

BBA Semester-VI
Subject : Management Accounting
Multiple Choice Questions

Sr. No.

Multiple Choice Questions

- 1 The cost that tends to remain constant irrespective of the level of activity is called _____.
 - (a) Variable cost
 - (b) Fixed cost
 - (c) Total cost
 - (d) All of the above
- 2 Cost Accounting restrict itself with _____ transactions.
 - (a) Financial
 - (b) Spot
 - (c) Historical
 - (d) Administrative
- 3 Following is (are) the method(s) of measuring labour turnover.
 - (a) Replacement Method
 - (b) Separation Method
 - (c) Flux Method
 - (d) All of the above
- 4 Following is (are) the example(s) of semi-variable overheads.
 - (a) Maintenance cost
 - (b) Electricity
 - (c) Health and Accident Insurance
 - (d) All of the above
- 5 _____ indicates the financial status of the business at given period.
 - (a) Balance sheet
 - (b) Accounting ledger
 - (c) General ledger
 - (d) All of the above
- 6 In Cash budget, Non operating cash inflow include(s)
 - (a) Receipt of loan/borrowings
 - (b) Issue of shares
 - (c) Sale of fixed assets
 - (d) All of the above
- 7 Sales Budget is a forecast expressed in -
 - (a) Quantity
 - (b) Money
 - (c) Both (a) and (b)
 - (d) None of the above

- 8 Following is used as tool for Cost Control
- (a) Marginal cost
 - (b) Historical cost
 - (c) Standard cost
 - (d) All of the above
- 9 Management accounting assists the management
- (a) Only in control
 - (b) Only in direction
 - (c) Only in planning
 - (d) In planning, direction and control
- 10 Management accounting is deals with -
- (a) Quantitative Information
 - (b) Qualitative Information
 - (c) Both (a) and (b)
 - (d) None of the above
- 11 Which of the following is an advantage of standard costing?
- (a) Measuring efficiency
 - (b) Facilitates cost control
 - (c) Determination of variance
 - (d) All of the above
- 12 Which of the following is not a functional budget?
- (a) Labour budget
 - (b) Cash budget
 - (c) Materials budget
 - (d) Expenses budget
- 13 Which is the mostly likely purpose of budgeting?
- (a) Planning and control of an organization's income and expenditure
 - (b) Preparation of a five-year business plan
 - (c) Company valuation
 - (d) Assess the non-financial performance of an organization
- 14 _____ Accounting becomes a source of information for Management Accounting.
- (a) Financial
 - (b) Cost
 - (c) Both (a) and (b)
 - (d) None of the above
- 15 Calculate the production budget from the following data: sales 89,350 units; opening inventory 23,864 units; closing inventory 33,156 units.
- (a) 80,058 units
 - (b) 1,46,370 units
 - (c) 32,320 units
 - (d) 98,642 units

- 16 Fixed budget is useless for comparison when the level of activity -
- (a) Increases
 - (b) Fluctuates both ways
 - (c) Decreases
 - (d) Constant
- 17 The budget committee consists of -
- (a) Managers
 - (b) Budget officers
 - (c) Creditors
 - (d) None of the above
- 18 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 of the above
- 19 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
- 20 Production budget is -
- (a) Dependent on purchase budget
 - (b) Dependent on sales budget
 - (c) Dependent on cash budget
 - (d) None of the above
- 21 Sales budget shows the sales details as -
- (a) Month wise
 - (b) Product wise
 - (c) Area wise
 - (d) All of the above
- 22 An example of long period budget is -
- (a) R & D budget
 - (b) Master budget
 - (c) Sales budget
 - (d) Personnel budget
- 23 The budgets are classified on the basis of -
- (a) Time
 - (b) Function
 - (c) Flexibility
 - (d) All of the above

- 24 Budget relating to the key factor is prepared -
(a) After other budgets
(b) With other budgets
(c) Before other budgets
(d) None of the above
- 25 Key factor is also known as -
(a) Limiting factor
(b) Governing factor
(c) Principal factor
(d) All of the above
- 26 In responsibility accounting system -
(a) Budgets are prepared
(b) Actual performance is recorded
(c) The performance is reported
(d) All of the above
- 27 The responsibility accounting emphasizes the performance of -
(a) System
(b) Men
(c) Both (a) and (b)
(d) None of these
- 28 The responsibility accounting is also called -
(a) Profitability accounting
(b) Activity accounting
(c) Both (a) and (b)
(d) None of these
- 29 The responsibility accounting is the part of -
(a) Financial accounting
(b) Management accounting
(c) Mechanized accounting
(d) None of these
- 30 The responsibility accounting is a controlling tool for -
(a) Top-level management
(b) Lower level management
(c) Middle level management
(d) None of these
- 31 Which of the following system emphasizes on cost control ?
(a) Cost accounting
(b) Responsibility accounting
(c) Financial accounting
(d) None of these

