



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

MANAGEMENT ACCOUNTING (PAPER - 12)

MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
1	Management Accounting _____.	Accumulates, summarizes and analyses the available data.	Is primarily concerned with the requirements of the management.	Makes Corporate Planning and Strategy effective.	All of the above
2	Management accounting can be viewed as _____.	Marketing-oriented Accounting	Management-oriented Accounting	Accounting-oriented Management	Manager-oriented Accounting
3	The main objective of management accounting is _____.	To maintain the accounting records	To know the amount due from customers and suppliers	To ascertain analyse and interpret the results of business operations	To record all the business transactions
4	_____ is the study of managerial aspects of financial accounting _____.	Cost accounting	Financial accounting	Management accounting	Business accounting
5	The purpose of management accounting is to help _____ make decisions	Managers	Investors	Marketers	Banks
6	Management accounting assists the management in _____	Planning	Directing	Controlling	All of the above
7	'Period of lost relevance' is the _____ of the evolution of management accounting.	1st stage	2nd stage	3rd stage	4th stage
8	_____ criteria are a set of standards for a company's behaviour used by socially conscious investors to screen potential investments.	JIT	AMT	ESG	ABC
9	Management accounting information helps managers formulate strategy by answering which of the following questions?	Who are the most important customers, and how can the company deliver value to the customers?	What is most critical capability of the company which may be technology, production, or marketing?	How can we leverage it for new strategic initiatives?	All of the above
10	Management accounting with specific focus on environmental issues is becoming increasingly important in organizations as environmental costs are large in many organisations. There are three specific reasons for this, which are _____.	Environmental costs are often high in the many manufacturing organisations	Regulatory requirements often impose huge fines for non-compliance	Both 1 and 2	Companies are increasingly realizing that being socially and environmentally responsible declines their image and this has positive impact on their bottom line.
11	Management accounting is concerned with data collection from _____.	internal sources	external sources	internal and external sources	nternal or external sources



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12	Management Accounting is concerned with accounting information, which is useful to the management — This definition is given by _____.	Robert N. Antho	Brown and Howard	CIMA	The Institute of Chartered Accountants of England and Wales
13	The primary objective of Management Accounting is to _____.	maximize profits	minimize losses	maximize profits or minimize losses	All of the above
14	Which of the following is a correct definition of activity-based management?	An approach to the costing and monitoring of activities which involves tracing resource consumption and costing final outputs. Resources are assigned to activities and activities to cost objects based on consumption estimates. The latter utilize cost drivers to attach activity costs to outputs.	The identification and evaluation of the activity drivers used to trace the cost of activities to cost objects. It may also involve selecting activity drivers with potential to contribute to the cost management function with particular reference to cost reduction	A method of budgeting based on an activity framework and utilizing cost driver data in the budget- setting and variance feedback processes.	A system of management which uses activity-based cost information for a variety of purposes including cost reduction, cost modeling and customer profitability analysis
15	Which of the following characteristics would be an indicator that a company would benefit from switching to activity based costing?	Only one homogenous product is produced on a continuous basis	The existing cost system is reliable and has produced excellent results	Overhead costs are high and increasing and no one seems to know why	The costs of implementing ABC out-weigh the benefits
16	According to the Chartered Institute of Management Accountants (CIMA), cost attribution to cost units on the basis of benefits received from indirect activities e.g. ordering, setting up, and assuring quality is known as:	Absorption costing	Marginal costing	Activity-based costing	Job costing
17	In an ABC system, which of the following is likely to be classified as a batch level activity?	Machine set-up	Product design	Inspection of every item produced	Production manager's work
18	Activity based costing	Uses a plant wide overhead rate to assign overhead	Is not expensive to implement	Typically applies overhead costs using direct labour hours	Uses multiple activity rates
19	Which of the following activities is not a batch level activity?	Processing purchase orders	Designing products	Receive raw materials from suppliers	Setting up equipment
20	Which of the following is not included in batch level activities?	Material ordering cost	Machine set-up cost	Inspection cost	Designing the product



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21	Assigning overhead using ABC often:	Shifts overhead costs from high-volume products to low-volume products	Shifts overhead costs from low-volume products to high-volume products	Provides the same results as traditional costing	Requires one predetermined overhead rate
22	In Activity Based Costing	Non-manufacturing costs may not be assigned to products	Some manufacturing costs may be excluded from product costs	Allocation bases are the same as those used in traditional costing methods	Similar to traditional costing, ABC only uses one overhead cost pool
23	In an ABC system, the allocation bases that are used for applying costs to services or procedures are called:	Cost Pool	Cost Driver	Cost Absorption	Cost Object
24	Which of the following would not be deducted from sales in a management report prepared using ABC?	Direct materials	Direct labour	Variable selling and administration costs	Shipping costs
25	an item for which cost measurement is required e.g. product, job or a customer	Cost Pool	Cost Driver	Cost Absorption	Cost Object
26	Which of the following is different in ABC when compared to traditional costing?	Traditional costing and ABC costing usually yield very similar product costs	In an ABC costing system, costs are only assigned to products that actually required work that gave rise to a particular cost	In ABC, batch-level costs are applied to products using unit-level bases	Under traditional costing, batch-level costs are shifted from high-volume products to low-volume products
27	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
28	Cost of maintaining a building is:	Unit Level Cost	Batch Level Cost	Product Level Cost	Facility Level Cost
29	should be subtracted from net product revenues instead of an arbitrary and illogical apportionment.	Facility Level Cost	Product Level Cost	Organizational Level Cost	High Level Cost
30	The basis of apportionment of overheads which takes into account the profitability of various departments is called:	FIFO basis	LIFO basis	Ability to pay basis	Activity basis
31	Which of the following is the main cost driver of customer order processing activity?	Flow of the product from the assembly line	Order value	Number of problem suppliers	Number of machine charges
32	Painting the product would be an example of which activity level groups	Facility-level activity	Product-level activity	Unit-level activity	Batch-level activity
33	Which of the following tasks is not normally associated with an activity-based costing system?	Calculation of cost application rates	Identification of cost pools	Preparation of allocation matrices	Identification of cost drivers



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34	All of the following are examples of batch level activities except:	Purchase order processing	Setting up equipment	The clerical activity associated with processing purchase orders to produce an order for a standard product	Worker recreational facilities
35	A cost driver -	is a force behind the overhaed cost	is an allocation base	is a transaction that is a significant determinant of cost	is all of the above
36	Which of these is NOT a cost driver For the Activity Design of products, services & Processes ?	Number of Products in design	Number of Parts per product	Number of employee Training Programmes	Number of engineering Hours
37	Which of these in NOT a Cost driver for Marketing and sales Function ?	Number of advertisements/Insertions	Number of research projects	Number of Sales personnel	sales Revenue
38	Which of these in NOT a Cost driver for Customer Service Activity ?	Number of service calls	Number of Products serviced	Hours spent on servicing products	sales Revenue
39	Plant depreciation is an example of which activity-level group?	Unit-level activity	Facility-level activity	Batch-level activity	Product-level activity
40	Under activity-based costing, 'material ordering' is considered as —	Unit-level activity	Facility-level activity	Batch-level activity	Product-level activity
41	Samsung an appliance manufacturer is developing a new line of ovens that uses controlled-laser technology. Research and testing costs associated with the new ovens is said to arise from a:	Unit Level Activity	Competitive Level Activity	Facility Level Activity	Product Sustaining Activity
42	A homogeneous cost pool is one that:	Does not change over time	Needs many activity drivers to be allocated to a cost object	Can be explained with a single activity driver	Has only one type of material assigned to it
43	An Activity-Based Costing, an inspection of the product is a level activity:	Unit	Batch	Product	Facility
44	A company uses traditional standard costing system. The inspection and set-up costs are actually ₹1,760 against a budget of ₹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	₹ 160	₹ 200	₹ 180	₹ 220



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45	X Company uses activity-based costing for Product B and Product D. The total estimated overhead cost for the parts administration activity pool was ₹5,50,000 and the expected activity was 2000 part types. If Product D requires 1200 part types, the amount of overhead allocated to product D for parts administration would be:	₹ 2,75,000	₹ 3,00,000	₹ 3,30,000	₹ 3,45,000
46	Fast Ltd. manufactures three types of products A, B, and C following ABC System. During a period, the company incurred ₹73,000 as inspection cost and it was worked for 10, 20 and 9 production runs respectively for producing products A, B, and C. The inspection costs for product B under the ABC system was	₹ 15,000	₹ 40,000	₹ 18,000	₹ 24,000
47	A company operates an activity based costing (ABC) system to attribute its overhead costs to cost objects. In its budget for the year ending 31st August, 2022. The company expected to place a total of 2000 purchase orders at a total cost of ₹1,00,000. 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 30th June 2021, a total of 200 purchase orders were placed at a cost of ₹ 9,000. The over recovery of these costs for the four-week period was	₹ 2,000	₹ 3,000	₹ 1,500	₹ 1,000
48	A company manufactures 500 units of product AX the material cost to manufacture is ₹ 1,50,000, Labour cost ₹2,65,000. Material reordering cost is ₹4,500, Material handling cost is ₹2,500 Material order – 35, Material movement – 20. Total Material cost under Activity based costing is.	₹ 554	₹ 4,22,000	₹ 1,57,000	₹ 1,084
49	To obtain the break-even point in rupee sales value, total fixed costs are divided by:	Variable cost per unit;	Contribution margin per unit;	Fixed cost per unit;	Profit/volume ratio.
50	The break-even point is the point at which:	There is no profit, no loss;	Contribution margin is equal to total fixed cost;	Total revenue is equal to total cost;	All of the above.



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51	The primary difference between a fixed budget and a variable (flexible) budget is that a fixed budget:	includes only fixed costs, while a variable budget includes only variable costs.	is concerned with only further acquisitions of fixed costs, while a variable budget is concerned with expenses which vary with sales.	cannot be changed after the period begins, while a variable budget can be changed after the period begins.	is a plan for a single level of sales (or other measure of activity), while a variable budget consists of several plans, one for each of several levels of sales (or other measures of activity).
52	Margin of safety is referred to as:	Excess of actual sales over fixed expenses;	Excess of actual sales over variable expenses;	Excess of actual sales over break-even sales;	Excess of budgeted sales over fixed costs.
53	Contribution margin is known as	Marginal income	Gross profit	Net income	Net profit
54	Fixed cost per unit decrease when	Production volume increases	Production volume decreases	Variable costs per unit decreases	Prime costs per unit decreases
55	Within a relevant range, the amount of variable costs per unit	Differs at each production level	Remains constant at each production level	Increases as production increases	Decreases as production increases
56	Margin of safety is referred to as	Excess of budgeted or actual sales over the variable expenses and fixed expense, at break-even.	Excess of budgeted or actual sales revenue over the fixed expenses.	Excess of actual sales over budgeted sales.	Excess of sales revenue over the variable expenses
57	Under marginal costing system, the contribution margin discloses the excess of	Revenue over fixed costs	Projected revenues over the break-even point	Revenues over variable costs	Variable costs over fixed costs
58	A decrease in sales price	does not affect the break-even point	lowers the fixed cost	Increases the break-even point	lowers the break-even point
59	Determine Margin of safety if Profit is ₹15,000 and P/V ratio is 40%.	₹ 37,500	₹ 33,000	₹ 38,000	None of the above
60	What is Margin of Safety if Sales is 20,000 units and B.E.P is 15,000 units?	15000 units	5000 units	10000 units	20000 units
61	Determine sales in rupees for desired profit if fixed cost is ₹10,000, Variable cost is ₹30,000, Sales is ₹50,000 and desired profit is ₹5,000.	₹ 73,500	₹ 75,000	₹ 5,000	₹ 37,500
62	What will be sales in rupees for desired profit if fixed cost is ₹30,000, desired profit is ₹15,000 and P/V ratio is 30%?	₹ 1,50,000	₹ 1,00,000	₹ 2,00,000	None of the above
63	Calculate sales in rupees for desired profit if fixed cost is ₹10,000, selling price is ₹20 per unit, Variable cost is ₹15 per unit and desired profit is ₹1 per unit	₹ 20,000	₹ 50,000	₹ 70,000	₹ 10,000



