B.Com. Part - III
Semester – VI
Management Accounting

Unit - I

✧ Management Accounting ✧

☞ **Select the most appropriate answers from the alternatives given below and rewrite the sentences :**

1. In the words of …………… " Management accounting is concerned with accounting information that is useful to management."
   (a) J. Betty (b) Robert Anthony
   (c) Institute of charted Accounts of England (d) All of the above

2. Main emphasis of management accounting is ………….. to maximise profit.
   (a) Planning (b) Controlling
   (c) Decision Making (d) All of the above

3. CIMA Stands of : …………..
   (a) Charted Institute of Management Accountants
   (b) Comman Institute of Management Accountants
   (c) Charted International of Management Accountants
   (d) Comman International of Management Accountants

4. …………… is a important tools and techniques of management accounting.
   (a) Double Entry System (b) Budegeting
   (c) Cash flow statement (d) b and c

5. …………… is not a techniques of management accounting.
   (a) Responsibility accounting (b) Funds flow statement
   (c) Final accounts of company (d) Break even analysis

6. Which of the following words DOES NOT describe a main focus of management accounting ?
   (a) Planning (b) Control
   (c) External (d) Decision-making

7. CIMA defines management accounting as:
"The application of the principles of accounting and financial management to create, protect, preserve and increase value for the __________________ of for-profit and not-for profit enterprises in the public and private sectors".

(a) Auditors
(b) Stakeholders
(c) Owners
(d) Customers

8. Which of the following statements are true?
1. The main role of the management accountant is to produce financial accounts
2. Management accountants always work within the finance function
3. Management accountants always work in partnership with business managers

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) None of the above

9. Which of the following words complete the statement below?
_____________ accounts are prepared for external stakeholders. Management accounts are prepared for ______________ stakeholders.

(a) Shadow, Internal
(b) Financial, Internal
(c) Financial, External
(d) Internal, Budget

10. Which THREE of the following statements about CIMA are true?
A. CIMA was established over 90 years ago
B. CIMA members may only work in the UK
C. CIMA members and students must comply with the CIMA code of ethics
D. CIMA members work mainly on the production of financial accounts
E. CIMA members are not qualified to work as finance directors
F. CIMA members work in all areas of business

(a) A,C,F
(b) A,B,F
(c) A,B,D
(d) A,C,E

Unit - II

❖ BREAK-EVEN-ANALYSIS ❖

☞ **Select the most appropriate answers from the alternatives given below and rewrite the sentences :**

1. At Break even point there is …………………
   (a) Profit (b) Loss
   (c) No profit no loss (d) None of this

2. At break even point …………………
   (a) Total expenses = Total revenue (b) Total expenses > Total revenue
   (c) Total expenses < Total revenue (d) Any of the above

3. In any organization, profits depends mainly upon …………………
   (a) Prodction cost (b) Production output
   (c) Revenue (d) All of the above

4. There are various methods to reduce cost of production, except …………………
   (a) Increase in production outout (b) Reduction in number of rejections
   (c) Maintaining maximum inventory (d) Producing standardized products

5. The following assumptions are made in case of break even ananlysis, except …………………
   (a) All fixed costs are fixed (b) All variable costs are fixed
   (c) The prices of input factors are constant (d) Volume of production and volumes of sales are equal

6. The break even point is obtained at intersection of …………………
   (a) Total revenue and total cost line (b) Total cost and variable cost line
   (c) Variable cost and fixed cost line (d) Fixed cost and total cost line

7. To increase margine of sefty, the following meseure can be taken
   i. increase in sale price
   ii. increase the outout
   iii. Reduce the fixed and variable costs
   Which of the following is/are true ? …………………
   (a) Only i (b) i & ii
   (c) ii & iii (d) All of the above

8. Angle of incidence is the angle at which …………………
   (a) Total revenue line intersects the total cost line
   (b) Total cost line intersects the variable cost line
   (c) Variable cost line intersects fixed cost line
   (d) Fixed cost line intersects total revenue line

