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Faculty of Commerce & Management
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Due to COVID-19 problem, all universities, colleges and educational institutes are closed. Because of this, students aren't able to study and will definitely lack behind in exam. Overall education field is disturbed during COVID-19 period.

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Providing Online study Material for 6th Semester

- 1) Compulsory English
- 2) Management Accounting
- 3) Economics of Development
- 4) Company Law
- 5) E.C: Internet and WWW – II
- 6) E.C: E-Commerce – II
- 7) E.C: Indian Insurance System-II
- 8) E.C: Indian Banking System-II

Sant Gadge Baba Amravati University, Amravati
Faculty of Commerce & Management

Subject NO: 2

Management Accounting

B.Com 6th Semester

As Per University Paper Pattern Section-A 20 marks
Multiple Choice Question (MCQ)



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- ❖ An accounting approach in which expected benefits exceed expected cost is classified as _____.
- a) Benefit approach
 - b) Cost approach
 - c) Cost-benefit approach
 - d) Accounting approach

Answer: c) Cost benefit approach.

- ❖ Decisions regarding usage of material kind and changes in plant processing are part of _____.
- a) Past management
 - b) Future management
 - c) Help management
 - d) Cost management

Answer: d) Cost management.

- ❖ The use of Management Accounting is as _____.
- a) Legally obligatory
 - b) Compulsory
 - c) Optional
 - d) Compulsory to some and optional to other

Answer: c) Optional

- ❖ Management Accounting helps the management _____.
- a) Only in planning.
 - b) Only in direction
 - c) Only in control
 - d) In planning, direction and control

Answer: d) In planning Direction and Control

- ❖ The cash management, investment, long and short term financing are included in _____.
- a) Proprietorship b) Functional line
c) Treasury d) Controllership

Answer: c) Treasury

- ❖ An approach in which managers use resources to increase customer value is classified as _____.
- a) Help Management
b) Cost Management
c) Past Management
d) Future Management

Answer: b) Cost Management

- ❖ Type of accounting which measures, reports and analysis non-financial and financial information to help in decision making is called _____.
- a) Financial Accounting
b) Management Accounting
c) Cost Accounting
d) Decision Accounting

Answer: b) Management Accounting

- ❖ Which of the following is not the tool of Management Accounting?
- a) Human Resources Accounting
b) Standard Costing
c) Budgetary Control
d) Decision Accounting

Answer: a) Human Resources Accounting

- ❖ Management Accounting is basically concerned with _____.
- a) The problem of choice making
 - b) Cause and effect relationship
 - c) Recording of transactions
 - d) Only (a) and (b)

Answer: d) Only (a) and (b)

- ❖ Management Accountancy is a framework for _____.
- a) Accounting
 - b) Costing
 - c) Decision-making
 - d) Management

Answer: c) Decision-making

- ❖ Who is the originator of management accounting concept?
- a) J. Batty
 - b) James H. Bliss
 - c) R. N. Anthony
 - d) American Accounting Association

Answer: b) James H. Bliss

- ❖ The Philosophy, in which the management works to improve value chain of the products, to exceed customer expectation is classified as _____.
- a) Quality
 - b) Management Chain
 - c) Customer Chain
 - d) Cost Chain

Answer: a) Quality

Multiple Choice Questions (MCQs)

- ❖ B.E.P is that where?
- There is minimum profit
 - There is minimum loss
 - There is maximum profit
 - There is neither profit nor loss

Answer: d) There is Neither Profit nor Loss

- ❖ B.E.P is the point at which _____.
- Total revenue is equal to total cost.
 - Contribution margin is equal to total fixed cost.
 - There is no profit no loss.
 - All of the above.

Answer: d) All of the above

- ❖ B.E.P in Rs: _____.

- | | |
|---|---|
| a) $\frac{\text{Fixed Cost}}{\text{P/V Ratio}}$ | b) $\frac{\text{Fixed Cost}}{\text{C Per Unit}}$ |
| c) $\frac{\text{Fixed Cost}}{\text{P.V Ratio}}$ | d) $\frac{\text{P : V Ratio}}{\text{Fixed Cost}}$ |

Answer: a) $\frac{\text{Fixed Cost}}{\text{P : V Ratio}}$

- ❖ Which of the following are limitation of break-even analysis?
- a) Static concept.
 - b) Capital employed is taken into account.
 - c) Limitation of non-linear behavior of costs.
 - d) Limitation of presence of perfect competition.