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64	Determine sales in units for desired profit if Fixed cost is ₹15,000, desired profit is ₹5,000 Selling price per unit is ₹20 and Variable cost per unit is ₹16.	₹5,000 units	₹ 5,000	₹ 10,000	₹10,000 units
65	What will be sales in units if fixed cost is ₹50,000 Contribution per unit is ₹60 and desired profit per unit is ₹10.	₹6,000 units	₹ 1,000	₹1,000 units	₹ 6,000
66	9. Determine B.E.P in units and amount if Units produced if ₹10,000, Fixed cost is ₹40,000, Selling price is ₹50 per unit and Variable cost us ₹30 per unit.	₹40 per unit, ₹2,00,000	₹50 per unit, ₹10,00,000	₹20 per unit, ₹1,00,000	None of the above
67	Determine B.E.P if Sales is ₹1,00,000, Variable cost is ₹50,000 and Profit is ₹20,000.	₹ 60,000	₹ 40,000	₹ 80,000	None of the above
68	Pv ratio will increase if there is -	a decrease in fixed cost	an increase in fixed cost	a decrease in selling price per unit	a decrease in variable cost per unit
69	Under marginal costing ,the cost of product for inventory valuation includes	prime costs and variable factory overheads	prime cost only	prime costs and Fixed factory overheads	prime costs and all factory overheads
70	period costs are :	variable cost	fixed cost	prime cost	overheads cost
71	Marginal costs is taken as equal to	Prime Cost plus all variable overheads	Prime Cost minus all variable overheads	Variable overheads	None of the above
72	Contribution margin is equal to	Sales - Fixed Cost - Profit	Profit + Variable Cost	Fixed Cost - Loss	None of the above
73	It is pallned sell 1,00,000 units of product A at ₹12 per unit. Fixed Costs are ₹2,80,000 .To achive a profit of ₹2,00,000 what would the variable costs be ?	₹ 4,80,000	₹ 7,20,000	₹ 9,00,000	₹ 9,20,000
74	Factors which can change the break even point	change in total fixed costs	change in variable costs per unit	change in the selling price per unit	All of the above.
75	net profit ratio is 12% and bep is 40 % of total sales compute pv ratio	60%	52%	28%	20%
76	If the total cost of 1000 units is ₹ 60,000 and that of 1001 units is ₹60,400, then the increase of ₹400 in the total cost is:	Prime cost	All variable overheads	Marginal cost	None of the above
77	Which of the following statements are true about marginal costing?	In marginal costing, fixed costs are treated as product costs	Marginal costing is not an independent system of costing	The elements of cost in marginal costing are divided into fixed and variable components	Both b and c
78	The costing method where fixed factory overheads are added to inventory is called:	Activity-based costing	Absorption costing	Marginal costing	All of the above



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79	While computing profit in marginal costing:	The fixed cost gets added to the contribution	The total marginal cost gets deducted from total sales revenue	The total marginal cost gets added to total sales revenue	None of the above
80	Which of the following assumptions are made while calculating marginal cost	Total fixed cost is constant at all levels of output	Total variable cost varies according to the volume of output	All elements of cost can be divided into fixed and variable components	All of the above
81	Contribution margin in marginal costing is also known as:	Net income	Gross profit	Marginal income	None of the above
82	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
83	The difference in total cost that results from two alternative courses of action is called:	Relevant Cost	Opportunity Cost	Differential Cost	Marginal Cost
84	Relevant costs are:	unavoidable, future and measured by cash	avoidable, future and measured by cash	avoidable, future and measured by profit	unavoidable, future and measured by profit
85	The profit at which total revenue is equal to the total cost is known as:	Margin of safety	Break-even point	Both a and b are incorrect	Both a and b are correct
86	Which of the following costs would not be accounted for in a company's recordkeeping system?	an unexpired cost	an expired cost	a product cost	an opportunity cost
87	PQR Ltd. manufactures a single product which it sells for ₹ 40 per unit. Fixed cost is ₹ 60,000 per year. The contribution to sales ratio is 40%. PQR Ltd.'s Break Even Point in units is	3500	3700	3750	4000
88	The break-even point of a manufacturing company is ₹1,60,000. Fixed cost is ₹48,000. Variable cost is ₹12 per unit. The PV ratio will be:	20%	40%	30%	25%
89	Product A generates a contribution to sales ratio of 40%. Fixed cost directly attributable to Product A amounted to ₹60,000. The sales revenue required to achieve a profit of ₹15,000 is	₹ 2,00,000	₹ 1,85,000	₹ 1,87,500	₹ 2,10,000
90	XYZ Ltd. makes a special gadget for the car it manufactures. The machine for the gadget works to full capacity and incur ₹15 Lakhs and ₹40 Lakhs respectively as Variable and Fixed Costs. If all the gadgets were purchased from an outside supplier, the machine could be used to produce other items, which would earn a total contribution of ₹ 25 Lakhs. What is the maximum price that XYZ Ltd. should be willing to pay to the outside supplier for the gadgets, assuming there is no change in Fixed Costs?	₹40 Lakhs	₹65 Lakhs	₹25 Lakhs	₹15 Lakhs



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91	X Ltd. has 1000 units of an obsolete item which are carried in inventory at the original price of ₹ 50,000. If these items are reworked for ₹ 20,000, they can be sold for ₹ 36,000. Alternatively, they can be sold as a scrap for ₹6,000 in the market. In a decision model used to analyze the reworking proposal, the opportunity cost should be taken as	₹ 16,000	₹ 6,000	₹ 30,000	₹ 20,000
92	The sales and profit of a firm for the year 2021 are ₹1,50,000 and ₹20,000 and for the year 2022 are ₹1,70,000 and ₹ 25,000 respectively. The P/V Ratio of the firm is	15%	20%	25%	30%
93	Which one of the following is not considered as a method of Transfer Pricing	Negotiated Transfer Pricing	Market Price Based Transfer Pricing	Fixed Cost Based Transfer Pricing	Opportunity Cost Based Transfer Pricing
94	Method of pricing, when two separate pricing methods are used to price transfer of products from one subunit to another, is called:	Dual pricing	Functional pricing	Congruent pricing	Optimal pricing
95	The Eastern division sells goods internally to the Western division of the same company. The quoted external price in industry publications from a supplier near Eastern is ₹200 per ton plus transportation. It costs ₹20 per ton to transport the goods to Western. Eastern's actual market cost per ton to buy the direct materials to make the transferred product is ₹100. Actual per ton direct labour is ₹50. Other actual costs of storage and handling are ₹40. The company president selects a ₹220 transfer price. This is an example of:	Negotiated transfer pricing.	Cost plus 20% transfer pricing.	Cost-based transfer pricing.	Market-based transfer pricing.
96	Division P transfers its output to Division Q at variable cost. Once a year P charges a fixed fee to Q, representing an allowance for P's fixed costs. This type of transfer pricing system is commonly known as:	Dual pricing	Negotiated transfer pricing	Opportunity cost based transfer pricing	Two-part tariff transfer pricing
97	In which of the following circumstances is there a strong argument that profit centre accounting is a waste of time?	When the transferred item is also sold on an external market	When the supplying division is based in a different country to head office	If the transferred item is a major product of the supplying division	If there is no similar product sold on an external market and the transferred item is a major product of the supplying division
98	Which one of the following is not considered as a method of Transfer Pricing?	Negotiated Transfer Pricing	Market Price Based Transfer Pricing	Fixed Cost Based Transfer Pricing	Opportunity Cost Based Transfer Pricing



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99	Method of pricing, when two separate pricing methods are used to price transfer of products from one subunit to another, is called:	dual pricing	functional pricing	congruent pricing	optimal pricing
100	M 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 6,000 units produced are transferred internally each year. The costs of each division are as follows? Variable Cost Division P ₹100 per unit Division Q ₹120 per unit Fixed cost each year ₹1,20,000 ₹90,000 Head Office management decided that a transfer price should be set that provides a profit of ₹30,000 to Division P. What should be the transfer price per unit?	₹ 145	₹ 125	₹ 120	₹ 135
101	Minimax Ltd. fixes inter - divisional transfer prices for its products on the basis of cost plus a return on investment in the division. The budget for division X for 2022 – 23 appears as under -Fixed Assets ₹8,00,000 Current Assets ₹5,00,000 Debtors ₹2,00,000 Annual fixed cost of the division ₹8,00,000 Variable cost per unit of the product 10 Budgeted volume ₹4,00,000 units per year Desired ROI 28%. Transfer price for division X is _____	₹ 13.05	₹ 10.70	₹ 8.70	₹ 14.70
102	BC Company fixes the inter-divisional transfer prices for its products on the basis of cost, plus a return on investment in the division. The Budget for Division for Alpha for the year 2021-22 appears as under: Fixed Assets ₹5,00,000 Current assets ₹3,00,000 Debtors ₹2,00,000 Annual Fixed Cost of the Division ₹8,00,000 Variable Cost per unit of Product ₹10 Budgeted Volume 4,00,000 units per year Desired ROI 28% on ₹10,00,000 Determine the transfer Price for Alpha.	12.7	17.2	27.1	11.7
103	The _____ method of transfer pricing was introduced in order to overcome the problems caused by using marginal cost	dual price	Two-Part Transfer Pricing	Negotiated Transfer Pricing	none of them
104	Transfer pricing methods may be classified	under 3 pricing method	under 4 pricing method	under 5 pricing method	under 7 pricing method



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105	Which of the following is true of standards?	Standards represent a benchmark or a norm	Standards relate to input quantity	Standards relate to input cost	All of the above
106	Standards that can be attained only under the best circumstances are referred to as:	Attainable standards	Budget standards	Ideal standards	Practical standards
107	Who is most likely to be held responsible for a material price variance?	Line workers	Production supervisors	Purchasing managers	Production schedulers
108	Cost variance is the difference between	The standard cost and marginal cost	The standards cost and budgeted cost	The standards cost and the actual cost	None of these
109	Standard costing is a tool, which replaces the bottleneck of the ___ costing.	Present	Future	Historical	None of the above
110	If standard cost > actual, then it is:	Not favourable	Favourable	Neither favourable nor not favourable	None of the above
111	From cost control point of view the standard most commonly used is:	Expected standard	Theoretical standard	Normal standard	Basic standard
112	When more than one material is used in the manufacture of a product, which of the following variances arises:	Material yield variance	Material mix variance	Material price variance	Material usage variance
113	Which of the following equations can be used to calculate a material quantity variance?	$(AQ \times AP) - (AQ \times SP)$	$(AP \times SP) - (AQ \times SP)$	$(AQ \times SP) - (SQ \times SP)$	$(AQ \times SP) - (AQ \times AP)$
114	Which of the following equations can be used to calculate a material price variance?	$(AQ \times AP) - (AQ \times SP)$	$(AP \times SP) - (AQ \times SP)$	$(AQ \times SP) - (SQ \times SP)$	$(AQ \times SP) - (AQ \times AP)$
115	Which of the following is not likely to be a reason of unfavourable direct labour efficiency variance?	Increase in direct materials prices	Frequent break downs during production process	Lack of proper supervision	Use of old, outdated or faulty equipment
116	Which of the following is a purpose of standard costing?	To determine profit at different levels	To determine break-even point	To control costs	To allocate cost with more accuracy
117	Which of the following activities is the Standard Costing System used for?	It is a basis for implementing cost control and fixing the price of products through variance analysis	It helps to ascertain the cost-volume relationship between products manufactured by the business	It helps to establish the breakeven point for the products manufactured by the company	None of the above
118	Which of the following activities is true under the Standard Costing System?	The overhead volume variance is always beneficial	The idle time variance is never favourable	To calculate the overall costs, a company can either use budgetary control or standard costing but not both of those techniques	The overhead efficiency variance plus overhead expense variance is equal to the overhead budget variance for variable overheads
119	A standard cost is a carefully _____ unit cost which is prepared for each cost unit.	Pre-determined	Absorbed	Apportioned	None
120	Setting of standard involves effective utilization of ___.	Men	Material	Machines	All of the above