9. Contribution per unit is equal to …………………
   (a) Selling price per unit – variable cost per unit
   (b) Selling price per unit + variable cost per unit
   (c) Selling price per unit × variable cost per unit
   (d) Selling price per unit / variable cost per unit

10. The quantity required to have desired profit is …………………
   (a) (Fixed cost + desired profit) / contribution per unit
   (b) (Fixed cost – desired profit) / contribution per unit
   (c) (Fixed cost × desired profit) / contribution per unit
   (d) Fixed cost / (desired profit × contribution per unit)

Answers :

1.	(c)	No profit no loss	2.	(a)	Total expenses = Total revenue
3.	(d)	All of the above	4.	(c)	Maintaining maximum inventory
5.	(b)	All variable costs are fixed	6.	(a)	Total revenue and total cost line
7.	(d)	All of the above	8.	(d)	Fixed cost line intersects total revenue line
9.	(a)	Selling price per unit – variable cost per unit	10.	(a)	(Fixed cost + desired profit) / contribution per unit

Unit - III

❖ RATIO ANALYSIS ❖

☞ **Select the most appropriate answers from the alternatives given below and rewrite the sentences :**

1. Ratio analysis implies the process of ……….. the relationship of items and group of items financial statements.
   (a) Computing (b) Determining
   (c) Presenting (d) All of the above

2. Ratio analysis may take the …………. Complicated and misleading on account of change in price level.
   (a) Comparative study (b) Financial study
   (c) Cost study (d) Management study

3. Quick ratio of ……… is considered to represent a satisfactory current financial position.
   (a) 1 : 2 (b) 2 : 1
   (c) 1 : 1 (d) 3 : 1

4. ………. Attempts to measure the relationship between long term debts and shareholder's funds.
   (a) Proprietary Ratio (b) Debt-equity ratio
   (c) Debt to Total fund ratio (d) Capital gearing ratio

5. ………. Indicates the relationship between net credit sales and trade debtors.
   (a) Debt-equity ratio (b) Debt to Total fund ratio
   (c) Debtors Turnover ratio (d) All of the above

6. Accounting Ratios are important tools used by ……….
   (a) Managers (b) Researchers
   (c)Investors (d) All of the above

7. Net Profit Ratio Signifies : ……….
   (a) Operational Profitability (b) Liquidity Position
   (c) Big-term Solvency (d) Profit for Lenders

8. Working Capital Turnover measures the relationship of Working Capital with : ……….
(a) Fixed Assets (b) Sales
(c) Purchases (d) Stock

9. In Ratio Analysis, the term Capital Employed refers to:
(a) Equity Share Capital (b) Net worth
(c) Shareholders' Funds (d) None of the above

10. Dividend Payout Ratio is : ……….
(a) PAT Capital (b) DPS ÷ EPS
(c) Pref. Dividend ÷ PAT (d) Pref. Dividend ÷ Equity Dividend

11. DU PONT Analysis deals with : ……….
(a) Analysis of Current Assets (b) Analysis of Profit
(c) Capital Budgeting (d) Analysis of Fixed Assets

12. In Net Profit Ratio, the denominator is : ……….
(a) Net Purchases (b) Net Sales
(c) Credit Sales (d) Cost of goods sold

13. Inventory Turnover measures the relationship of inventory with : ……….
(a) Average Sales (b) Cost of Goods Sold
(c)Total Purchases (d) Total Assets

14. The term 'EVA' is used for : ……….
(a) Extra Value Analysis (b) Economic Value Added
(c) Expected Value Analysis (d) Engineering Value Analysis

15. Return on Investment may be improved by : ……….
(a) Increasing Turnover (b) Reducing Expenses
(c) Increasing Capital Utilization (d) All of the above

16. In Current Ratio, Current Assets are compared with : ……….
(a) Current Profit (b) Current Liabilities
(c) Fixed Assets (d) Equity Share Capital