Answer: a) Static concept

- ❖ Margin of safety _____.
- a) Sales – Fixed Cost
 - b) Sales – Variable Cost
 - c) Sales – Total Cost
 - d) Sales – B.E.P

Answer: d) Sales – B.E.P

- ❖ To obtain the break – even point in units, total fixed cost are divided by _____.
- a) Variable Cost Per Unit
 - b) Fixed Cost Per Unit
 - c) P/V Ratio
 - d) Contribution Per Unit

Answer: d) Contribution per unit

- ❖ What will be the effect on B.E.P by the increase in fixed cost?
- a) Decrease
 - b) Increase
 - c) No change
 - d) None of these

Answer: b) Increase

- ❖ In break – even chart y-axis represents.
 - a) Volume of sales in unit.
 - b) Value of sales in rupees.
 - c) Cost and sales in rupees.
 - d) Value of production in rupees.

Answer: c) Cost and sales in rupees.

- ❖ Contribution is also known as _____.
 - a) Contribution margin
 - b) Net margin
 - c) Both a and b
 - d) None of the above

Answer: a) Contribution margin

- ❖ Profit volume ratio is also known as _____.
 - a) Contribution ratio.
 - b) Contribution/Sales ratio.
 - c) Marginal income percentage.
 - d) All of the above.

Answer: All of the above.

- ❖ Profit on sales is measured as _____.
 - a) $\text{Sales} \times \text{P/V Ratio} - \text{Fixed Cost}$
 - b) $\text{Sales} \times \text{P/V Ratio} + \text{Fixed Cost}$
 - c) $\text{Sales} + \text{P/V Ratio} + \text{Fixed Cost}$
 - d) None of the above

Answer: a) $\text{Sales} \times \text{P/V Ratio} - \text{Fixed Cost}$

- ❖ Margin of safety can be increased by _____.
- a) Decrease in setting price.
 - b) Decline in volume of production.
 - c) Reduction in fixed or the variable costs or both.
 - d) None of the above.

Answer: c) Reduction in fixed or the variable costs or both

- ❖ Which of the following are characteristics of B.E.P.
- a) There is no loss and no profit to the firm.
 - b) Total revenue is equal to total cost.
 - c) Contribution is equal to fixed cost.
 - d) All of the above.

Answer: d) All the above.

- ❖ P.V. Ratio = _____.

- a) $\frac{S - V}{S}$
- b) $\frac{S - V}{S} \times 100$
- c) $\frac{\text{Profit}}{\text{Sales}} \times 100$
- d) None of these

Answer: b) $\frac{S - V}{S} \times 100$

- ❖ Determine contribution if sales is Rs. 1,50,000 and P/V ratio is 40%
- a) Rs. 60,000
 - b) Rs. 70,000
 - c) Rs. 30,000
 - d) None of the above

Answer: a) Rs. 60,000

Explanation:

$$\Rightarrow C = \text{Sales} \times \text{PVR} \\ = 1,50,000 \times 40\%$$

$$\therefore C = 1,50,000 \times \frac{40}{100} = 60,000$$

❖ What will be the amount of profit if fixed cost is Rs. 20,000 sales is Rs. 1,60,000 and P/V ratio is 25%?

a) Rs. 40,000

b) Rs. 20,000

c) Rs. 10,000

d) None of the above

Answer: b) Rs. 20,000

Explanation:

$$\Rightarrow \text{Profit} = (\text{Sales} \times \text{PVR}) - \text{Fixed Cost} \\ = \left(1,60,000 \times \frac{25}{100} \right) - 20,000$$

$$\therefore \text{Profit} = 40,000 - 20,000 = 20,000$$

❖ Determine margin of safety if profit is Rs. 15,000 and P/V ratio is 40%.

a) Rs. 37,500

b) Rs. 33,000

c) Rs. 38,000

d) None of the above.