- 32 The responsibility centres come under the responsibility of -
(a) Cost accountants
(b) Management accountant
(c) Responsibility managers
(d) Auditor
- 33 The subdivision of responsibility centre is -
(a) Expense centre
(b) Profit centre
(c) Investment centre
(d) All of the above
- 34 The accounting department in an organization is -
(a) Investment centre
(b) Expense centre
(c) Profit centre
(d) All of the above
- 35 What is the main advantage of responsibility accounting ?
(a) Improves performance
(b) It fixes responsibility
(c) Helpful in decision making
(d) All of the above
- 36 The responsibility accounting is a system by which the responsibility is assigned to the concerned persons -
(a) To increase sales
(b) To control cash
(c) To increase production
(d) All of the above
- 37 The contribution of accounting department in an organization -
(a) Cannot be measured in monetary terms
(b) Can be measured in monetary terms
(c) May or may not be measured in monetary terms
(d) None of the above
- 38 According to responsibility accounting, the entire organization is divided into various -
(a) Business centre
(b) Profit centre
(c) Responsibility centre
(d) None of the above
- 39 It may not be _____ to measure exactly the output of service departments in an organization.
(a) Feasible
(b) Necessary
(c) Either (a) or (b)
(d) None of these

- 40 Internal transfer of process at profit _____ of the company.
- (a) Will not increase the asset
 - (b) Will increase the asset
 - (c) Can't say
 - (d) Inadequate information
- 41 Budgetary control _____ replace management in decision-making.
- (a) Can
 - (b) Cannot
 - (c) Sometimes
 - (d) Inadequate data
- 42 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
- 43 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
- 44 The classification of fixed and variable cost is useful for the preparation of
- (a) Master budget
 - (b) Flexible budget
 - (c) Cash budget
 - (d) Capital budget
- 45 The primary objective of management accounting is –
- (a) To provide shareholders and potential investors with useful information for decision making
 - (b) To provide banks and other creditors with information useful in making credit decisions
 - (c) To provide management with information useful for planning and control of operations
 - (d) To provide the relevant taxation authorities with information about taxable income
- 46 In 'make or buy' decision, it is profitable to buy from outside only when the supplier's price is below the firm's own _____.
- (a) Fixed Cost
 - (b) Variable Cost
 - (c) Total Cost
 - (d) Prime Cost

- 47 _____ is a detailed budget of cash receipts and cash expenditure incorporating both revenue and capital items.
- (a) Cash Budget
 - (b) Capital Expenditure Budget
 - (c) Sales Budget
 - (d) Overhead Budget
- 48 Sunk costs are _____.
- (a) Relevant for decision making
 - (b) Not relevant for decision making
 - (c) Cost to be incurred in future
 - (d) Future costs
- 49 Abnormal cost is the cost _____.
- (a) Cost normally incurred at a given level of output
 - (b) Cost not normally incurred at a given level of output
 - (c) Cost which is charged to customer
 - (d) Cost which is included in the cost of the product
- 50 Responsibility Centre can be categorised into _____.
- (a) Cost Centres only
 - (b) Profit Centres only
 - (c) Investment Centres only
 - (d) All of the above
- 51 A profit centre is a centre _____.
- (a) Where the manager has the responsibility of generating and maximising profits
 - (b) Which is concerned with earning an adequate Return on Investment
 - (c) Both (a) and (b)
 - (d) Which manages cost
- 52 Management Accounting is and financial accounting differ in that management accounting information is prepared –
- (a) Following prescribed rules
 - (b) Using whatever methods the company finds beneficial
 - (c) For shareholders
 - (d) To summarize the whole company with little detail
- 53 Purpose of Management Accounting is to –
- (a) Past orientation
 - (b) Help banks make decisions
 - (c) Help managers make decisions
 - (d) Help investors make decisions