17. ABC Ltd. has a Current Ratio of 1.5: 1 and Net Current Assets of Rs. 5,00,000. What are the Current Assets ?
(a) Rs. 5,00,000 (b) Rs. 10,00,000
(c) Rs. 15,00,000 (d) Rs. 25,00,000

18. There is deterioration in the management of working capital of XYZ Ltd. What does it refer to ?
   (a) That the Capital Employed has reduced
   (b) That the Profitability has gone up
   (c) That debtors collection period has increased
   (d) That Sales has decreased

19. Which of the following does not help to increase Current Ratio ?
   (a) Issue of Debentures to buy Stock
   (b) Issue of Debentures to pay Creditors
   (c) Sale of Investment to pay Creditors
   (d) Avail Bank Overdraft to buy Machine

20. Debt to Total Assets Ratio can be improved by : ……….
   (a) Borrowing More (b) Issue of Debentures
   (c) Issue of Equity Shares (d) Redemption of Debt

Answers :

1.	(d)	All of the above	2.	(a)	Comparative study
3.	(c)	1 : 1	4.	(b)	Debt-equity ratio
5.	(c)	Debtors Turnover ratio	6.	(d)	All of the above
7.	(a)	Operational Profitability	8.	(a)	Fixed Assets
9.	(d)	None of the above	10.	(b)	DPS ÷ EPS
11.	(b)	Analysis of Profit	12.	(b)	Net Sales
13.	(b)	Cost of Goods Sold	14.	(b)	Economic Value Added
15.	(d)	All of the above	16.	(b)	Current Liabilities
17.	(c)	Rs. 15,00,000	18.	(c)	That debtors collection period has increased
19.	(d)	Avail Bank Overdraft to buy Machine	20.	(d)	Redemption of Debt

Unit – IV

❖ Budget ❖

☞ **Select the most appropriate answers from the alternatives given below and rewrite the sentences :**

1. A budget is a plan of action expressed in…………………
   a. Financial terms
   b. Non-financial terms
   c. Both
   d. Subjective matter

2. Budget is prepared for a…………………
   a. Indefinite period
   b. Definite period
   c. Period of one year
   d. Six months

3. 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

4. Revision of budgets is…………………
   a. Unnecessary
   b. Can't determine
   c. Necessary
   d. Inadequate data

5. Frequent revision of budgets will…………………
   a. Affects its reliability
   b. Increase the accuracy
   c. Both
   d. Subjective matter

6. Usually the production budget is stated in terms of…………………

a. Money
b. Quantity
c. Both
d. None

7. Budget period is the…………………

a. Period of budget committee
b. Period of budget centres
c. Period for which a budget is prepared
d. Period of budget officer

8. Budget period depends upon…………………

a. The type of budget
b. The nature of business
c. The length of trade cycles
d. All of these

9. A key factor is one which restricts…………………

a. The volume of production
b. The volume of sales
c. The volume of purchase
d. All of the above

10. Key factor is also known as…………………

a. Limiting factor
b. Governing factor
c. Principal factor
d. All

11.Budget relating to the key factor is prepared…………………

a. After other budgets
b. With other budgets
c. Before other budgets
d. None

12. The budgets are classified on the basis of…………………

a. Time
b. Function
c. Flexibility
d. All

13. An example of long period budget is…………………
   a. R & D budget
   b. Master budget
   c. Sales budget
   d. Personnel budget

14. Sales budget shows the sales details as…………………
   a. Month wise
   b. Product wise
   c. Area wise
   d. All of the above

15. Production budget is…………………
   a. Dependent on purchase budget
   b. Dependent on sales budget
   c. Dependent on cash budget
   d. None

Answers :

1.	c.	Both	2.	b.	Definite period
3.	a.	All business activities	4.	c.	Necessary
5.	a.	Affects its reliability	6.	c.	Both
7.	c.	Period for which a budget is prepared	8.	d.	All of these
9.	a.	The volume of production	10.	d.	All
11.	c.	Before other budgets	12.	d.	All
13.	a.	R & D budget	14.	d.	All of the above
15.	b.	Dependent on sales budget			

