optimistic times are respectively 10, 6 and 2 days. The expected duration of the activity is -	6 days
129	The time by which the activity completion time can be delayed without affecting the start of the succeeding activities is known as -	Free float
130	Which of the following statement is not true?	All of the above.
131	Following data refers to a project Network. What will be the Critical Path? Activity 1 - 2, 2 - 3, 3 - 4, 1 - 4, 2 - 5, 3 - 5, 4 - 5 Duration 2 Days, 1 Day, 3 Days, 3 Days, 3 Days, 2 Days, 4 Days	1 - 2 - 3 - 4 - 5
132	The amount of time by which an activity can be delayed without affecting the project completion is called -	Total float
133	Optimistic time and pessimistic time of an activity are respectively 4 days and 16 days. Variance of the duration of the activity will be -	4 days
134	In a project planning Free float can affect which of the following?	Preceding activity
135	Solution of problems of Crashing has to be started by applying the technique on -	Critical activities.
136	A PERT activity has an optimistic time of 3 days, pessimistic time of 15 days and an expected time of 7 days. What is the most likely time of the activity?	6 days
137	The reduction in project time normally results in -	Increase in Direct Cost and decrease in Indirect Cost
138	The Normal duration and Normal cost of an activity are 10 days and Rs. 350 respectively. The cost slope is Rs. 75 per day. If the Crash duration is 8 days then what is the Crash cost of the activity?	Rs. 500/-
139	Which of the following is incorrect?	Both PERT and CPM are event oriented.
140	The activity that must be completed prior to the start of an activity is called -	Predecessor activity
141	The slack times of Tail and Head events of Activity P are 10 days and 4 days respectively. If the Free float of the Activity P is 12 days then the Total float would be -	16 days
142	Which of the following represents reduction in project duration?	Crashing
143	Critical Path Method is good for -	Large projects only
144	The optimum duration is the -	One which gives the minimum Total Cost for the completion of the project.
145	Which of the following is not a notable challenge while scheduling a project?	Independent activities
146	A critical path is -	The longest path
147	Activities A, D and F merges at the event 6. If the earliest finish times of A, D and F are respectively 13, 17 and 8 then the earliest time of Event 6 is -	17
148	A Learning Curve describes:	The amount of production time per unit as the total number of units produced increases.
149	Limitations of the Learning Curve approach include -	Learning Curves are applicable when considering a highly automated process.
150	Which of the following statements about Learning Curve is incorrect?	Learning Curves show that the time saved in completing each subsequent unit increases.
151	Which of the following is not an application of Learning Curve?	Learning Curves can be employed in supply chain negotiations.
152	Bimal and Kamal are the two industrial workers engaged in doing a similar job. They have different learning rates of 80% and 90% respectively. Times taken to complete their first jobs are respectively 12 and 8 hours. If both continue with the same learning rate then after how many units Bimal will be faster than Kamal?	11th unit
153	How long will it take to produce the fifth unit with 85% learning rate, if the third unit took 13 hours?	11.5 hours
154	When 24 hours is required to produce a condenser of a particular type then the time required to produce the 16th unit with 85% Learning Curve is -	Between 12 and 14 hours
155	A diesel engine manufacturing company has an order of 4 large engines. A crew of 16 members took 4000 hours to assemble the first engine. If 80% Learning Curve is used then what will be the labour cost of the fourth engine, assuming average labour rate to be Rs. 180 per hour?	Between Rs. 4.5 to 5 Lakhs
156	Optimization is the method of finding:	All of the above
157	Choose the correct answer:	Optimization problems should have only one objective function
158	The process of finding relative maximum or minimum of a function is known as:	Optimization
159	For a Cost Function $TC = 3Q^2 + 7Q + 12$ , MC is -	$6Q + 7$
160	MR is:	First order derivative of TR
161	In the expression $D = AC - B^2$ used for describing the sufficient conditions for unconstrained optimization involving two variables (x and t), the meaning of A and C are -	2nd order partial derivative of the objective function (f) with respect to x and y respectively.