- 54 Management Accounting is the branch of accounting concerned with reporting to –
- (a) Internal Managers
 - (b) Shareholders
 - (c) The Government
 - (d) Bankers
- 55 Which of the following does NOT describe management accounting?
- (a) Evaluation of segments or products within the firm
 - (b) Emphasis on the future
 - (c) Externally focused
 - (d) Detailed information
- 56 Management accounting reports are prepared
- (a) To meet the needs of decision makers within the firm
 - (b) Whenever shareholders request them
 - (c) According to guidelines prepared by the shares and Financial Services Authority
 - (d) According to financial accounting standards
- 57 Management accounting is primarily concerned with -
- (a) Providing investors with useful information for valuing securities.
 - (b) Providing creditors information on the status of their loans.
 - (c) Providing managers with relevant information to help achieve organizational goals.
 - (d) Providing the relevant taxation authorities with information to determine the amount of taxes owed.
- 58 Which matters are taken into consideration while preparing production budget ?
- (a) The estimate of the number of units to be produced during the budget period.
 - (b) Estimate of number of units to be sold.
 - (c) Policy regarding the wage fixation for labourers.
 - (d) Policy regarding the selection of suppliers from whom materials would be purchased.
- 59 Which of the following matter is to be taken into account which preparing Material Purchase Budget ?
- (a) The supplier from whom materials are to be purchased.
 - (b) The procedure of storing and preserving materials after they are received.
 - (c) The prices at which receipts and issues of materials are to be recorded in stores ledger.
 - (d) The maximum and minimum quantities of materials to be purchased.
- 60 Which of the following matter is relevant with cash receipts and disbursement method of preparing Cash Budget ?
- (a) While determining the cash payments, it is necessary to estimate the credit sales.
 - (b) While estimating cash receipts, it is not necessary to estimate the figure of credit sales.
 - (c) Debtors Ratio is used to estimate the timings when cash collections would be obtained from credit sales.
 - (d) While estimating the total amount of cash payment for purchases, it is necessary to decide from which suppliers materials are to be purchased.

- 61 Budget period depends upon -
(a) The type of budget
(b) The nature of business
(c) The length of trade cycles
(d) All of the above
- 62 Usually the production budget is stated in terms of -
(a) Money
(b) Quantity
(c) Both (a) and (b)
(d) None
- 63 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 of the above
- 64 Budgetary control system helps the management to eliminate -
(a) Undercapitalization
(b) Overcapitalization
(c) Both (a) and (b)
(d) None
- 65 Budgetary control facilitates easy introduction of the -
(a) Marginal costing
(b) Ratio analysis
(c) Standard costing
(d) Subjective matter
- 66 Budgetary control system acts as a friend, philosopher and guide to the -
(a) Management
(b) Share holders
(c) Creditors
(d) Employees
- 67 Budgetary control system defines the objectives and policies of the -
(a) Production department
(b) Finance department
(c) Marketing department
(d) Subjective matter
- 68 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

- 69 In responsibility centre, the output is called as -
(a) Revenue
(b) Cost
(c) Both (a) and (b)
(d) None
- 70 If the responsibility centre gets more revenue from output, then it is called -
(a) Investment centre
(b) Cost centre
(c) Profit centre
(d) Expense centre
- 71 Cost Unit is defined as -
(a) Unit of quantity of product, service or time in relation to which costs may be ascertained or expressed
(b) A location, person or an item of equipment or a group of these for which costs are ascertained and used for cost control.
(c) Centres having the responsibility of generating and maximising profits
(d) Centres concerned with earning an adequate return on investment
- 72 Fixed cost is a cost -
(a) Which changes in total in proportion to changes in output
(b) Which is partly fixed and partly variable in relation to output
(c) Which do not change in total during a given period despite changes in output
(d) Which remains same for each unit of output
- 73 Uncontrollable costs are the costs which be influenced by the action of a specified member of an undertaking. -
(a) can not
(b) can
(c) may or may not
(d) must
- 74 Element/s of Cost of a product are -
(a) Material only
(b) Labour only
(c) Expenses only
(d) Material, Labour and expenses
- 75 Overhead refers to -
(a) Direct or Prime Cost
(b) All Indirect costs
(c) Only Factory indirect costs
(d) Only indirect expenses