Unit – V

❖ Budgetary Control ❖

☞ **Select the most appropriate answers from the alternatives given below and rewrite the sentences :**

1. Budgetary control system acts as a friend, philosopher and guide to the…………………
   a. Management
   b. Share holders
   c. Creditors
   d. Employees

2. Budgetary control system defines the objectives and policies of the…………………
   a. Production department
   b. Finance department
   c. Marketing department
   d. All

3. Budgetary control system facilitates centralized control with…………………
   a. Decentralized activity
   b. Centralized activity
   c. Both
   d. None

4. Budgetary control facilitates easy introduction of the…………………
   a. Marginal costing
   b. Ratio analysis
   c. Standard costing
   d. Subjective matter

5. Budgetary control helps the management in…………………
   a. Obtaining bank credit
   b. Issue of shares
   c. Getting grants from government
   d. All of these

6. Budgetary control system helps the management to eliminate ………………
   a. Undercapitalization
   b. Overcapitalization
   c. Both
   d. Subjective matter

7. Budgetary control provides a basis for…………………
   a. Bonus shares
   b. Rights shares
   c. Remuneration plans
   d. None

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

9. Budgetary control __________ replace management in decision-making.
   a. Can
   b. Cannot
   c. Sometimes
   d. Inadequate data

10. The success of budgetary control system depends upon the willing cooperation of…………………
   a. Shareholders
   b. Management
   c. Creditors
   d. All the functional areas of management

11. 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

12. 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

13. 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

14. The budget committee consists of…………………

a. Managers
b. Budget officers
c. Creditors
d. Both

15. Fixed budget is useless for comparison when the level of activity…………………

a. Increases
b. Fluctuates both ways
c. Decreases
d. Constant

Answers :

1.	a.	Management	2.	d.	All
3.	c.	Both	4.	c.	Standard costing
5.	a.	Obtaining bank credit	6.	c.	Both
7.	c.	Remuneration plans	8.	b.	Inflationary conditions
9.	b.	Cannot	10.	d.	All the functional areas of management
11.	b.	A step in budgetary control	12.	c.	To plan to achieve its goals
13.	a.	Department or part of the department	14.	b.	Budget officers
15.	b.	Fluctuates both ways			

Mixed MCQ

☞ **Select the most appropriate answers from the alternatives given below and rewrite the sentences :**

1. P/V Ratio is mainly known as ______________.
   (a) Contribution to Sales Ratio (b) Contribution Margin Ratio
   (c) Variable Profit Ratio (d) All of the above

2. ______________ that point where no profit or no loss position is observed.
   (a) Centre Point (b) BEP
   (c) Starting Point (d) Ending Point

3. ______________ is the difference between sales revenue and variable cost.
   (a) P/V Ratio (b) BEP
   (c) MOS (d) Contribution

4. Contribution is also called as ______________.
   (a) P/V Ratio (b) Net Margin
   (c) MOS (d) Gross Margin

5. ______________ is the difference between actual sales or output and the break even sales.
   (a) P/V Ratio (b) Net Margin
   (c) MOS (d) Gross Margin

6. If contribution is ₹ 3,00,000 and Sales is ₹ 10,00,000, then what is P/V Ratio?
   (a) 20% (b) 30%
   (c) 33.33% (d) 1/3

7. If P/V Ratio is 25%, then what is the % of Variable Cost?
   (a) 70% (b) 80%
   (c) ¾ (d) ½

8. If Fixed Cost is ₹ 2,50,000 and P/V Ratio is 60%, then what is BEP in ₹ ?
   (a) ₹ 4,16,667 (b) ₹ 3,83,333
   (c) ₹ 3,75,000 (d) ₹ 4,10,000