162	A price discriminating Monopolist Firm operates in -	All of the above.
163	For a dual plant Monopolist Firm with respective production costs $C_1$ & $C_2$ in the two plants, the necessary condition of equilibrium is:	$MC_1 = MC_2 = MR$
164	In Exponential Smoothing Method which one of the following is true?	$0 \leq \alpha \leq 1$ and high value of $\alpha$ is used for unstable demand.
165	Which of the following is not a Casual Forecasting Method?	Trend adjusted Exponential Smoothing
166	In a Time Series forecasting model, the demands for five time periods are 10, 13, 15, 18 and 22. A linear regression fit resulted in the equation $y = 6.9 + 2.9t$ , where y is the forecast for the period t. The sum of the absolute deviations for the five data with respect to their corresponding forecasts (taking t = 1 for the first one) is:	2.2
167	Which of the following is not a forecasting technique?	Hungarian Method
168	In Simple Exponential Smoothing forecast, to give higher weightage to recent demand information, the smoothing constant must be close to -	1
169	A linear Trend equation has the form -	$F = a + bt$



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170	The actual demand for a period is 100 units. But forecast demand was 90 units. The forecast error is –	10
171	If the estimate of the Trend Component is 158.2, the estimate of Seasonal Component is 94%, the estimate of the Cyclical Component is 105% and the estimate of the Irregular Component is 98%, then the multiplicative model will produce a forecast of –	153.02
172	Which of the following is not true for forecasting?	Short range forecasts are less accurate than long range forecasts
173	Delphi Method is used for –	Judgemental forecast
174	Tableau is a –	Both (a) and (b)
175	Which of the following statement is correct?	For Data Analytics the purpose of ETL Tool is same as that of ELT Tool.
176	Which of the following statement is incorrect?	None of the above.
177	Prescriptive Analytics is very important because –	It tells about the action to be taken.
178	Which of the following has no relation to Business Intelligence?	ABS Glue is a tool used for the purpose of Business Intelligence.
179	Which of the following is related to Financial Data Analytics?	All the above
180	Analysis of a dataset has revealed the fact that profit of a business has reduced for the financial year 2021-22. What category of data analytics it comes under?	Descriptive Analytics
181	#Script Ends – is related to which type of programming language?	Python
182	Which one of the following is a Key feature of SAS language?	All the above
183	Which one of the following is not a spreadsheet?	E-views
184	ABC Company uses a throughput accounting system. The details of product X per unit are as follows Selling Price - Rs. 40 Material cost- Rs. 12, Conversion Cost -Rs. 18, Time on bottle neck resource - 7 Minutes. The return per hour for product X is:	₹ 240
185	The break-even point of a manufacturing company is Rs.2,50,000. Fixed cost is Rs.50,000. Variable cost is Rs.14 per unit. The PV ratio will be:	20.00%
186	Which of the following is not a method of transfer pricing?	Internal price transfer price
187	Total fixed overhead variance can be defined as	Amount of the under-applied or over-applied fixed overhead costs
188	A company has the capacity of production of 80000 units and presently it sells 20000 units at Rs. 100 each. The demand is sensitive to selling price and it has been observed that every reduction of Rs. 10 in selling price the demand is doubled. What should be the target cost at full capacity if profit margin on sales is taken at 25%?	Rs.48 lakhs
189	The information relating to the direct material cost of a company is as follows: Standard price per unit Rs. 7.20 Actual quantity purchased in units 1600 Standard quantity allowed for actual production in units 1450 Material price variance on purchase (Favourable) Rs. 480 What is the actual purchase price per unit	Rs.6.9
190	Cost driver means	An activity which generates costs
191	The profit volume ratio of DEF Ltd. is 30%, while the margin of safety is 40%. If fixed cost of the company is Rs. 1,80,000, what will be its profit (net)?	Rs.120000
192	The following figures are extracted from the books of a company: Budgeted O/H Rs. 10,000 (Fixed Rs. 6,000, Variable Rs. 4,000) Budgeted Hours 2000 Actual O/H Rs. 10,400 (Fixed Rs. 6,100, Variable Rs. 4,300) Actual Hours 2100 Variable O/H cost variance and Fixed O/H cost variance will be:	100 (A) and 200 (F)