Answer: a) 37,500

Explanation:

$$\Rightarrow \text{MS} = \frac{\text{Profit}}{\text{PVR}} = \frac{15,000}{40\%} = \frac{15,000 \times 100}{40}$$

$$\therefore \text{MS} = 37,500$$

- ❖ The break-even point of a company is that level of sales income which will equal the sum of its fixed cost.

a) True

b) False

Answer: a) True

- ❖ The term marginal cost can be used as a substitute of variable cost while measuring contribution.

a) True

b) False

Answer: a) True

- ❖ Contribution and profit both are some concepts.

a) True

b) False

Answer: b) False

Multiple Choice Questions (MCQs)

- ❖ Stock (Inventory) turnover ratio is _____.
a) Liquidity ratio b) Profitability ratio
c) Solvency ratio d) Activity ratio

Solution: d) Activity ratio

- ❖ Ideal level of current ratio is _____.
a) 4 : 1 b) 2 : 1
c) 1 : 1 d) 0.5 : 1

Solution: b) 2 : 1

- ❖ Liquid or quick assets _____.
a) Current assets – Prepaid expenses
b) Current assets – Stock – Prepaid expenses
c) Current assets + Stock – Prepaid expenses
d) Current assets – Stock – Prepaid expenses

Solution: b) Current assets – Stock – Prepaid expenses

- ❖ Turnover ratio help the management in _____.
a) Managing the resources
b) Evaluating the performance
c) Planning the finance
d) All the above

Solution: b) Evaluating the performance

- ❖ Which is not included in quick assets _____.
a) Inventories b) Trade receivables
c) Cash at bank d) Cash in hand

Solution: a) Inventories

- ❖ The most rigorous test of liquidity is _____.
a) Current ratio b) Absolute liquid ratio
c) Quick ratio d) All the above

Solution: b) Absolute liquid ratio

- ❖ “Higher the ratio, the more favorable it is”.
This does not apply to _____.
a) Net profit ratio b) Stock turnover
c) Operating ratio d) None of these

Solution: c) Operating ratio

- ❖ Collection of debtors _____.
a) Increases current ratio
b) Decreases current ratio
c) Has no effect on the current ratio
d) All the above

Solution: c) Has no effect on the current ratio

- ❖ Profit after interest and tax is used in calculating return on _____.
a) Total assets b) Capital employed
c) Shareholders funds d) All the above

Solution: c) Shareholders funds

- ❖ Operating ration is _____.
a) Profitability ratio b) Activity ratio
c) Solvency ratio d) None of these

Solution: a) Profitability ratio

- ❖ Commonly which ratio is calculated in percentage _____.
- a) Profitability ratio
 - b) Activity ratio
 - c) Financial position ratio
 - d) None of the above

Solution: a) Profitability ratio

- ❖ Commonly which ratio is calculated in times _____.
- a) Profitability ratio
 - b) Activity ratio
 - c) Financial position ratio
 - d) None of the above

Solution: b) Activity ratio

- ❖ Under which ratio one component is converted in one _____.
- a) Profitability ratio
 - b) Activity ratio
 - c) Financial position ratio
 - d) None of the above

Solution: c) Financial position ratio

- ❖ Ideal acid test ratio is _____.
- a) 1 : 1
 - b) 1 : 2
 - c) 2 : 1
 - d) None of above

Solution: a) 1 : 1

- ❖ General profitability ratio are based on _____.
- a) Investments
 - b) Sales
 - c) (a) and (b)
 - d) None of the above

Solution: b) Sales

- ❖ Gross profit ratio is also termed as _____.
- a) Gross profit margin
 - b) Gross margin to net sales
 - c) Both (a) and (b)
 - d) All of the above

Solution: c) Both (a) and (b)

- ❖ Gross profit ratio should be adequate to cover _____.
- a) Selling expenses
 - b) Administrative expenses
 - c) Dividends
 - d) All of the above

Solution: d) All of the above

- ❖ Which ratio is considered as safe margin of solvency _____.
- a) Liquid ratio
 - b) Quick ratio
 - c) Current ratio
 - d) None of the above

Solution: c) Current ratio

- ❖ Which of the following is not included in current assets?
- a) Debtors
 - b) Stock
 - c) Cash at bank
 - d) Cash in hand

Solution: b) Stock

- ❖ Return on proprietors funds is also known as _____.
- a) Return on net worth
 - b) Return on shareholders fund
 - c) Return on shareholders investment
 - d) All of the above