- 76 Which of the following is not a method of cost absorption?
- (a) Percentage of direct material cost
 - (b) Machine hour rate
 - (c) Labour hour rate
 - (d) Repeated distribution method
- 77 A Local Authority is preparing cash Budget for its refuse disposal department. Which of the following items would not be included in the cash budget?
- (a) Capital cost of a new collection vehicle
 - (b) Depreciation of the machinery
 - (c) Operatives wages
 - (d) Fuel for the collection Vehicles
- 78 Which of the following characteristics does NOT pertain to management accounting?
- (a) Provides information and estimates about future activity
 - (b) Generates specific-purpose financial statements and reports
 - (c) Provides financial and operating data multidisciplinary in scope
 - (d) Has externally imposed standards
- 79 A budget which is prepared in a manner so as to give the budgeted cost for any level of activity is known as -
- (a) Master budget
 - (b) Zero base budget
 - (c) Functional budget
 - (d) Flexible budget
- 80 _____ is a summary of all functional budgets in a capsule form.
- (a) Functional Budget
 - (b) Master Budget
 - (c) Long Period Budget
 - (d) Flexible Budget
- 81 When the sales increase from Rs. 40,000 to Rs. 60,000 and profit increases by Rs. 5,000, the P/V ratio is -
- (a) 20%
 - (b) 30%
 - (c) 25%
 - (d) 40%
- 82 From following which is not a principle of good reporting ?
- (a) Simplicity
 - (b) Accountability
 - (c) Promptness
 - (d) Accuracy

- 83 From day to day operation which report is prepare ?
(a) Routine
(b) Special
(c) Investigative
(d) External
- 84 Any special event happen into the business then which report is prepared ?
(a) Routine
(b) Special
(c) External
(d) Control
- 85 Internal report use for _____ .
(a) Share holders
(b) Government
(c) Managerial personnel
(d) Creditors
- 86 External report use for _____ .
(a) Top level management
(b) Middle level management
(c) Lower level management
(d) Shareholders
- 87 From following which is not a routine report ?
(a) Production report
(b) Sales report
(c) Investigation
(d) Administration report
88. _____ is devoted to providing information for external users.
a. Management accounting
b. Financial accounting
c. Internal accounting
d. Cost accounting
89. Financial accounting is primarily concerned with providing financial reports to all of the following EXCEPT
a. creditors such as banks and other financial institutions.
b. creditors such as suppliers.
c. shareholders of the company.
d. management of the firm.

90. Management accounting and financial accounting differ in that management accounting information is prepared
- following prescribed rules.
 - using whatever methods the company finds beneficial.
 - for shareholders.
 - to summarize the whole company with little detail.
91. The primary objective of management accounting is
- to provide shareholders and potential investors with useful information for decision making.
 - to provide banks and other creditors with information useful in making credit decisions.
 - to provide management with information useful for planning and control of operations.
 - to provide the relevant taxation authorities with information about taxable income.
92. Management accounting is the branch of accounting concerned with reporting to
- internal managers.
 - shareholders.
 - the government.
 - bankers.
93. Which of the following characteristics does NOT pertain to management accounting?
- provides information and estimates about future activity
 - generates specific-purpose financial statements and reports
 - provides financial and operating data multidisciplinary in scope
 - has externally imposed standards
94. Which of the following does NOT describe management accounting?
- evaluation of segments or products within the firm
 - emphasis on the future
 - externally focused
 - detailed information
95. Management accounting reports are prepared
- to meet the needs of decision makers within the firm.
 - whenever shareholders request them.
 - according to guidelines prepared by the shares and Financial Services Authority.
 - according to financial accounting standards.

96. Cost accounting
- is concerned with assigning costs to various cost objects.
 - attempts to satisfy the costing objectives of both financial accounting and management accounting.
 - provides cost information that supports planning, controlling, and decision making.
 - All of the above descriptions are true.
97. Which of the following costing activities is associated with the financial accounting system?
- determining the cost of a department
 - determining the cost of goods sold for financial statements
 - preparing budgets
 - determining the cost of a customer
98. Which of the following activities is NOT associated with the financial accounting information system?
- reporting on the cost of quality
 - reporting to the shareholders
 - preparing reports for the tax authorities
 - preparing a statement of cash flows
99. Which of the following cost management tools supports the firm's concentration on the delivery of value to the customer?
- service industry growth
 - global competition
 - preparing an earnings report for external reporting
 - value-chain analysis
100. Factors that have led to a global market for manufacturing and service firms are
- improved transportation and communications systems.
 - improved telemarketing and communications.
 - improved distribution and transportation systems.
 - None of these factors have contributed.