193	Which of the following is not a benefit of Activity Based Costing	Prime cost reduction
194	The P/V ratio of a firm is 50% and the margin of safety is 40%. BEP of the firm at a sales volume of Rs. 50,00,000 will be	Rs.3000000
195	ABC Limited has current PBIT of Rs. 19.20 lakhs on total assets of ₹96 lakhs. The company has decided to increase assets by Rs. 24 lakhs, which is expected to increase the operating profit before depreciation by Rs. 8.40 lakhs. There will be a net increase in depreciation by Rs. 4.80 lakhs. This will result in ROI	to decrease by 1%
196	ABC Limited is facing downfall in its demand. Marketing team has suggested to reduce the selling price by 10% to compete in the market. Variable cost is 72% of the current selling price. What will be the P/V Ratio after reducing the price by 10%.	20%
197	For a Learning Curve percentage of 72%, the time to be taken to complete the 4th unit of a 12-unit job involved in the assembly line, if the initial unit requires 80 hours, will be	41.47 hrs
198	Marketing department of an organisation estimates that 60,000 of new mixers could be sold annually at a price of Rs. 70 each. To design, develop and produce these new mixers an investment of Rs. 40,00,000 would be required. The company desires a 15% return on investment (ROI). Given these data, the target cost to manufacture, sell, distribute and service one mixer will be	Rs.60
199	When you wait until the manufacture of a product has been completed and then record all of the related issuances of inventory from stock that were required to create the product, it is called	Back-flush Accounting
200	XYZ Ltd. Plans to introduce a new product and issuing the target cost approach. Projected sales revenue is Rs. 80,00,000 (Rs. 50 per unit) and target costs are Rs. 56,00,000. What is the desired profit per unit?	Rs. 15
201	Assignment Problem can obtain a optimal solution only if -	None of the above
202	A company uses traditional standard costing system. The inspection and set-up costs are actually Rs. 1,760 against a budget of Rs. 2,000. ABC system is being implemented and accordingly the number of batches is identified as the cost driver for inspection and set up. The budgeted production is 10,000 units in batches of 1,000 units whereas actually 9,000 units were produced in 11 batches. The cost per batch under ABC system will be	Rs.200
203	A company has the capacity of production of 80,000 units and presently sells 20,000 units at Rs. 100 each. The demand is sensitive to selling price and it has been observed that with every reduction of Rs. 10 in selling price the demand is doubled. What should be the target cost at full capacity if profit margin on sale is taken as 25%?	Rs.60
204	In Simple Exponential Smoothing forecast to give higher weightage to recent demand information, the smoothing constant must be close to	1
205	Children's Park in a city with various signals and crossing is the simulated model of city traffic. This is a type of	Analogue Simulation
206	When Backflush costing is most likely to be used?	A Just-in-Time inventory philosophy has been adopted
207	Optimistic and pessimistic time of an activity respectively are 4 days and 16 days. Variance of the duration of the activity will be:	4 days



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208	Preparation and use of standard cost, their comparison with actual costs and the measurement and analysis of variances to originating causes is defined as:	Standard Costing
209	A company determines its selling price by marking up variable costs 60%. In addition, the company uses frequent selling price mark down to stimulate sales. If the mark down average 10%, what is the company's contribution margin ratio?	30.60%
210	A Ltd. Has earned net profit of Rs. 1 lakh, and its overall P/V ratio and margin of safety are 25% and 50% respectively. Find the total fixed cost of the company?	Rs.100000
211	The normal duration and normal cost of an activity of project XYZ are 12 days and Rs. 400 respectively. The cost slope is Rs. 80 per day, if the crash cost of the activity is Rs. 560, what will be the crash duration of the activity?	10 days