Solution: d) All of the above

- ❖ Liquid ratio is also known as _____.
- a) Quick ratio
 - b) Acid test ratio
 - c) Working capital ratio
 - d) Stock turnover ratio
- A)** (a) and (b) **B)** (a) and (c)
C) (b) and (c) **D)** (c) and (d)

Solution: A) a and b

- ❖ Gross profit ratio is calculated by _____.
- a) $(\text{Gross profit}/\text{Gross sales}) \times 100$
 - b) $(\text{Gross profit}/\text{Net sales}) \times 100$
 - c) $(\text{Net profit}/\text{Gross sales}) \times 100$
 - d) None of the above

Solution: b) (Gross profit/Net sales) × 100

- ❖ While calculating gross profit ratio _____.
- a) Closing stock is deducted from cost of good sold
 - b) Closing stock is added to cost of good sold
 - c) Closing stock is ignored
 - d) None of the above

Solution: a) Closing stock is deducted from cost of good sold

- ❖ Stock is considered as a liquid assets as anytime it can be converted into cash immediately
- a) Yes
 - b) No

Solution: b) No

- ❖ The ratio analysis is helpful to management is taking several decisions, but as a mechanical substitute for judgment and thinking it is worse than useless.
- a) True
 - b) False

Solution: a) True

Multiple Choice Questions

❖ A budget is tool which helps the management in planning and control of _____.

- a) All business activities
- b) Production activities
- c) Purchase activities
- d) Sales activities

Solution: a) All business activities

❖ Budget is prepared for a _____.

- a) Indefinite period
- b) Definite period
- c) Period of one year
- d) Six months

Solution: b) Definite period

❖ The budgets are classified on the basis of _____.

- a) Time
- b) Function
- c) Flexibility
- d) All

Solution: d) All

❖ In cash flow method for preparing cash budget payment of dividends and prepaid payments are _____.

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

Solution: a) Deducted from opening balance of cash

- ❖ While preparing cash budget from cash accounting method.
 - a) Payments and receipts related to budget period are considered
 - b) Payment and receipts before budget period are considered
 - c) Payments and receipts after budget period are considered
 - d) All of the above

Solution: a) Payments and receipts related to budget period are considered

- ❖ Cash budget is a _____ budget.
 - a) Short-term
 - b) Long-term
 - c) Both a and b
 - d) None of the above

Solution: a) Short-term

- ❖ Which of the following statements are true about cash budget.
 - a) Cash budget and cash flow statement are same
 - b) Fixed expenses are not shown in cash budget
 - c) Actual payments and receipts are shown in cash budget
 - d) None of the above

Solution: d) None of the above

- ❖ While preparing a cash budget the focus should be on _____.
 - a) Sources of cash inflow during a particular period
 - b) Amount of cash to be received from cash inflow sources
 - c) Timing of cash inflow
 - d) All of the above

Solution: d) All of the above

- ❖ Cash budget is more helpful in those business concerns where there are _____.
 - a) No seasonal fluctuations
 - b) Wide seasonal fluctuations
 - c) Rare seasonal fluctuations
 - d) All of the above

Solution: b) Wide seasonal fluctuations

- ❖ While preparing cash budget from cash accounting method, if there is no specific direction in respect of a particular item, it is assumed that payments or receipts will take place in _____.
 - a) Current month
 - b) Month of occurrence
 - c) Insufficient data to decide
 - d) None of the above

Solution: b) Month of occurrence

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

- a) Cash accounting method
- b) Budgeted method
- c) Cash flow method
- d) None of the above

Solution: a) Cash accounting method

❖ Project forecast method is also known as _____.

- a) Projected balance sheet method
- b) Cash flow method
- c) Budgeted method
- d) None of the above

Solution: b) Cash flow method

❖ The payment of income tax, dividend, interest and donation are examples of _____.