101. Which of the following activities is NOT significant to the advancement of information technology?
- a. enterprise resource planning software
 - b. emergence of electronic commerce
 - c. theory of constraints
 - d. decision support systems
102. Software that has integrated system capability using real time data is
- a. enterprise resource planning software.
 - b. on-line analytic programs.
 - c. computer-assisted engineering software.
 - d. none of the above.
103. Automation of the manufacturing environment is associated with increases in
- a. inventory.
 - b. capacity.
 - c. processing time.
 - d. none of these.
104. Total quality management emphasizes
- a. zero defects.
 - b. continual improvement.
 - c. elimination of waste.
 - d. all of the above.
105. Which of the following emerging themes in cost accounting deals with managers striving to create an environment that will enable workers to manufacture perfect (zero-defect) products?
- a. advances in information technology
 - b. time as a competitive element
 - c. global competition
 - d. total quality management

106. Competitive advantage is established by
- providing more customer products than competitors.
 - providing better quality than competitors.
 - providing greater customer value for less cost than competitors.
 - providing greater efficiencies than competitors.
107. Improvement in time performance is most likely NOT enhanced by
- redesign of products.
 - adding processes in production.
 - eliminating waste.
 - eliminating nonvalue-added activities.
108. Which of the following statements is NOT true about world-class firms?
- World-class firms are firms that are poor in customer support.
 - World-class firms know their market and their products.
 - World-class firms strive continually to improve product design, manufacture, and delivery.
 - World-class firms can compete with the best of the best in a global environment.
109. Monitoring the number of defects produced is an example of the management function of
- planning.
 - control.
 - decision making.
 - both a and c.
110. Performance reports are accounting reports that compare
- planned data with actual data.
 - audited data with actual data.
 - managers' bonuses with performance ratings by supervisors.
 - actual data with industry standards.
111. Which of the following statements correctly distinguishes between financial and management accounting?
- Management accounting reports on the whole organization.
 - Financial accounting is oriented toward the future.
 - Financial accounting is primarily concerned with providing information for internal users.
 - Management accounting is oriented more toward the planning and control aspects of management.

112. Setting the company's profit targets for the upcoming year is an example of the management function of
- planning.
 - control.
 - variance analysis.
 - internal auditing.
113. The planning process includes
- setting objectives.
 - identifying means of achieving the objectives.
 - making decisions.
 - all of the above.
114. Management accounting is concerned with which kind of decision?
- product costing and pricing
 - continuous operational improvement
 - financial control
 - all of the above
115. Management accounting:
- provides a framework to evaluate information in light of an organization's goals.
 - provides relevant information to managers.
 - provides relevant information to meet specific needs of persons inside the organization.
 - all of the above
116. Management accounting is primarily concerned with:
- providing investors with useful information for valuing securities.
 - providing creditors information on the status of their loans.
 - providing managers with relevant information to help achieve organizational goals.
 - providing the relevant taxation authorities with information to determine the amount of taxes owed.

Multiple Choice Questions Answers

Question No.	Answer	Question No.	Answer	Question No.	Answer	Question No.	Answer
1	B	31	B	61	D	91	C
2	C	32	C	62	C	92	A
3	D	33	D	63	B	93	D
4	D	34	A	64	C	94	C
5	A	35	D	65	C	95	A
6	D	36	B	66	A	96	D
7	C	37	A	67	D	97	B
8	C	38	C	68	A	98	A
9	D	39	C	69	A	99	D
10	C	40	A	70	C	100	A
11	D	41	B	71	A	101	C
12	A	42	D	72	C	102	A
13	A	43	A	73	A	103	B
14	C	44	B	74	D	104	D
15	D	45	C	75	B	105	D
16	B	46	B	76	D	106	C
17	B	47	A	77	B	107	B
18	A	48	B	78	D	108	A
19	C	49	B	79	D	109	B
20	B	50	D	80	B	110	A
21	D	51	A	81	C	111	D
22	A	52	B	82	B	112	A
23	D	53	C	83	A	113	D
24	C	54	A	84	B	114	D
25	D	55	C	85	C	115	D
26	D	56	A	86	D	116	C
27	B	57	C	87	C		
28	C	58	A	88	B		
29	B	59	D	89	D		
30	A	60	C	90	B		