212	XYZ Ltd., a manufacturing company has developed a new product and just completed the manufacture of first 16 units of the product. If the first unit took 6 hours to manufacture and the first 16 units together took 62.9856 hours to produce, the Learning Curve (LC) rate would be	90%
213	If the time taken to produce the first unit of a product is 4000 hrs, what will be the total time taken to produce the 5th to 8th unit of the product, when a 90% learning curve applies?	10,368 hours
214	A company makes a single product which it sells at Rs. 10 per unit. Fixed costs are Rs. 48,000 per month and the product has a contribution to sales ratio of 40%. In a period when actual sales were Rs. 1,40,000, the company's margin of safety in units was:	2000
215	The following tasks are associated with ABC system: (I). Allocation of costs to products (II). Identification of cost pools (III). Identification of cost drivers (IV). Calculation of pool rates. The proper order of the preceding tasks is:	III, II, IV, I
216	A company has forecast sales and cost of sales for the coming year as Rs. 25 lakhs and Rs. 18 lakhs respectively. The inventory turnover has been taken as 9 times per year. In case the inventory turnover increases to 12 times and the short term interest rate on working capital is taken as 10%, what will be saving in cost?	Rs.5000
217	Which of the following would decrease unit contribution margin the most?	15% decrease in selling price
218	Which of the following is a Forecasting technique	Exponential Smoothing
219	A company produces two joint products, P and V. In a year, further processing costs beyond split-off point spent were Rs. 8,000 and Rs. 12,000 for 800 units of P and 400 units of V respectively. P sells at Rs. 25 and V sells at Rs. 50 per unit. A sum of Rs. 9,000 of joint cost were allocated to product P based on the net realization method. What were the total joint cost in the year?	Rs.15000
220	Nulook Ltd. Uses a JIT system and back flush accounting. It does not use a raw material stock control account During May, 8000 units were produced and sold. The standard cost per unit is Rs. 100; this includes materials of Rs. 45. During May, Rs. 4,80,000 of conversion costs were incurred. The debit balance on cost of goods sold account for May was	Rs.840000
221	A factory of ABC Ltd. has a key resource (bottleneck) of a facility D which is available for 48000 minutes per week. The time taken per unit of product P in facility A is 6 minutes. Last week's actual output was 5000 units of product P and actual factory cost (excluding material cost) was Rs. 1,20,000. What is throughput cost per week?	Rs.75000
222	In a PERT network, the optimistic time for a particular activity is 9 weeks and the pessimistic time is 21 weeks. Which one of the following is the best estimate of the standard deviation for the activity?	2
223	What is the opportunity cost of making a component part in a factory given no alternative use of the capacity?	Zero
224	The particular task performance in CPM is known as	Activity
225	In calculating the life cycle costs of a product, which of the following items would be included? A. Planning and concept design costs B. Preliminary and detailed design costs C. Testing costs D. Production costs E. Distribution costs	All of the above
226	The expected time for an activity of Project B is 10 days. If the optimistic and pessimistic times are 8 days and 12 days respectively, the most likely time estimate will be:	10 days
227	XYZ Ltd., developing a new product, makes a model for testing and goes for regular production. From past experience of similar models, it is known that a 90% learning curve applies. If the time taken to make the model is 300 hours, what will be the total time taken to produce 3rd to 4th unit of the product?	432 hours
228	Activity in a Network diagram is shown by	Arrow
229	Which of the following quality costs is incurred when inferior products are delivered to customers?	External Failure Costs
230	During which phase of the Product Life Cycle, sales rise at an increasing rate?	Growth
231	A company has 2000 units of an obsolete item which are carried in inventory at the original purchase price of Rs. 30,000. If these items are reworked for Rs. 10,000, they can be sold for Rs. 18,000. Alternatively, they can be sold as scrap for Rs. 3,000 in the market. In a decision model used to analyze the reworking proposal, the opportunity cost should be taken as:	Rs.3000