9. If Fixed Cost is ₹ 2,50,000 and Profit is ₹ 3,50,000, then what is the amount of Contribution?
   (a) ₹ 1,00,000 (b) ₹ 6,00,000
   (c) ₹ 3,75,000 (d) ₹ 4,10,000

10. If Sales are ₹ 50,000 and P/V Ratio is 20%, then what is the amount of Variable Cost?
   (a) ₹ 40,000 (b) ₹ 10,000
   (c) ₹ 25,000 (d) ₹ 30,000

11. If contribution is ₹ 3,00,000 and Profit is ₹ 1,00,000, then what is the amount of Fixed Cost?
   (a) ₹ 4,00,000 (b) ₹ 2,00,000
   (c) ₹ 2,50,000 (d) ₹ 3,00,000

12. If Sales are ₹ 3,00,000 and P/V ratio is 20%, then what is the amount of Variable Cost?
   (a) ₹ 2,40,000 (b) ₹ 80,000
   (c) ₹ 2,70,000 (d) ₹ 2,00,000

13. The correct formula of Contribution is _______________.
   (a) Contribution = Sales – Variable Cost
   (b) Contribution = Fixed Cost + Profit or – Loss
   (c) Contribution = Sales × P/ V Ratio
   (d) All of the above

14. The correct formula of P/V Ratio is _____________.
   (a) P/ V Ratio = [Contribution/Sales] × 100
   (b) P/ V Ratio = [Change in Profit/Change in Sales] × 100
   (c) P/ V Ratio = [Sales−Variable Cost/Sales] × 100
   (d) All of the above

15. _______________ is the budget in which adjustment is possible according to change in business conditions.
   (a) Flexible Budget (b) Fixed Budget
   (c) Sales Budget (d) Cash Budget

16. When forecasts about budget shows greater revenue to be received or generated than the expenses to be incurred during budgeted period that is known as _______________.
   (a) Surplus Budget (b) Best Budget
   (c) Favourable Budget (d) Non-favourable Budget

17. _______________ budget highlights that the expenditures to be incurred in budget period will be greater than the revenues to be received during the same period.
    (a) Surplus Budget (b) Deficit Budget
    (c) Favourable Budget (d) Non-favourable Budget

18. Fixed Budget is also known as _______________.
    (a) Static Budget (b) Standard Budget
    (c) Master Budget (d) Flexible Budget

19. Normal Profit means _______________.
    (a) No Profit No Loss (b) Less Profit
    (c) Expected Profit (d) None of the above

20. Personnel Budget is also called as _______________.
    (a) Cost Budget (b) Labour Budget
    (c) Employee Budget (d) None of the above

21. In cash budget, _______________ transactions are considered.
    (a) Cash (b) Credit
    (c) all financial (d) None of the above

22. Budget is prepared for a _______________ period of time.
    (a) Fixed (b) One Month
    (c) One Year (d) None of the above

23. Purchase Budget is also called as _______________.
    (a) Production Budget (b) Material Budget
    (c) Cost Budget (d) None of the above

24. _______________ is the plan of proposed investment in the fixed assets.
    (a) Fixed Budget (b) Capital Expenditure Budget
    (c) Cash Budget (d) Purchase Budget

Answers :

1.	(a) Contribution to Sales Ratio	2.	(b) BEP
3.	(d) Contribution	4.	(d) Gross Margin
5.	(c) MOS	6.	(b) 30%
7.	(c) ¾	8.	(a) ₹ 4,16,667
9.	(b) ₹ 6,00,000	10.	(a) ₹ 40,000
11.	(b) ₹ 2,00,000	12.	(a) ₹ 2,40,000
13.	(d) All of the above	14.	(d) All of the above
15.	(a) Flexible Budget	16.	(a) Surplus Budget
17.	(b) Deficit Budget	18.	(a) Static Budget
19.	(a) No Profit No Loss	20.	(b) Labour Budget
21.	(c) all financial	22.	(c) all financial
23.	(b) Material Budget	24.	(b) Capital Expenditure Budget