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121	The standard cost card contains quantities and costs for	Direct material only	Direct labour only	Direct material and direct labour only	Direct material, direct labour, and overhead
122	Standards differ from budgets in that:	Budgets but not standards may be used in valuing inventories	Budgets but not standards may be journalized and posted	Budgets are a total amount and standards are a unit amount	Only budgets contribute to management planning and control
123	Standard Costs:	Are imposed by governmental agencies	Are predetermined unit costs which companies use as measures of performance	Can be used by manufacturing companies but not by service or not-for-profit companies	All of the above
124	The advantages of standard costs include all of the following except:	Management by exception may be used	Management planning is facilitated	They may simplify the costing of inventories	Management must use a static budget
125	Normal standards:	Allow for rest periods, machine breakdowns, and setup time	Represent levels of performance under perfect operating conditions	Are rarely used because managers believe they lower workforce morale	Are more likely than ideal standards to result in unethical practices
126	The setting of standards is:	A managerial accounting decision	A management decision	A worker decision	Preferably set at the ideal level of performance
127	Which of the following is correct about the total overhead variance?	Budgeted overhead and budgeted overhead applied are the same	Total actual overhead is composed of variable overhead, fixed overhead, and period costs.	Standard hours actually worked are used in computing the variance	Standard hours allowed for the work done is the measure used in computing the variance
128	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?	Incremental budget	Rolling budget	Zero based budget	Flexible budget
129	A budget is an instrument of management used as an aid in the _____.	Planning	Programming	Control of business activity	All of the above
130	Following may be regarded as a summary budget	Production budget	Master budget	Cash budget	Sales budget
131	Purchases budget is prepared using the information from:	Capital expenditure budget	Materials budget	Both (1) and (2)	None of the above
132	Following budget may be compiled on departmental basis:	Production budget	Purchase budget	Materials budget	All of the above
133	Production budget is based upon:	Sales budget	Factory capacity	Availability of raw material and labour	All of the above
134	Budget includes:	Income	Expenditure	Employment of capital	All of the above
135	A budget should be:	Rigid	Flexible	Both (1) and (2)	None of the above



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
136	The object of budgetary control is _____.	Planning	Forecasting	Organizing	Directing
137	The budget which is dynamic is _____.	Flexible budget	Sales budget	Cash budget	Purchase budget
138	The process of budgeting helps in the control of:	Cost of production	Liquidity	Capital Expenditure	All of the above
139	Plant utilization budget and Manufacturing overhead budgets are types of:	Production budget	Sales budget	Cost budget	None of the above
140	R&D budget and Capital expenditure budget are examples of:	Short-term budget	Current budget	Long-term budget	None of the above
141	The scare factors is also known as:	Key factor	Abnormal factor	Linking factor	None of the above
142	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?	Incremental budget	Rolling budget	Zero based budget	Flexible budget
143	A budget is an instrument of management used as an aid in the _____.	Planning	Programming	Control of business activity	All of the above
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147	Production budget is based upon:	Sales budget	Factory capacity	Availability of raw material and labour	All of the above
148	A budget should be:	Rigid	Flexible	Both (1) and (2)	None of the above
149	The object of budgetary control is _____.	Planning	Forecasting	Organizing	Directing
150	The budget which is dynamic is _____.	Flexible budget	Sales budget	Cash budget	Purchase budget
151	The process of budgeting helps in the control of:	Cost of production	Liquidity	Capital Expenditure	All of the above
152	Plant utilization budget and Manufacturing overhead budgets are types of:	Production budget	Sales budget	Cost budget	None of the above
153	R&D budget and Capital expenditure budget are examples of:	Short-term budget	Current budget	Long-term budget	None of the above
154	The scare factors is also known as:	Key factor	Abnormal factor	Linking factor	None of the above
155	A company usually determines the appropriate degree of decentralization based on a combination of the _____.	Managers' personal characteristics	Nature of decisions required for organizational growth	Types of organizational activities in which the company is engaged	All of these
156	Major disadvantages of Decentralization are _____.	Can result in a lack of goal congruence or sub optimization by sub-unit managers	Requires more effective communication abilities because decision making is removed from the home office	Helps top management recognizes and develop managerial talent	Both 1 and 2



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157	Which of the following is/are not benefit/s of Decentralization ?	Greater awareness of local problems	Allows managerial performance to be comparatively evaluated	Creates personnel difficulties upon introduction, especially if managers are unwilling to delegate effectively	Develops skill level of junior managers
158	Return on Equity =	Net Profit Margin × Asset Turnover Ratio × Financial Leverage	Gross Profit Margin × Asset Turnover Ratio × Financial Leverage	Net Profit Margin × Inventory Turnover Ratio × Financial Leverage	Net Profit Margin × Asset Turnover Ratio × Operating Leverage
159	According to DuPont methodology, three main financial parameters that drive Return on Equity (ROE) are _____.	(1) Employee performance, (2) Asset usage performance, and (3) Financial leverage.	(1) Operating performance, (2) Asset usage performance, and (3) Financial leverage.	(1) Operating performance, (2) Inventory usage performance, and (3) Financial leverage.	(1) Operating performance, (2) Asset usage performance, and (3) Operating leverage.
160	Asset usage performance means _____.	a very basic profitability ratio	Total Asset Turnover (Turnover ÷ Total Assets)	the use of debt to acquire additional assets or fund projects	None of these
161	Financial leverage means _____.	a very basic profitability ratio	Total Asset Turnover (Turnover ÷ Total Assets)	the use of debt to acquire additional assets or fund projects	None of these
162	According to Du Pont Analysis a company can increase its Return on Equity if it _____.	Generates a high Net Profit Margin	Effectively uses its assets so as to generate more sales	Has a high Financial Leverage	All of these
163	Du Pont ROE =	Margin on Sales × Asset Turnover × Equity Multiplier	Margin of Safety × Asset Turnover × Equity Multiplier	Margin on Sales × Inventory Turnover × Equity Multiplier	Margin on Sales × Asset Turnover × Debt Multiplier
164	_____ expresses divisional profit as a percentage of the assets employed in the division.	ROI	EPS	ROCE	EBITDA
165	Return on investment (ROI) is	(Profit before tax ÷ Operations management capital employed) × 100	(Profit before interest and tax ÷ Total capital employed) × 100	(ROE ÷ Operations management capital employed) × 100	(Profit before interest and tax ÷ Operations management capital employed) × 100



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
166	RI (Residual Income) =	Divisional profit — (Percentage of change in Sales × Divisional investment)	Divisional profit — (Percent capital charge × Total investment)	Divisional profit — (Percent capital charge × Divisional investment)	Total profit — (Percent capital charge × Divisional investment)
167	The main advantages of RI is/are _____.	It avoids suboptimal decisions as investments are not rejected merely because they lower the divisional manger's ROI.	It maximizes growth of the company and increases shareholders' wealth by accepting opportunities which earn a rate of return in excess of the cost of capital.	The cost of capital charge on divisional investments ensures that divisional managers are aware of the opportunity cost of funds.	All of these
168	Acme, a division of Ace Manufacturing, has assets of ₹2,25,000 and an operating income of ₹55,000. What is the division's ROI?	24.44%	23%	25%	50%
169	An investment centre has net assets of ₹8,00,000, and made profits before interest and tax of ₹1,60,000. The notional cost of capital is 12%. Calculate and comment on the RI (Residual Income) for the period.	₹ 1,60,000	₹ 96,000	₹ 64,000	₹ 2,56,000
170	A person made a Capital Investment of ₹2,00,000 in a company. Operating profit, after taxes, is ₹28,000. The opportunity cost of that investment is 10%. Calculate EVA.	20,000	₹ 2,800	₹ 8,000	₹ 17,200
171	For EVA there 3 responsibility centres, which are _____.	Cost centre	Profit centre	Investment centre	All of these
172	The theory of learning curves will only hold if which of the following conditions apply?	The task must be repetitive	Production must be at an early stage so that there is room for improvement	There is inconsistency in the workforce	Both 1 and 2
173	_____ can be used: a. To calculate the incremental cost of making extra units of a particular products, b. To set standards for labour, c. To prepare realistic production budgets and to report labour cost variances, and d. To quote contact price.	Learning curve theory	Return on investment	Du Pont ROE	Economic Value Added



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
174	The four Perspectives of the Balanced Scorecard are _____.	1. Operational Perspective, 2. Customers Perspective, 3. Internal business process Perspective and 4. Learning & Growth Perspectives.	1. Financial Perspective, 2. Sellers Perspective, 3. Internal business process Perspective and 4. Learning & Growth Perspectives.	1. Financial Perspective, 2. Customers Perspective, 3. Internal business process Perspective and 4. Learning & Growth Perspectives.	1. Financial Perspective, 2. Customers Perspective, 3. External process Perspective and 4. Learning & Growth Perspectives.
175	MI Ltd. has earned a net profit of ₹15 lakhs after Tax at 30%. Interest cost charged by the financial institutions was ₹10 Lakhs. The Invested capital is ₹ 95 Lakhs of which 55% is debt. The company maintains a weighted average cost of capital of 13%. Compute the Operating Income.	₹ 15 lakhs	₹ 21.43 lakhs	₹ 10 lakhs	₹ 31.43 lakhs
176	According to Kaplan & Norton, which of the balanced scorecard perspectives serves as the focus of the other perspectives?	Financial.	Customer.	Internal business processes.	Learning & growth.
177	4. Which of the following would be considered an operating asset in return on investment computations?	Land being held for plant expansion.	Treasury stock.	Accounts receivable.	Common stock.
178	A company that is seeking to increase ROI should attempt to decrease:	Sales.	Turnover.	Margin.	Average operating assets.
179	The performance of investment centre is based on _____.	Cost of the centre	Profit of the centre	Profit and investment of the centre	Revenue of the centre
180	Both costs and revenues are measured in _____ centers	Cost	Profit	Revenue	All of these
181	A cost centre is a segment of the organization where the manager is responsible for _____.	Costs	Inputs	A or B	None of these
182	The performance of investment centre is based on _____.	Cost of the centre	Profit of the centre	Profit and investment of the centre	Revenue of the centre
183	Responsibility accounting is used for _____.	cost control	planning	decision making	pricing