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

Solution: b) Cash payment for non-operating expenses

- ❖ A budget centre is _____.
- a) Department or part of the department
 - b) Meeting place for budget committee
 - c) Office of the budget officer
 - d) None

Solution: a) Department or part of the department

- ❖ The budget committee consists of _____.
- a) Managers
 - b) Budget officers
 - c) Creditors
 - d) Both

Solution: b) Budget officers

- ❖ Cash budget deals with historical data whereas cash flow statement deals with future data _____.
- a) True
 - b) False

Solution: b) False

- ❖ A budgeted balance sheet is prepared in projected balance sheet method and an estimate is made of the values of all assets including bank overdraft, cash balance and bank.
- a) True
 - b) False

Solution: b) False

- ❖ The receipts or payments having time log are not included in cash budget.
- a) True
 - b) False

Solution: b) False

❖ Outstanding expenses and reserve for doubtful debts are shown in cash budget.

a) True

b) False

Solution: b) False

❖ Cash budget helps in the formulation of suitable dividend policy

a) True

b) False

Solution: a) True

Multiple Choice Questions

- ❖ Budgetary control system acts as a friend philosopher and guide to the ____.
- a) Management b) Share holders
c) Creditors d) Employees

Solution: a) Management

- ❖ Budgetary control system defines the objectives and policies of the ____.
- a) Production department
b) Finance department
c) Marketing department
d) All

Solution: d) All

- ❖ Budgetary control facilitates easy introduction of the ____.
- a) Marginal costing b) Ratio analysis
c) Standard costing d) Subjective matter

Solution: c) Standard costing

- ❖ Budgetary control helps the management in ____.
- a) Obtaining bank credit
b) Issue of shares
c) Getting grants from government
d) All of these

Solution: a) Obtaining bank credit

- ❖ Budgetary control provides a basis for _____.
a) Bonus shares b) Right shares
c) Remuneration plans d) None

Solution: c) Remuneration plans

- ❖ Budgetary control helps to introduce a suitable incentive and remuneration based on _____.
a) Changes in government policies
b) Inflationary conditions
c) Both
d) None

Solution: b) Inflationary conditions

- ❖ Budgetary control _____ replace management in decision making.
a) Can b) Cannot
c) Sometimes d) Inadequate data

Solution: b) Cannot

- ❖ The success of budgetary control system depends upon the willing co-operation of _____.
a) Shareholders
b) Management
c) Creditors
d) All the functional areas of management

Solution: d) All the functional areas of management

- ❖ Recording of actual performance is _____.
- a) An advantage of budgetary control
 - b) A step in budgetary control
 - c) A limitation of budgetary control
 - d) None

Solution: b) A step in budgetary control

- ❖ The main objective of budgetary control is _____.
- a) To define the goal of the firm
 - b) To coordinate different departments
 - c) To plan to achieve its goals
 - d) All of the above

Solution: c) To plan to achieve its goals

- ❖ Variable cost is also known as _____.
- a) Direct cost
 - b) Proportionate cost
 - c) Both a and b
 - d) None of the above

Solution: c) Both a and b

- ❖ Flexible budgeting is used when the supply of material and labour required for production is _____.
- a) Uncertain
 - b) Certain
 - c) Either a or b
 - d) None of the above

Solution: a) Uncertain

❖ In _____ actual performance can easily be compared due to availability of budgets at different levels of activity.

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

Solution: b) Flexible budget

❖ Flexible budget is also known as _____.

- a) Sliding scale budget b) Dynamic budget
c) Both a and b d) None of the above

Solution: a) Sliding scale budget

❖ Flexible budget is that budget which presents _____ at various levels of business activity.

- a) Costs b) Revenues
c) Profit d) All of the above

Solution: d) All of the above

❖ Flexible budget is used when _____.

- a) Demand remains static even when there is change in taste and fashion of customers
b) When the business unit is new
c) Whenever there is change of activity due to change in government policies
d) All of the above

Solution: d) All of the above

- ❖ At 50% capacity expenses are Rs. 10, 000, which increase by 10% between 60% and 80% level of activity and 20% thereafter. These are _____.

- a) Variable expenses
- b) Semi-variable expenses
- c) Both a and b
- d) None of the above

Solution: b) Semi-variable expenses

- ❖ Semi-variable cost will not be zero, even if production is Nil.

- a) True
- b) False

Solution: a) True

- ❖ While preparing a flexible budget, direct material, direct labour and direct expenses all are placed under the head of variable cost.

- a) True
- b) False

Solution: a) True

- ❖ Fixed budget is of much help in the fixation of selling price or calculation of tender price.

- a) True
- b) False

Solution: b) False

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