232	When fewer than m+n-1 shipment exist in a feasible solution	an occupied cell must be created artificially.
233	When allocation service department cost to production departments, the method that does not consider different cost behavior patterns is the	Single rate-method
234	Which one of the following is not a support activity of value chain?	Service
235	In a factory where standard costing system is followed the production department consumed 1100 kgs of a material @ Rs. 8 per kg for product X resulting in material price variance of Rs. 2200(Fav) and material usage variance of Rs. 1000(Adv).What is the standard material cost of actual production of product X?	Rs.10000
236	Which of the following is a recognised method of arriving at the selling price for the products of a business? (A) Life cycle pricing (B) Price skimming (C) Penetration pricing (D) Target costing	(A), (B) and (C) only
237	Warranty period return of finished goods sold falls under the following quality cost:	Internal failure
238	P operates an activity based costing (ABC) system to attribute its overhead costs to cost objects. In its budget for the year ending 31 August 2017, the company expected to place a total of 2,895 purchase orders at a total cost of Rs. 1,10,010. This activity and its related costs were budgeted to occur at a constant rate throughout the budget year, which is divided into 13 four-week periods. During the four-week period ended 30 June 2016, a total of 210 purchase orders were placed at a cost of Rs. 7,650. The over-recovery of these costs for the four-week period was:	Rs.330
239	Which one of the following is not true for a Red ocean strategy and why?	Break the value cost trade-off
240	Mohan Ltd., has developed a new product just complete the manufacture of first four units of the product. The first unit took 2 hours to manufacture and the first four units together took 5.12 hours to produce. The Learning Curve rate is	80.00%



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SL NO	QUESTIONS	CORRECT ANSWER
241	A company has a capacity to make 4,00,000 units of a product. It has noted from market conditions that at a price of Rs. 50 per unit, it can sell 1,00,000 units but the demand would double for each Rs. 5 fall in the selling price. A minimum margin of 25% is required. The target cost for the company should be:	Rs.30
242	Maximising player in a Payoff Matrix always uses	Second strategy
243	SINT Ltd. determine its selling price by marking up the variable cost 50%. In addition, the company uses frequent selling price mark down to stimulate sales. If the mark down average is 20%, what is the company's contribution margin Ratio?	16.67%
244	Subham Ltd., has the capacity of production of 80,000 units and presently sells 20,000 units at ₹100 each. The demand is sensitive to selling price and it has been observed that with every reduction of ₹10 in selling price, the demand is doubled. What should be the target cost at full capacity if profit margin on sale is taken as 25%?	Rs.60
245	A Company requires ₹85,00,000 in sales to meet its target net profit. Its contribution margin is 30% and the fixed costs are Rs.15,00,000. What is the target net profit?	Rs.1050000
246	Depreciation of product testing equipment is	Appraisal Cost
247	The P/V ratio of a company dealing in Mechanical equipment is 50% and the margin of safety is 20%. BEP of the firm at a sales volume of Rs.50,00,000 will be	Rs.4000000
248	ABC Ltd., a manufacturing company has a break-even point when sales are Rs.12,00,000 and fixed costs at that level of sales are Rs. 4,80,000. If the margin of safety (MOS) and sales of the company are 40% and 5,00,000 units respectively, what will be the sale price per unit?	Rs.4
249	Random numbers are used	To describe the uncertainty of the input values
250	In a factory where standard costing system is followed, the production department consumed 1100 kgs of a material @ Rs.8 per kg for product X resulting in material price variance of Rs.2200 (Fav) and material usage variance of Rs.1000 (Adv). What is the standard material cost of actual production of product X?	10,000
251	When Minimax and Maximin criteria matches then	Saddle point exists
252	A Firm is said to achieve Condition of equilibrium when	All of the above
253	An operation has a 90% learning curve and the first unit produced took 28 minutes. The labour cost is Rs.20 per hour. How much should the second unit cost?	Rs.7.6
254	The constraints in a linear programming Model are -	Scarce Resources
255	If project A has a net present value (NPV) of Rs.30,00,000 and project B has an NPV of Rs.50,00,000, what is the opportunity cost if project B is selected?	Rs.3000000
256	To obtain the break-even point in rupee sales value, total fixed costs are divided by	Profit/Volume Ratio
257	Which of the following Quality Cost is incurred in the process of uncovering defects?	Appraisal Costs