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
184	Responsibility Accounting is also known as _____.	Profitability accounting	Activity accounting	Both A and B	None of the above
185	Which of the following characteristics is not associated with traditional responsibility accounting?	Assumes optimization of the parts will optimize the whole.	Assumes independence of the parts.	Places emphasis on the performance of individuals.	Attempts to control processes.
186	In responsibility accounting, responsibilities of various groups or individuals are identified in terms of _____.	Work	Revenue	Cost	All of the above
187	The area of focus on responsibility center is _____.	Quantum of sales	Quantum of production	Optimum utilization of resources	All of the above
188	In profit center revenue represents a monetary measure of output emanating from a profit center in a given period irrespective whether _____.	The revenue is realized or not	The output is sold or not	Both A and B	None of the above
189	In a control report of Department X, it is mentioned as indirect materials are ₹1,000, indirect labour ₹900, Overtime Charges ₹100, Depreciation on equipment ₹500, Allocated factory overhead (38% of factory space) ₹4,300, Allocated overhead of repair shop is ₹1,200. Determine total costs treating department X as a responsibility center.	₹ 3,200	₹ 2,200	₹1,200	None of the above
190	Which of the following criterion is not used for decision-making under uncertainty?	Maximin	Maximax	Minimax	Minimize expected loss
191	Decision theory is concerned with _____.	Methods of arriving at an optimal decision	Selecting optimal decision in a sequential manner	Analysis of information that is available	All of these
192	Which of the following criterion is not applicable to decision-making under risk?	Maximize expected return	Maximize return	Minimize expect regret	Knowledge of likelihood occurrence of each state of nature
193	The minimum expected opportunity loss (EOL) is _____.	Equal to EVPI	Minimum regret	Equal to EMV	Both (A) and (B)



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194	The expected value of perfect information (EVPI) is	Equal to expected regret of the optimal decision under risk	The utility of additional information	Maximum expected opportunity loss	None of the above
195	The value of the coefficient of optimism (a) is needed while using the criterion of _____.	Equally likely	Maximin	Realism	Minimax
196	The decision-maker's knowledge and experience may influence the decision-making process when using the criterion of _____	Maximax	Maximax regret	Realism	Maximin
197	The difference between the expected profit under conditions of risk and the expected profit with perfect information is called _____	The expected value of perfect information	Expected marginal loss	None of the above	Any one of the above
198	A situation in which a decision maker knows all of the possible outcomes of a decision and also knows the probability associated with each outcome is referred to as _____	Certainty.	Risk.	Uncertainty.	Strategy.
199	Which of the following methods of selecting a strategy is consistent with risk averting behaviour?	If two strategies have the same expected profit, select the one with the smaller standard deviation.	If two strategies have the same standard deviation, select the one with the smaller expected profit.	Select the strategy with the larger coefficient of variation.	All of the above are correct.
200	Which one of the following does not measure risk?	Coefficient of variation	Standard deviation	LPP	All of the above are measures of risk.
201	The sequence of possible managerial decisions and their expected outcome under each set of circumstances can be represented and analysed by using _____.	The minimax regret criterion.	A decision tree.	A payoff matrix.	Simulation.
202	We are comparing two investment projects. Both have expected returns of 20%, but the standard deviation of Project A's returns is 15%, while the standard deviation of Project B's returns is 9%. Which one is relatively riskier?	A	B	Both A and B	None of these
203	Two investments have different expected returns. Project A's expected return is 20% and the standard deviation of its returns is 15%. Project B's expected return is only 10%, while the standard deviation of its returns remains at 9%. Compute Coefficient of Variance of Project A.	0.20	0.75	0.90	0.10
204	Which of the following is NOT a characteristic of management accounting?	Future-oriented	Subjective in nature	Mandatory as per law	Useful for internal decision-making



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205	Management accounting reports are primarily intended for:	Government authorities	External shareholders	Internal management	Credit rating agencies
206	A key feature of management accounting is that it:	Provides real-time data for decisions	Follows GAAP strictly	Is audited annually	Is used only by external parties
207	The technique used in management accounting to compare actual results with planned performance is:	Ledger balancing	Trial balance preparation	Variance analysis	Cash accounting
208	In Activity Based Costing, the first step is to:	Determine cost pools	Select cost drivers	Identify activities	Allocate overheads to cost objects
209	Which of the following is least suitable as a cost driver under ABC?	Number of machine setups	Direct labour hours	Number of customer orders	Total factory square footage
210	A company has identified the following overhead cost pools and cost drivers for a product: Setup cost pool: ₹ 200,000; driver = number of setups (2,500 setups) Inspection cost pool: ₹ 100,000; driver = number of inspections (50,000 inspections) Product X has 200 setups and 4,000 inspections. What is the overhead allocated to Product X (using ABC)?	₹ 16,000	₹ 12,000	₹ 24,000	₹ 14,000
211	A product requires 5 machine hours. The machine hour activity pool has ₹ 300,000 budgeted cost and 15,000 machine hours. What is the machine-hour overhead allocated to that product under ABC?	₹ 100	₹ 500	₹ 1,000	₹ 2,000
212	A firm has two products A and B. The "order processing" cost pool is ₹ 120,000. The cost driver is number of orders. There are 2,000 orders in total: A uses 600 orders; B uses 1,400 orders. The overhead assigned to B is:	₹ 89,000	₹ 84,000	₹ 48,000	₹ 70,000
213	A company currently uses traditional costing and absorbs overheads at ₹ 20 per direct labour hour. Under ABC, two cost pools are identified: Setups (₹ 50,000) with driver number of setups (500), and material handling (₹ 100,000) with driver number of parts (200,000). Product Y uses 50 setups and 4,000 parts. Under ABC, overhead allocated to Y is:	₹ 10,000	₹ 7,000	₹ 14,000	₹ 12,000
214	A company incurs ₹ 60,000 as facility-sustaining cost (which supports all products), and allocates it equally across 3 product lines X, Y, Z under ABC. Product X produces 5,000 units, Y 10,000 units, Z 15,000 units. What is the per-unit share of facility cost for Z?	₹ 4	₹ 2	₹ 1.50	₹ 1.33
215	Which statement is true about ABC compared to traditional absorption costing?	ABC tends to under-cost high volume products and over-cost low volume products	ABC always leads to lower cost per unit estimates	ABC ignores overhead costs that are fixed	ABC is simpler to implement than traditional costing



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216	In ABC, "facility-sustaining costs" are:	Costs that vary with every unit produced	Costs that support the entire facility but cannot be traced to individual products	Always variable costs	Never included in costing
217	Under ABC, if an activity's cost is zero (i.e., no cost incurred), then:	Its cost driver rate is infinite	Its cost driver rate is zero	It is automatically merged with another pool	It must still be assigned across products
218	A "cost pool" in ABC refers to:	A grouping of fixed costs only	A set of overhead costs associated with a specific activity	The sum of direct costs in a department	The total cost of all drivers
219	Which of the following is not an assumption of marginal costing?	Costs can be separated into fixed and variable components	Variable cost per unit remains constant over the relevant range	Selling price per unit changes with volume	No change in inventory level
220	When there are no inventories, profit under marginal costing and absorption costing will be:	The same	Different	Marginal costing profit greater	Absorption costing profit greater
221	Under marginal costing, get-or-drop decisions predominantly rely on:	Fixed cost recovery	Contribution margin	Full cost per unit	Absorbed fixed overhead
222	Which statement is true?	Marginal costing is a complete costing system	Marginal costing is only a technique of cost analysis	Marginal costing always gives higher profit than absorption costing	Marginal costing never considers fixed cost
223	What happens to fixed cost per unit when production increases?	It remains constant	It increases	It decreases	It becomes zero
224	If the P/V ratio increases, what happens to the break-even point (in rupees)?	It increases	It decreases	It remains unchanged	Cannot determine
225	Which decision is least appropriate based on marginal costing?	Accepting a special order at a lower price	Make vs buy decision	Product mix under limited capacity	Long-term pricing for strategic positioning
226	The difference in profit between absorption and marginal costing arises due to:	Different sales levels	Different treatments of variable cost	Inventory valuation differences	Treatment of direct labor
227	Under marginal costing, closing stock is valued at:	Full cost (direct + variable + fixed overhead)	Variable cost per unit	Replacement cost	Market price
228	A company is operating at 80% capacity. A special order is received for 1,000 units at ₹120 each. Variable cost is ₹90 per unit. Should the order be accepted?	No, price is too low	Yes, contribution is ₹30 per unit	No, fixed cost will increase	Yes, fixed cost is saved
229	A product yields a contribution of ₹60 per unit. A customer offers ₹500 per unit for 50 extra units. Variable cost per unit is ₹440. Should the offer be accepted?	No, price is too low	Yes, contribution is positive	Only if fixed cost decreases	Yes, profit is ₹60 per unit



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230	The variable cost of a product is ₹50, and fixed cost per unit is ₹30. There is idle capacity. What is the transfer price under marginal costing?	₹ 50	₹ 80	₹ 30	₹ 0
231	A division can sell its product in the open market at ₹100. The variable cost is ₹60. What should be the minimum transfer price if the division is at full capacity?	₹ 60	₹ 70	₹ 80	₹ 100
232	A division has 1,000 units of idle capacity. Variable cost per unit = ₹45. It can transfer units to another division or sell externally for ₹60. What is the opportunity cost of internal transfer?	₹ 60	₹ 15	₹ 45	₹ 0
233	If the selling division is working at full capacity and transfers internally at marginal cost, the likely impact is:	Division earns profit	Division incurs loss	Division loses external contribution	No impact on profit
234	A buying division is offered a component internally at ₹70. External market price is ₹65. Should it buy internally if internal cost is ₹50?	Yes, ₹70 is better	No, market price is lower	Yes, internal cost is lower than market	No, fixed cost is not recovered
235	Selling Division: VC = ₹35, External Price = ₹50. Internal Transfer Price = ₹35. If 1,000 units are transferred, what is total opportunity cost?	₹ 0	₹ 35,000	₹ 15,000	₹ 50,000
236	A company has fixed costs of ₹50,000 and variable costs of ₹20 per unit. Selling price is ₹50 per unit. What is the break-even sales in units?	1,250	2,500	3,333	1,667
237	In marginal costing, profit is maximum when:	Marginal cost equals marginal revenue	Contribution equals fixed cost	Fixed cost equals variable cost	Total cost equals total revenue
238	Which of the following is a correct reason to accept a special order in marginal costing?	It results in positive contribution	It increases fixed costs	It reduces P/V ratio	It affects stock value
239	In make-or-buy decisions using marginal costing, which cost is always relevant?	Allocated head office expenses	Sunk cost	Variable production cost	Apportioned rent
240	A division transfers goods internally at marginal cost. What is a key disadvantage?	Overstatement of division's profit	Under-recovery of fixed costs	Double counting of variable cost	Increased total cost
241	Which decision is most appropriate to use marginal costing?	Choosing depreciation method	Selecting supplier for raw material	Adding a new product line under capacity	Evaluating internal audit risk
242	When marginal cost equals transfer price, the transferring division will likely:	Make excess profit	Break even	Show zero contribution	Lose incentive to transfer
243	If internal transfers are made at marginal cost, which division may feel disadvantaged?	Buying division	Corporate center	Selling division	Marketing department
244	Sales = ₹5,00,000, variable costs = ₹3,00,000, fixed costs = ₹1,00,000. What is margin of safety?	₹ 1,00,000	₹ 2,50,000	₹ 1,25,000	₹ 50,000
245	Fixed cost = ₹80,000, break-even sales = ₹2,00,000. If sales rise to ₹3,00,000, what is profit?	₹ 20,000	₹ 40,000	₹ 60,000	₹ 80,000
246	A firm produces 5,000 units at total cost ₹1,50,000; at 6,000 units, total cost ₹1,70,000. Marginal cost per unit?	₹ 20	₹ 40	₹ 25	₹ 30



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247	A company gets a special order of 2,000 units at ₹45 each. Variable cost is ₹40. Fixed costs remain the same. Should the order be accepted?	Yes, gives ₹10,000	No, below cost	Yes, covers FC	No, loss
248	Product A: SP ₹100, VC ₹70 (2 hrs); B: SP ₹80, VC ₹50 (1 hr); 5,000 hrs available. What to produce?	All A	All B	Mix	None
249	A company has the following standards: 5 kg of material at ₹10/kg. Actual usage was 6 kg at ₹9/kg. What is the Material Price Variance?	₹6 Favorable	₹6 Adverse	₹10 Favorable	₹10 Adverse
250	If the standard labor time for 100 units is 200 hours and the actual hours taken are 220 hours at a standard wage rate of ₹50 per hour, what is the labor efficiency variance?	₹1000 Favorable	₹1000 Adverse	₹500 Favorable	₹500 Adverse
251	A product's standard cost includes 3 hours of labor at ₹40 per hour. Actual labor was 4 hours at ₹38 per hour. What is the labor rate variance?	₹8 Favorable	₹8 Adverse	₹120 Favorable	₹120 Adverse
252	Standard cost of variable overhead is ₹5 per hour. Standard hours allowed for actual production are 1000 hours, actual hours worked are 1100 hours, and actual overhead is ₹5600. Calculate variable overhead spending variance.	₹100 Favorable	₹100 Adverse	₹600 Favorable	₹600 Adverse
253	A company produces 500 units. The standard material per unit is 2 kg at ₹4 per kg. Actual material used is 1100 kg at ₹3.8 per kg. Calculate material usage variance.	₹200 Favorable	₹200 Adverse	₹400 Favorable	₹400 Adverse
254	A company's fixed overhead absorption rate is ₹10 per hour. Standard hours allowed for actual production are 500 hours. Actual fixed overhead incurred was ₹5200. Calculate fixed overhead spending variance.	₹200 Adverse	₹200 Favorable	₹700 Adverse	₹700 Favorable
255	Standard variable overhead rate is ₹4 per hour. Standard hours allowed are 500 hours. Actual hours worked are 550 hours and actual variable overhead is ₹2300. Calculate variable overhead efficiency variance.	₹200 Adverse	₹200 Favorable	₹100 Adverse	₹100 Favorable
256	Which variance arises due to the difference between actual price and standard price of materials?	Material Usage Variance	Material Price Variance	Labor Efficiency Variance	Overhead Variance
257	Labour efficiency variance indicates:	The difference between actual and standard wages	The difference between actual hours and standard hours for actual production	The difference between actual and budgeted production	The difference between actual and standard price of labor
258	Which of the following is a favorable variance?	Actual cost more than standard cost	Actual cost less than standard cost	Actual output less than standard output	Standard cost more than actual cost
259	Overhead variances are classified into:	Fixed and Variable overhead variances	Material and Labour overhead variances	Efficiency and Price variances only	Selling and Administrative variances



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260	What type of standard assumes no inefficiencies and perfect conditions?	Basic standard	Ideal standard	Current standard	Normal standard
261	How often are standards usually revised?	Every month	Annually	Only when actual costs change	At regular intervals based on changing conditions
262	What is the effect of an adverse material usage variance?	Increased material cost	Reduced material usage	Lower labor cost	Higher fixed overhead
263	A company budgets sales at 10,000 units at ₹20 per unit. Variable cost is ₹12/unit and fixed costs are ₹40,000. What is the budgeted profit?	₹ 20,000	₹ 30,000	₹ 40,000	₹ 80,000
264	In a flexible budget, fixed costs are ₹30,000. At 5,000 units, total variable cost is ₹50,000. What is total cost at 6,000 units?	₹ 82,000	₹ 90,000	₹ 75,000	₹ 98,000
265	Budgeted production is 1,200 units. Opening stock = 100, Closing stock = 300. What is the sales budget?	1000 units	1200 units	1300 units	1600 units
266	Sales forecast for Jan to March: ₹60,000, ₹80,000, ₹1,00,000. 30% sales are cash; 70% are credit, collected in next month. What are total receipts in March?	₹ 92,000	₹ 30,000	₹ 1,00,000	₹ 86,000
267	Sales forecast is ₹5,00,000. Desired closing stock is 20% of next month's sales, and opening stock is ₹40,000. If next month's sales are ₹6,00,000, what is the required production (in ₹)?	₹ 5,80,000	₹ 5,60,000	₹ 4,20,000	₹ 6,20,000
268	Which of the following budgets is a "summary budget" of all departmental budgets?	Cash budget	Master budget	Flexible budget	Functional budget
269	A flexible budget is preferable to a fixed budget because it	assumes a constant cost structure	allows budget comparisons at various levels of activity	cannot be adjusted once prepared	ignores fixed costs
270	Which type of budgeting starts from zero each period rather than adjusting prior budgets?	Incremental budgeting	Zero-based budgeting	Flexible budgeting	Rolling budgeting
271	Rolling budgets are characterized by	being prepared only once a year	having no fixed time horizon	always shifting the budget horizon forward	being rigid and not adaptable
272	A performance budget emphasises	classification by functions only	cost centres only	linkage between inputs and programme goals	fixed cost control only
273	Which of the following is not a functional budget?	Sales budget	Production budget	Purchase budget	Master budget
274	Benchmarking in budgetary control refers to	setting budgets using past years only	comparing performance with best-in-class	ignoring variances below a threshold	inter-departmental negotiation
275	Which cost remains constant per unit in flexible budgets?	Variable cost	Fixed cost per unit	Total fixed cost	Semi-variable cost
276	Which is not properly matched?	Cash budget – inflows/outflows	Capital budget – fixed asset plans	Master budget – overall plan	Flexible budget – fixed for all activity



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
277	In zero-based budgeting, units must	accept previous budgets	justify all expenditure	prepare only supplements	ignore activity levels
278	Forecasting is different from budgeting in that	forecasting is binding, while budgeting is not	budgeting is essentially prediction, while forecasting is commitment	forecasting is estimation of future trends, budgeting is a plan/commitment based on that estimate	forecasting is short term and budgeting is always long term
279	Return on Investment (ROI) as a divisional performance measure is calculated as:	Net profit / Total assets	Operating profit / Average operating assets	Sales / Operating expenses	Operating profit / Sales
280	Which of the following is the primary objective of divisional performance measurement?	Centralized decision-making	Evaluate profitability and efficiency of divisions	Increase company-wide bureaucracy	Eliminate responsibility centers
281	Residual Income (RI) differs from ROI in that RI:	Measures absolute profit after deducting a charge for capital cost	Ignores capital cost	Is a ratio like ROI	Always results in negative values
282	Economic Value Added (EVA) is best described as:	Net operating profit after tax minus cost of capital employed	Operating profit divided by sales	Net profit before tax minus fixed cost	Total revenue minus total expenses
283	The DuPont analysis breaks down ROI into:	Profit margin and asset turnover	Profit margin and sales growth	Asset turnover and working capital	Net income and equity
284	Division A has operating profit ₹20 lakhs and average operating assets ₹1 crore. Division B has operating profit ₹15 lakhs and average operating assets ₹75 lakhs. Which division has a higher ROI?	Division A: 20%, Division B: 20%	Division A: 25%, Division B: 20%	Division A: 20%, Division B: 25%	Division A: 15%, Division B: 18%
285	Division X has operating profit of ₹30 lakhs and operating assets of ₹1.5 crore. Cost of capital is 15%. Calculate Residual Income (RI).	₹9.5 lakhs	₹4.5 lakhs	₹7.5 lakhs	₹10 lakhs
286	Division C's sales are ₹50 lakhs; net operating profit ₹8 lakhs; average operating assets ₹40 lakhs. Calculate ROI.	10%	20%	14%	18%
287	Division D's net operating profit after tax (NOPAT) is ₹12 lakhs. Capital charge @ 18% on ₹50 lakhs capital employed. Calculate Economic Value Added (EVA).	₹3.6 lakhs	₹6 lakhs	₹4.5 lakhs	₹3 lakhs
288	Division Q's ROI is 18%. Cost of capital is 12%. Should Division Q accept a project with an ROI of 14%?	Yes, because project ROI > cost of capital	No, because project ROI < divisional ROI	Yes, if project is short term	No, because project ROI < 20%
289	Which of the following is NOT a responsibility center?	Cost center	Profit center	Investment center	Tax center



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290	Which of the following is NOT true about responsibility accounting?	Encourages accountability	Helps in performance evaluation	Eliminates all cost variances	Facilitates decentralization
291	In responsibility accounting, controllable costs are:	Costs over which a manager has direct influence	Fixed costs only	Sunk costs	Costs that cannot be controlled
292	Profit center managers are responsible for:	Costs only	Revenues only	Both revenues and costs	Investment decisions
293	Which responsibility center allows managers to make decisions on assets employed as well as profits?	Cost center	Profit center	Investment center	Expense center
294	Which decision-making criterion assumes the decision maker is extremely risk-averse?	Maximax	Maximin	Minimax regret	Expected value
295	The maximax criterion is also known as:	Optimistic criterion	Pessimistic criterion	Minimax regret	Laplace criterion
296	The minimax regret criterion minimizes:	The maximum payoff	The maximum loss relative to the best payoff in each state	The expected value	The minimum loss
297	Expected monetary value (EMV) is calculated by:	Multiplying the payoff by the probability and summing for all states	Taking the maximum payoff	Subtracting costs from revenues	Dividing total payoff by the number of alternatives
298	Which of the following decision rules is suitable when probabilities of states of nature are unknown and the decision maker is neutral?	Maximin	Maximax	Laplace (Equal probability)	Minimax regret
299	In decision theory, a 'payoff table' shows:	Probabilities of states of nature	Outcomes for each alternative under each state of nature	Only the best outcome	Budgeted costs and revenues
300	The Laplace criterion assumes:	Decision maker is pessimistic	Decision maker assigns equal probabilities to all states of nature	Probabilities are known precisely	Focus only on worst outcomes
301	A decision tree is useful because it:	Simplifies complex decisions by structuring alternatives and outcomes sequentially	Ignores probabilities	Always leads to optimistic decisions	Is used only for investment decisions



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
302	Sensitivity analysis in decision theory helps to:	Evaluate how changes in probabilities or payoffs affect the decision	Eliminate bad alternatives	Predict exact future outcomes	Decide the cost of alternatives
303	The 'Expected Value of Perfect Information (EVPI)' represents:	The cost of obtaining perfect information	The maximum amount a decision maker would pay to eliminate uncertainty	The average payoff	The minimum payoff



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SL NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
1	Management Accounting _____.	All of the above	4
2	Management accounting can be viewed as _____.	Management-oriented Accounting	2
3	The main objective of management accounting is _____.	To ascertain analyse and interpret the results of business operations	3
4	_____ is the study of managerial aspects of financial accounting _____.	Management accounting	3
5	The purpose of management accounting is to help make decisions	Managers	1
6	Management accounting assists the management in _____.	All of the above	4
7	'Period of lost relevance' is the _____ of the evolution of management accounting.	3rd stage	3
8	_____ criteria are a set of standards for a company's behaviour used by socially conscious investors to screen potential investments.	ESG	3
9	Management accounting information helps managers formulate strategy by answering which of the following questions?	All of the above	4
10	Management accounting with specific focus on environmental issues is becoming increasingly important in organizations as environmental costs are large in many organisations. There are three specific reasons for this, which are _____.	Both 1 and 2	3
11	Management accounting is concerned with data collection from _____.	internal and external sources	3
12	Management Accounting is concerned with accounting information, which is useful to the management — This definition is given by _____.	Robert N. Antho	1
13	The primary objective of Management Accounting is to _____.	All of the above	4
14	Which of the following is a correct definition of activity-based management?	A system of management which uses activity-based cost information for a variety of purposes including cost reduction, cost modeling and customer profitability analysis	4
15	Which of the following characteristics would be an indicator that a company would benefit from switching to activity based costing?	Overhead costs are high and increasing and no one seems to know why	3
16	According to the Chartered Institute of Management Accountants (CIMA), cost attribution to cost units on the basis of benefits received from indirect activities e.g. ordering, setting up, and assuring quality is known as:	Activity-based costing	3
17	In an ABC system, which of the following is likely to be classified as a batch level activity?	Machine set-up	1
18	Activity based costing _____	Uses multiple activity rates	4
19	Which of the following activities is not a batch level activity?	Designing products	2
20	Which of the following is not included in batch level activities?	Designing the product	4
21	Assigning overhead using ABC often:	Shifts overhead costs from high-volume products to low-volume products	1
22	In Activity Based Costing _____	Some manufacturing costs may be excluded from product costs	2