258	A company that is a price-taker would most likely use which of the following methods?	Target costing
259	The Break Even Sales of GXT Ltd., a manufacturing company, is Rs.3,75,000, while its fixed cost is Rs.1,12,500. If the Margin of Safety is 40%, what will be its Profit?	Rs.75000
260	The product of XYZ company is sold at a fixed price of Rs.1,500 per unit. As per company's estimate, 500 units of the product is expected to be sold in the coming year. If the value of investments of the company is Rs.15 lakh and it has a target ROI of 15%, the target cost would be:	Rs.1050
261	A PERT network has only two activities on its critical Path. The Standard Deviation of these activities are 6 and 8 respectively. What is the Standard Deviation of the Project completion time?	Rs.10
262	A 100% Learning Curve implies that	No learning has been achieved
263	Analysis of a dataset has revealed the fact that profit of a business has reduced for the financial year 2024-25. What category of data analytics it comes under?	Descriptive Analytics
264	Learning Curve is also known as	Experience curve
265	PQR Ltd., a manufacturer of components for XYZ, has a capacity to produce 4 Lakh units. The market demand is sensitive to the sale price and the company could sell 1 Lakh units at a price of Rs.5,000 each. The demand thereafter would double for each 500 per unit fall in the selling price. If the company expects a minimum margin of 25%, what would be the Target Cost per unit for the company to sell at full capacity utilization?	Rs.3000
266	In cost-plus pricing, the markup consists of	desired ROI
267	Which of the following is/are not the features of Jedox tool?	(B) and (C) only
268	A particular job MB requires 800 kgs. of a material. 500 kgs. of the particular material is currently in stock. The original price of the material was Rs.300 but current resale value of the same has been determined as Rs.200. The current replacement price of the material is Re. 0.80 per kg., what will be the relevant cost of material for job MB?	Rs.440
269	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?	Zero based budget
270	1200 units of microchips are required to be sold to earn a profit of Rs.1,06,000 in a monopoly market. The fixed cost for the period is Rs.74,000. The contribution in the monopoly market is as high as 3/4th of its variable cost. Determine the target selling price per unit.	Rs.350
271	A company produces a product which is sold at a price of Rs.80. Its Variable cost is Rs.32. The company's Fixed cost is Rs.11,52,000 p.a. The company operates at a margin of safety of 40%. The total sales of the company is:	40,000 units
272	In the context of Critical Path Analysis, the portion of the float of an activity which cannot be consumed without affecting adversely the float of the subsequent activities is called	Interfering float
273	In CPA (Critical Path Analysis) which of the following is not a correct step in sequence?	Implementing and controlling the net work
274	By making and selling 9,000 units of a product, a company makes a profit of Rs.10,000, whereas in the case of 7,000 units, it would lose Rs.10,000 instead. The number of units to break-even is	8,000 units
275	A learning curve is a function	that measures the decline in labor-hours per unit due to workers becoming better at a job
276	The break-even point of a manufacturing company is Rs.1,60,000. Fixed cost is Rs.48,000. Variable cost is Rs.₹ 12 per unit. The PV ratio will be	30%
277	A factory has a key resource (bottleneck) of Facility A which is available for 31,300 minutes per week. The time taken by per unit of Product X and Y in Facility A are 5 minutes and 10 minutes respectively. Last week's actual output was 4750 units of product X and 650 units of Product Y. Actual factory cost was Rs.78,250. The throughput cost for the week would be:	Rs.75625
278	S Ltd. manufactures a product whose time for the first unit is 1000 hours. It experience a learning curve of 80%. What will be the total time taken in hours for unit 5 to 8?	1536 hours
279	M/s Zimbra Limited sold 55,000 units of its product at Rs. 80 per unit. P/V Ratio is 20%. If total Fixed Cost is Rs. 6,40,000, the Margin of Safety (Units) is	15,000 Units



# THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

## STRATEGIC COST MANAGEMENT (PAPER - 16)

### ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
280	Which one of the following is true for Blue Ocean Strategy?	Make the competition irrelevant
281	The important step(s) required for simulation approach in solving a problem is/are	All of the above
282	The expected time for an activity of Project LM is 20 days. If the most likely and pessimistic time are 19 days and 28 days, what will be the variance of the activity?	4
283	Down time due to defect in quality is an example of	Internal failure cost