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23	In an ABC system, the allocation bases that are used for applying costs to services or procedures are called:	Cost Driver	2
24	Which of the following would not be deducted from sales in a management report prepared using ABC?	Shipping costs	4
25	an item for which cost measurement is required e.g. product, job or a customer	Cost Object	4
26	Which of the following is different in ABC when compared to traditional costing?	In an ABC costing system, costs are only assigned to products that actually required work that gave rise to a particular cost	2
27	Process of Cost allocation under Activity Based Costing is	Activities— Cost of Activities—Cost Driver – Cost allocated to cost objects	3
28	Cost of maintaining a building is:	Facility Level Cost	4
29	should be subtracted from net product revenues instead of an arbitrary and illogical apportionment.	Organizational Level Cost	3
30	The basis of apportionment of overheads which takes into account the profitability of various departments is called:	Activity basis	4
31	Which of the following is the main cost driver of customer order processing activity?	Order value	2
32	Painting the product would be an example of which activity level groups	Unit-level activity	3
33	Which of the following tasks is not normally associated with an activity-based costing system?	Preparation of allocation matrices	3
34	All of the following are examples of batch level activities except:	Worker recreational facilities	4
35	A cost driver -	is all of the above	4
36	Which of these is NOT a cost driver For the Activity Design of products, services & Processes ?	Number of employee Training Programmes	3
37	Which of these in NOT a Cost driver for Marketing and sales Function ?	Number of researche projects	2
38	Which of these in NOT a Cost driver for Customer Service Activity ?	sales Revenue	4
39	Plant depreciation is an example of which activity-level group?	Facility-level activity	2
40	Under activity-based costing, 'material ordering' is considered as —	Batch-level activity	3
41	Samsung an appliance manufacturer is developing a new line of ovens that uses controlled-laser technology. Research and testing costs associated with the new ovens is said to arise from a:	Product Sustaining Activity	4
42	A homogeneous cost pool is one that:	Can be explained with a single activity driver	3
43	An Activity-Based Costing, an inspection of the product is a level activity:	Batch	2
44	A company uses traditional standard costing system. The inspection and set-up costs are actually ₹1,760 against a budget of ₹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	₹ 200	2



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SL NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
45	X Company uses activity-based costing for Product B and Product D. The total estimated overhead cost for the parts administration activity pool was ₹5,50,000 and the expected activity was 2000 part types. If Product D requires 1200 part types, the amount of overhead allocated to product D for parts administration would be:	₹ 3,30,000	3
46	Fast Ltd. manufactures three types of products A, B, and C following ABC System. During a period, the company incurred ₹73,000 as inspection cost and it was worked for 10, 20 and 9 production runs respectively for producing products A, B, and C. The inspection costs for product B under the ABC system was	₹ 40,000	2
47	A company operates an activity based costing (ABC) system to attribute its overhead costs to cost objects. In its budget for the year-ending 31st August, 2022. The company expected to place a total of 2000 purchase orders at a total cost of ₹1,00,000. 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 30th June 2021, a total of 200 purchase orders were placed at a cost of ₹ 9,000. The over recovery of these costs for the four-week period was	₹ 1,000	4
48	A company manufactures 500 units of product AX the material cost to manufacture is ₹ 1,50,000, Labour cost ₹2,65,000. Material reordering cost is ₹4,500, Material handling cost is ₹2,500 Material order – 35, Material movement – 20. Total Material cost under Activity based costing is.	₹ 1,57,000	3
49	To obtain the break-even point in rupee sales value, total fixed costs are divided by:	Profit/volume ratio.	4
50	The break-even point is the point at which:	All of the above.	4
51	The primary difference between a fixed budget and a variable (flexible) budget is that a fixed budget:	is a plan for a single level of sales (or other measure of activity), while a variable budget consists of several plans, one for each of several levels of sales (or other measures of activity).	4
52	Margin of safety is referred to as:	Excess of actual sales over break-even sales;	3
53	Contribution margin is known as	Marginal income	1
54	Fixed cost per unit decrease when	Production volume increases	1
55	Within a relevant range, the amount of variable costs per unit	Remains constant at each production level	2
56	Margin of safety is referred to as	Excess of actual sales over budgeted sales.	3
57	Under marginal costing system, the contribution margin discloses the excess of	Revenues over variable costs	3
58	A decrease in sales price	Increases the break-even point	3
59	Determine Margin of safety if Profit is ₹15,000 and P/V ratio is 40%.	₹ 37,500	1
60	What is Margin of Safety if Sales is 20,000 units and B.E.P is 15,000 units?	5000 units	2
61	Determine sales in rupees for desired profit if fixed cost is ₹10,000, Variable cost is ₹30,000, Sales is ₹50,000 and desired profit is ₹5,000.	₹ 37,500	4



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SL NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
62	What will be sales in rupees for desired profit if fixed cost is ₹30,000, desired profit is ₹15,000 and P/V ratio is 30%?	₹ 1,50,000	1
63	Calculate sales in rupees for desired profit if fixed cost is ₹10,000, selling price is ₹20 per unit, Variable cost is ₹15 per unit and desired profit is ₹1 per unit	₹ 50,000	2
64	Determine sales in units for desired profit if Fixed cost is ₹15,000, desired profit is ₹5,000 Selling price per unit is ₹20 and Variable cost per unit is ₹16.	₹5,000 units	1
65	What will be sales in units if fixed cost is ₹50,000 Contribution per unit is ₹60 and desired profit per unit is ₹10.	₹1,000 units	3
66	9. Determine B.E.P in units and amount if Units produced if ₹10,000, Fixed cost is ₹40,000, Selling price is ₹50 per unit and Variable cost us ₹30 per unit.	₹20 per unit, ₹1,00,000	3
67	Determine B.E.P if Sales is ₹1,00,000, Variable cost is ₹50,000 and Profit is ₹20,000.	₹ 60,000	1
68	Pv ratio will increase if there is -	a decrease in variable cost per unit	4
69	Under marginal costing ,the cost of product for inventory valuation includes	prime costs and variable factory overheads	1
70	period costs are :	fixed cost	
71	Marginal costs is taken as equal to	Prime Cost plus all variable overheads	1
72	Contribution margin is equal to	Fixed Cost - Loss	3
73	It is pallned sell 1,00,000 units of product A at ₹12 per unit. Fixed Costs are ₹2,80,000 .To achive a profit of ₹2,00,000 what would the variable costs be ?	₹ 7,20,000	2
74	Factors which can change the break even point	All of the above.	4
75	net profit ratio is 12% and bep is 40 % of total sales compute pv ratio	20%	4
76	If the total cost of 1000 units is ₹ 60,000 and that of 1001 units is ₹60,400, then the increase of ₹400 in the total cost is:	Marginal cost	3
77	Which of the following statements are true about marginal costing?	Both b and c	4
78	The costing method where fixed factory overheads are added to inventory is called:	Absorption costing	2
79	While computing profit in marginal costing:	The total marginal cost gets deducted from total sales revenue	2
80	Which of the following assumptions are made while calculating marginal cost	All of the above	4
81	Contribution margin in marginal costing is also known as:	Marginal income	3
82	What is the opportunity cost of making a component part in a factory given no alternative use of the capacity?	Zero	4
83	The difference in total cost that results from two alternative courses of action is called:	Differential Cost	3
84	Relevant costs are:	avoidable, future and measured by profit	3
85	The profit at which total revenue is equal to the total cost is known as:	Break-even point	2
86	Which of the following costs would not be accounted for in a company's recordkeeping system?	an opportunity cost	4
87	PQR Ltd. manufactures a single product which it sells for ₹ 40 per unit. Fixed cost is ₹ 60,000 per year. The contribution to sales ratio is 40%. PQR Ltd.'s Break Even Point in units is	3750	3



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88	The break-even point of a manufacturing company is ₹1,60,000. Fixed cost is ₹48,000. Variable cost is ₹12 per unit. The PV ratio will be:	30%	3
89	Product A generates a contribution to sales ratio of 40%. Fixed cost directly attributable to Product A amounted to ₹60,000. The sales revenue required to achieve a profit of ₹15,000 is	₹ 1,87,500	3
90	XYZ Ltd. makes a special gadget for the car it manufactures. The machine for the gadget works to full capacity and incur ₹15 Lakhs and ₹40 Lakhs respectively as Variable and Fixed Costs. If all the gadgets were purchased from an outside supplier, the machine could be used to produce other items, which would earn a total contribution of ₹ 25 Lakhs. What is the maximum price that XYZ Ltd. should be willing to pay to the outside supplier for the gadgets, assuming there is no change in Fixed Costs?	₹40 Lakhs	1
91	X Ltd. has 1000 units of an obsolete item which are carried in inventory at the original price of ₹ 50,000. If these items are reworked for ₹ 20,000, they can be sold for ₹ 36,000. Alternatively, they can be sold as a scrap for ₹6,000 in the market. In a decision model used to analyze the reworking proposal, the opportunity cost should be taken as	₹ 6,000	2
92	The sales and profit of a firm for the year 2021 are ₹1,50,000 and ₹20,000 and for the year 2022 are ₹1,70,000 and ₹ 25,000 respectively. The P/V Ratio of the firm is	25%	3
93	Which one of the following is not considered as a method of Transfer Pricing	Fixed Cost Based Transfer Pricing	3
94	Method of pricing, when two separate pricing methods are used to price transfer of products from one subunit to another, is called:	Functional pricing	2
95	The Eastern division sells goods internally to the Western division of the same company. The quoted external price in industry publications from a supplier near Eastern is ₹200 per ton plus transportation. It costs ₹20 per ton to transport the goods to Western. Eastern's actual market cost per ton to buy the direct materials to make the transferred product is ₹100. Actual per ton direct labour is ₹50. Other actual costs of storage and handling are ₹40. The company president selects a ₹220 transfer price. This is an example of:	Market-based transfer pricing.	4
96	Division P transfers its output to Division Q at variable cost. Once a year P charges a fixed fee to Q, representing an allowance for P's fixed costs. This type of transfer pricing system is commonly known as:	Two-part tariff transfer pricing	4
97	In which of the following circumstances is there a strong argument that profit centre accounting is a waste of time?	If there is no similar product sold on an external market and the transferred item is a major product of the supplying division	4
98	Which one of the following is not considered as a method of Transfer Pricing?	Fixed Cost Based Transfer Pricing	2
99	Method of pricing, when two separate pricing methods are used to price transfer of products from one subunit to another, is called:	dual pricing	1



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SL NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
100	M 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 6,000 units produced are transferred internally each year. The costs of each division are as follows? Variable Cost Division P ₹100 per unit Division Q ₹120 per unit Fixed cost each year ₹1,20,000 ₹90,000 Head Office management decided that a transfer price should be set that provides a profit of ₹30,000 to Division P. What should be the transfer price per unit?	₹ 125	2
101	Minimax Ltd. fixes inter - divisional transfer prices for its products on the basis of cost plus a return on investment in the division. The budget for division X for 2022 – 23 appears as under -Fixed Assets ₹8,00,000 Current Assets ₹5,00,000 Debtors ₹2,00,000 Annual fixed cost of the division ₹8,00,000 Variable cost per unit of the product 10 Budgeted volume ₹4,00,000 units per year Desired ROI 28%. Transfer price for division X is _____	₹ 13.05	1
102	BC Company fixes the inter-divisional transfer prices for its products on the basis of cost, plus a return on investment in the division. The Budget for Division for Alpha for the year 2021-22 appears as under: Fixed Assets ₹5,00,000 Current assets ₹3,00,000 Debtors ₹2,00,000 Annual Fixed Cost of the Division ₹8,00,000 Variable Cost per unit of Product ₹10 Budgeted Volume 4,00,000 units per year Desired ROI 28% on ₹10,00,000 Determine the transfer Price for Alpha.	12.7	1
103	The _____ method of transfer pricing was introduced in order to overcome the problems caused by using marginal cost	dual price	1
104	Transfer pricing methods may be classified	under 3 pricing method	1
105	Which of the following is true of standards?	All of the above	4
106	Standards that can be attained only under the best circumstances are referred to as:	Ideal standards	3
107	Who is most likely to be held responsible for a material price variance?	Purchasing managers	3
108	Cost variance is the difference between	The standards cost and the actual cost	3
109	Standard costing is a tool, which replaces the bottleneck of the _____ costing.	Historical	3
110	If standard cost > actual, then it is:	Favourable	2
111	From cost control point of view the standard most commonly used is:	Expected standard	1
112	When more than one material is used in the manufacture of a product, which of the following variances arises:	Material mix variance	2



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113	Which of the following equations can be used to calculate a material quantity variance?	$(AQ \times SP) - (SQ \times SP)$	3
114	Which of the following equations can be used to calculate a material price variance?	$(AQ \times AP) - (AQ \times SP)$	1
115	Which of the following is not likely to be a reason of unfavourable direct labour efficiency variance?	Increase in direct materials prices	1
116	Which of the following is a purpose of standard costing?	To control costs	3
117	Which of the following activities is the Standard Costing System used for?	It is a basis for implementing cost control and fixing the price of products through variance analysis	1
118	Which of the following activities is true under the Standard Costing System?	The idle time variance is never favourable	2
119	A standard cost is a carefully _____ unit cost which is prepared for each cost unit.	Pre-determined	1
120	Setting of standard involves effective utilization of ____.	All of the above	4
121	The standard cost card contains quantities and costs for	Direct material, direct labour, and overhead	4
122	Standards differ from budgets in that:	Budgets are a total amount and standards are a unit amount	3
123	Standard Costs:	Are predetermined unit costs which companies use as measures of performance	2
124	The advantages of standard costs include all of the following except:	Management must use a static budget	4
125	Normal standards:	Allow for rest periods, machine breakdowns, and setup time	1
126	The setting of standards is:	A management decision	2
127	Which of the following is correct about the total overhead variance?	Standard hours allowed for the work done is the measure used in computing the variance	
128	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	3
129	A budget is an instrument of management used as an aid in the _____.	All of the above	4
130	Following may be regarded as a summary budget	Master budget	2
131	Purchases budget is prepared using the information from:	Materials budget	2
132	Following budget may be compiled on departmental basis:	Production budget	1
133	Production budget is based upon:	All of the above	4
134	Budget includes:	All of the above	4
135	A budget should be:	Flexible	2
136	The object of budgetary control is _____.	Planning	1
137	The budget which is dynamic is _____.	Sales budget	2
138	The process of budgeting helps in the control of:	All of the above	4
139	Plant utilization budget and Manufacturing overhead budgets are types of:	Cost budget	3
140	R&D budget and Capital expenditure budget are examples of:	Long-term budget	3
141	The scare factors is also known as:	Key factor	1
142	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	3
143	A budget is an instrument of management used as an aid in the _____.	All of the above	4



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145	Purchases budget is prepared using the information from:	Materials budget	2
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147	Production budget is based upon:	All of the above	4
148	A budget should be:	Flexible	2
149	The object of budgetary control is _____.	Planning	1
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151	The process of budgeting helps in the control of:	All of the above	4
152	Plant utilization budget and Manufacturing overhead budgets are types of:	Cost budget	3
153	R&D budget and Capital expenditure budget are examples of:	Long-term budget	3
154	The scare factors is also known as:	Key factor	1
155	A company usually determines the appropriate degree of decentralization based on a combination of the _____.	All of these	4
156	Major disadvantages of Decentralization are _____.	Both 1 and 2	4
157	Which of the following is/are not benefit/s of Decentralization ?	Creates personnel difficulties upon introduction, especially if managers are unwilling to delegate effectively	3
158	Return on Equity =	Net Profit Margin × Asset Turnover Ratio × Financial Leverage	1
159	According to DuPont methodology, three main financial parameters that drive Return on Equity (ROE) are _____.	(1) Operating performance, (2) Asset usage performance, and (3) Financial leverage.	2
160	Asset usage performance means _____.	Total Asset Turnover (Turnover ÷ Total Assets)	2
161	Financial leverage means _____.	the use of debt to acquire additional assets or fund projects	3
162	According to Du Pont Analysis a company can increase its Return on Equity if it _____.	All of these	4
163	Du Pont ROE =	Margin on Sales × Asset Turnover × Equity Multiplier	1
164	_____ expresses divisional profit as a percentage of the assets employed in the division.	ROI	1
165	Return on investment (ROI) is	(Profit before interest and tax ÷ Operations management capital employed) × 100	4
166	RI (Residual Income) =	Divisional profit — (Percent capital charge × Divisional investment)	3
167	The main advantages of RI is/are _____.	All of these	4
168	Acme, a division of Ace Manufacturing, has assets of ₹2,25,000 and an operating income of ₹55,000. What is the division's ROI?	24.44%	1
169	An investment centre has net assets of ₹8,00,000, and made profits before interest and tax of ₹1,60,000. The notional cost of capital is 12%. Calculate and comment on the RI (Residual Income) for the period.	₹ 64,000	3
170	A person made a Capital Investment of ₹2,00,000 in a company. Operating profit, after taxes, is ₹28,000. The opportunity cost of that investment is 10%. Calculate EVA.	₹ 8,000	3



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SL NO	QUESTIONS	CORRECT ANSWER	ANSWER CODE
171	For EVA there 3 responsibility centres, which are _____.	All of these	4
172	The theory of learning curves will only hold if which of the following conditions apply?	Both 1 and 2	4
173	_____ can be used: a. To calculate the incremental cost of making extra units of a particular products, b. To set standards for labour, c. To prepare realistic production budgets and to report labour cost variances, and d. To quote contract price.	Learning curve theory	1
174	The four Perspectives of the Balanced Scorecard are _____.	1. Financial Perspective, 2. Customers Perspective, 3. Internal business process Perspective and 4. Learning & Growth Perspectives.	3
175	MI Ltd. has earned a net profit of ₹15 lakhs after Tax at 30%. Interest cost charged by the financial institutions was ₹10 Lakhs. The Invested capital is ₹95 Lakhs of which 55% is debt. The company maintains a weighted average cost of capital of 13%. Compute the Operating Income.	₹31.43 lakhs	4
176	According to Kaplan & Norton, which of the balanced scorecard perspectives serves as the focus of the other perspectives?	Financial.	1
177	4. Which of the following would be considered an operating asset in return on investment computations?	Accounts receivable.	3
178	A company that is seeking to increase ROI should attempt to decrease:	Average operating assets.	4
179	The performance of investment centre is based on _____.	Profit and investment of the centre	3
180	Both costs and revenues are measured in _____ centers	Profit	2
181	A cost centre is a segment of the organization where the manager is responsible for _____.	A or B	3
182	The performance of investment centre is based on _____.	Profit and investment of the centre	3
183	Responsibility accounting is used for _____.	cost control	1
184	Responsibility Accounting is also known as _____.	Both A and B	3
185	Which of the following characteristics is not associated with traditional responsibility accounting?	Attempts to control processes.	4
186	In responsibility accounting, responsibilities of various groups or individuals are identified in terms of _____.	All of the above	4
187	The area of focus on responsibility center is _____.	Optimum utilization of resources	3
188	In profit center revenue represents a monetary measure of output emanating from a profit center in a given period irrespective whether _____.	Both A and B	3



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189	In a control report of Department X, it is mentioned as indirect materials are ₹1,000, indirect labour ₹900, Overtime Charges ₹100, Depreciation on equipment ₹500, Allocated factory overhead (38% of factory space) ₹4,300, Allocated overhead of repair shop is ₹1,200. Determine total costs treating department X as a responsibility center.	A. ₹ 3,200	1
190	Which of the following criterion is not used for decision-making under uncertainty?	Minimize expected loss	4
191	Decision theory is concerned with _____.	All of these	4
192	Which of the following criterion is not applicable to decision-making under risk?	Maximize return	2
193	The minimum expected opportunity loss (EOL) is _____.	Both (A) and (B)	4
194	The expected value of perfect information (EVPI) is _____.	Equal to expected regret of the optimal decision under risk	1
195	The value of the coefficient of optimism (a) is needed while using the criterion of _____.	Realism	3
196	The decision-maker's knowledge and experience may influence the decision-making process while using the criterion of _____.	Realism	3
197	The difference between the expected profit under conditions of risk and the expected profit with perfect information is called _____.	The expected value of perfect information	1
198	A situation in which a decision maker knows all of the possible outcomes of a decision and also knows the probability associated with each outcome is referred to as _____.	Risk.	2
199	Which of the following methods of selecting a strategy is consistent with risk averting behaviour?	If two strategies have the same expected profit, select the one with the smaller standard deviation.	1
200	Which one of the following does not measure risk?	LPP	2
201	The sequence of possible managerial decisions and their expected outcome under each set of circumstances can be represented and analysed by using _____.	A decision tree.	2
202	We are comparing two investment projects. Both have expected returns of 20%, but the standard deviation of Project A's returns is 15%, while the standard deviation of Project B's returns is 9%. Which one is relatively riskier?	A	1
203	Two investments have different expected returns. Project A's expected return is 20% and the standard deviation of its returns is 15%. Project B's expected return is only 10%, while the standard deviation of its returns remains at 9%. Compute Coefficient of Variance of Project A.	0.75	2
204	Which of the following is NOT a characteristic of management accounting?	Mandatory as per law	3
205	Management accounting reports are primarily intended for:	Internal management	3
206	A key feature of management accounting is that it:	Provides real-time data for decisions	1



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207	The technique used in management accounting to compare actual results with planned performance is:	Variance analysis	3
208	In Activity Based Costing, the first step is to:	Identify activities	3
209	Which of the following is least suitable as a cost driver under ABC?	Total factory square footage	4
210	A company has identified the following overhead cost pools and cost drivers for a product: Setup cost pool: ₹ 200,000; driver = number of setups (2,500 setups) Inspection cost pool: ₹ 100,000; driver = number of inspections (50,000 inspections) Product X has 200 setups and 4,000 inspections. What is the overhead allocated to Product X (using ABC)?	₹ 24,000	3
211	A product requires 5 machine hours. The machine hour activity pool has ₹ 300,000 budgeted cost and 15,000 machine hours. What is the machine-hour overhead allocated to that product under ABC?	₹ 100	1
212	A firm has two products A and B. The "order processing" cost pool is ₹ 120,000. The cost driver is number of orders. There are 2,000 orders in total: A uses 600 orders; B uses 1,400 orders. The overhead assigned to B is:	₹ 84,000	2
213	A company currently uses traditional costing and absorbs overheads at ₹ 20 per direct labour hour. Under ABC, two cost pools are identified: Setups (₹ 50,000) with driver number of setups (500), and material handling (₹ 100,000) with driver number of parts (200,000). Product Y uses 50 setups and 4,000 parts. Under ABC, overhead allocated to Y is:	₹ 7,000	2
214	A company incurs ₹ 60,000 as facility-sustaining cost (which supports all products), and allocates it equally across 3 product lines X, Y, Z under ABC. Product X produces 5,000 units, Y 10,000 units, Z 15,000 units. What is the per-unit share of facility cost for Z?	₹ 1.33	4
215	Which statement is true about ABC compared to traditional absorption costing?	ABC tends to under-cost high volume products and over-cost low volume products	1
216	In ABC, "facility-sustaining costs" are:	Costs that support the entire facility but cannot be traced to individual products	2
217	Under ABC, if an activity's cost is zero (i.e., no cost incurred), then:	Its cost driver rate is zero	2
218	A "cost pool" in ABC refers to:	A set of overhead costs associated with a specific activity	2
219	Which of the following is not an assumption of marginal costing?	Selling price per unit changes with volume	3
220	When there are no inventories, profit under marginal costing and absorption costing will be:	The same	1
221	Under marginal costing, get-or-drop decisions predominantly rely on:	Contribution margin	2
222	Which statement is true?	Marginal costing is only a technique of cost analysis	2
223	What happens to fixed cost per unit when production increases?	It decreases	3
224	If the P/V ratio increases, what happens to the break-even point (in rupees)?	It decreases	2
225	Which decision is least appropriate based on marginal costing?	Long-term pricing for strategic positioning	4



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226	The difference in profit between absorption and marginal costing arises due to:	Inventory valuation differences	3
227	Under marginal costing, closing stock is valued at:	Variable cost per unit	2
228	A company is operating at 80% capacity. A special order is received for 1,000 units at ₹120 each. Variable cost is ₹90 per unit. Should the order be accepted?	Yes, contribution is ₹30 per unit	2
229	A product yields a contribution of ₹60 per unit. A customer offers ₹500 per unit for 50 extra units. Variable cost per unit is ₹440. Should the offer be accepted?	Yes, contribution is positive	2
230	The variable cost of a product is ₹50, and fixed cost per unit is ₹30. There is idle capacity. What is the transfer price under marginal costing?	₹ 50	1
231	A division can sell its product in the open market at ₹100. The variable cost is ₹60. What should be the minimum transfer price if the division is at full capacity?	₹ 100	4
232	A division has 1,000 units of idle capacity. Variable cost per unit = ₹45. It can transfer units to another division or sell externally for ₹60. What is the opportunity cost of internal transfer?	₹ 0	4
233	If the selling division is working at full capacity and transfers internally at marginal cost, the likely impact is:	Division loses external contribution	3
234	A buying division is offered a component internally at ₹70. External market price is ₹65. Should it buy internally if internal cost is ₹50?	No, market price is lower	2
235	Selling Division: VC = ₹35, External Price = ₹50. Internal Transfer Price = ₹35. If 1,000 units are transferred, what is total opportunity cost?	₹ 15,000	3
236	A company has fixed costs of ₹50,000 and variable costs of ₹20 per unit. Selling price is ₹50 per unit. What is the break-even sales in units?	1,667	4
237	In marginal costing, profit is maximum when:	Marginal cost equals marginal revenue	1
238	Which of the following is a correct reason to accept a special order in marginal costing?	It results in positive contribution	1
239	In make-or-buy decisions using marginal costing, which cost is always relevant?	Variable production cost	3
240	A division transfers goods internally at marginal cost. What is a key disadvantage?	Under-recovery of fixed costs	2
241	Which decision is most appropriate to use marginal costing?	Adding a new product line under capacity	3
242	When marginal cost equals transfer price, the transferring division will likely:	Lose incentive to transfer	4
243	If internal transfers are made at marginal cost, which division may feel disadvantaged?	Selling division	3
244	Sales = ₹5,00,000, variable costs = ₹3,00,000, fixed costs = ₹1,00,000. What is margin of safety?	₹ 2,50,000	2
245	Fixed cost = ₹80,000, break-even sales = ₹2,00,000. If sales rise to ₹3,00,000, what is profit?	₹ 40,000	2
246	A firm produces 5,000 units at total cost ₹1,50,000; at 6,000 units, total cost ₹1,70,000. Marginal cost per unit?	₹ 20	2
247	A company gets a special order of 2,000 units at ₹45 each. Variable cost is ₹40. Fixed costs remain the same. Should the order be accepted?	Yes, gives ₹10,000	1
248	Product A: SP ₹100, VC ₹70 (2 hrs); B: SP ₹80, VC ₹50 (1 hr); 5,000 hrs available. What to produce?	All B	2



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249	A company has the following standards: 5 kg of material at ₹10/kg. Actual usage was 6 kg at ₹9/kg. What is the Material Price Variance?	₹6 Favorable	1
250	If the standard labor time for 100 units is 200 hours and the actual hours taken are 220 hours at a standard wage rate of ₹50 per hour, what is the labor efficiency variance?	₹1000 Adverse	2
251	A product's standard cost includes 3 hours of labor at ₹40 per hour. Actual labor was 4 hours at ₹38 per hour. What is the labor rate variance?	₹8 Favorable	1
252	Standard cost of variable overhead is ₹5 per hour. Standard hours allowed for actual production are 1000 hours, actual hours worked are 1100 hours, and actual overhead is ₹5600. Calculate variable overhead spending variance.	₹100 Adverse	2
253	A company produces 500 units. The standard material per unit is 2 kg at ₹4 per kg. Actual material used is 1100 kg at ₹3.8 per kg. Calculate material usage variance.	₹400 Adverse	4
254	A company's fixed overhead absorption rate is ₹10 per hour. Standard hours allowed for actual production are 500 hours. Actual fixed overhead incurred was ₹5200. Calculate fixed overhead spending variance.	₹200 Adverse	1
255	Standard variable overhead rate is ₹4 per hour. Standard hours allowed are 500 hours. Actual hours worked are 550 hours and actual variable overhead is ₹2300. Calculate variable overhead efficiency variance.	₹200 Adverse	1
256	Which variance arises due to the difference between actual price and standard price of materials?	Material Price Variance	2
257	Labour efficiency variance indicates:	The difference between actual hours and standard hours for actual production	2
258	Which of the following is a favorable variance?	Actual cost less than standard cost	2
259	Overhead variances are classified into:	Fixed and Variable overhead variances	1
260	What type of standard assumes no inefficiencies and perfect conditions?	Ideal standard	2
261	How often are standards usually revised?	At regular intervals based on changing conditions	4
262	What is the effect of an adverse material usage variance?	Increased material cost	1
263	A company budgets sales at 10,000 units at ₹20 per unit. Variable cost is ₹12/unit and fixed costs are ₹40,000. What is the budgeted profit?	₹ 40,000	3
264	In a flexible budget, fixed costs are ₹30,000. At 5,000 units, total variable cost is ₹50,000. What is total cost at 6,000 units?	₹ 90,000	2
265	Budgeted production is 1,200 units. Opening stock = 100, Closing stock = 300. What is the sales budget?	1000 units	1
266	Sales forecast for Jan to March: ₹60,000, ₹80,000, ₹1,00,000. 30% sales are cash; 70% are credit, collected in next month. What are total receipts in March?	₹ 86,000	4
267	Sales forecast is ₹5,00,000. Desired closing stock is 20% of next month's sales, and opening stock is ₹40,000. If next month's sales are ₹6,00,000, what is the required production (in ₹)?	₹ 5,80,000	1
268	Which of the following budgets is a "summary budget" of all departmental budgets?	Master budget	2



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269	A flexible budget is preferable to a fixed budget because it	allows budget comparisons at various levels of activity	2
270	Which type of budgeting starts from zero each period rather than adjusting prior budgets?	Zero-based budgeting	2
271	Rolling budgets are characterized by	always shifting the budget horizon forward	3
272	A performance budget emphasises	linkage between inputs and programme goals	3
273	Which of the following is not a functional budget?	Master budget	4
274	Benchmarking in budgetary control refers to	comparing performance with best-in-class	2
275	Which cost remains constant per unit in flexible budgets?	Variable cost	1
276	Which is not properly matched?	Flexible budget – fixed for all activity	4
277	In zero-based budgeting, units must	justify all expenditure	2
278	Forecasting is different from budgeting in that	forecasting is estimation of future trends, budgeting is a plan/commitment based on that estimate	3
279	Return on Investment (ROI) as a divisional performance measure is calculated as:	Operating profit / Average operating assets	2
280	Which of the following is the primary objective of divisional performance measurement?	Evaluate profitability and efficiency of divisions	2
281	Residual Income (RI) differs from ROI in that RI:	Measures absolute profit after deducting a charge for capital cost	1
282	Economic Value Added (EVA) is best described as:	Net operating profit after tax minus cost of capital employed	1
283	The DuPont analysis breaks down ROI into:	Profit margin and asset turnover	1
284	Division A has operating profit ₹20 lakhs and average operating assets ₹1 crore. Division B has operating profit ₹15 lakhs and average operating assets ₹75 lakhs. Which division has a higher ROI?	Division A: 20%, Division B: 20%	1
285	Division X has operating profit of ₹30 lakhs and operating assets of ₹1.5 crore. Cost of capital is 15%. Calculate Residual Income (RI).	₹7.5 lakhs	3
286	Division C's sales are ₹50 lakhs; net operating profit ₹8 lakhs; average operating assets ₹40 lakhs. Calculate ROI.	20%	2
287	Division D's net operating profit after tax (NOPAT) is ₹12 lakhs. Capital charge @ 18% on ₹50 lakhs capital employed. Calculate Economic Value Added (EVA).	₹3 lakhs	4
288	Division Q's ROI is 18%. Cost of capital is 12%. Should Division Q accept a project with an ROI of 14%?	Yes, because project ROI > cost of capital	1
289	Which of the following is NOT a responsibility center?	Tax center	4
290	Which of the following is NOT true about responsibility accounting?	Eliminates all cost variances	3
291	In responsibility accounting, controllable costs are:	Costs over which a manager has direct influence	1
292	Profit center managers are responsible for:	Both revenues and costs	3
293	Which responsibility center allows managers to make decisions on assets employed as well as profits?	Investment center	3
294	Which decision-making criterion assumes the decision maker is extremely risk-averse?	Maximin	2
295	The maximax criterion is also known as:	Optimistic criterion	1
296	The minimax regret criterion minimizes:	The maximum loss relative to the best payoff in each state	2
297	Expected monetary value (EMV) is calculated by:	Multiplying the payoff by the probability and summing for all states	1



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298	Which of the following decision rules is suitable when probabilities of states of nature are unknown and the decision maker is neutral?	Laplace (Equal probability)	3
299	In decision theory, a 'payoff table' shows:	Outcomes for each alternative under each state of nature	2
300	The Laplace criterion assumes:	Decision maker assigns equal probabilities to all states of nature	2
301	A decision tree is useful because it:	Simplifies complex decisions by structuring alternatives and outcomes sequentially	1
302	Sensitivity analysis in decision theory helps to:	Evaluate how changes in probabilities or payoffs affect the decision	1
303	The 'Expected Value of Perfect Information (EVPI)' represents:	The maximum amount a decision maker would pay to eliminate uncertainty	2