

## **B COM SEMESTER 6- MCQ**

### **Management Accounting**

- 1.** Statement of cash flows includes
  - A) Financing Activities
  - B) Operating Activities
  - C) Investing Activities
  - D) All of the Above
- 2.** In cash flows, when a firm invests in fixed assets and short-term financial investments results in
  - A) Increased Equity
  - B) Increased Liabilities
  - C) Decreased Cash
  - D) Increased Cash
- 3.** A firm that issues stocks and bonds to raise funds results in
  - A) Decreases Cash
  - B) Increases Cash
  - C) Increases Equity
  - D) Increases Liabilities
- 4.** The purchase value of assets over its serviceable life is categorised as
  - A) Appreciated Liabilities
  - B) Appreciated Assets
  - C) Depreciation
  - D) Appreciation
- 5.** The basic financial statements include
  - A) Statement of Cash Flows
  - B) Statement of Retained Earnings
  - C) Balance Sheet and Income Statement
  - D) None of the Above
- 6.** The statement of cash flow clarifies cash flows according to
  - A) Operating and Non-operating Flows
  - B) Inflow and Outflow
  - C) Investing and Non-operating Flows
  - D) Operating, Investing, and Financing Activities
- 7.** Cash flow example from a financial activity is
  - A) Payment of Dividend
  - B) Receipt of Dividend on Investment
  - C) Cash Received from Customers
  - D) Purchase of Fixed Asset
- 8.** Cash flow example from an investing activity is
  - A) Issue of Debenture
  - B) Repayment of Long-term Loan
  - C) Purchase of Raw Materials for Cash
  - D) Sale of Investment by Non-Financial Enterprise

9. Cash flow example from an operating activity is
- A) Purchase of Own Debenture
  - B) Sale of Fixed Assets
  - C) Interest Paid on Term-deposits by a Bank
  - D) Issue of Equity Share Capital
10. Which item comes under financial activities in cash flow?
- A) Redemption of Preference Share
  - B) Issue of Preference Share
  - C) Interest Paid
  - D) All of the above
11. As per AS-3, Cash Flow Statement is mandatory for
- A) All enterprises
  - B) Companies listed on a stock exchange
  - C) Companies with a turnover of more than Rs 50 crores
  - a) Both A and B
  - b) Both A and C
  - c) Both C and B
12. Listed Enterprises need to prepare Cash Flow Statement only under indirect method.
- a) True
  - b) False
13. In the case of financial enterprises, the cash flow resulting from interest and dividend received and interest paid should be classified as cash flow from
- a) Operating activities
  - b) Financing activities
  - c) Investing activities
  - d) None of the above
14. In case of other enterprises cash flow arising from interest paid should be classified as cash flow from \_\_\_\_\_ while dividends and interest received should be stated as cash flow from \_\_\_\_\_.
- a) Operating activities, financing activities
  - b) Financing activities, investing activities
  - c) Investing activities, operating activities
  - d) None of the above
15. Issue of bonus shares and conversion of debentures into equity are shown as a footnote to the Cash Flow Statement.
- a) True
  - b) False
16. When a fixed asset is bought as hire purchase, interest element is classified under \_\_\_\_\_ and loan element is classified under \_\_\_\_\_.
- a) Operating activities, financing activities
  - b) Financing activities, investing activities
  - c) Investing activities, operating activities
  - d) None of the above

- 17.** Which of the following statements are false?
- A) Old Furniture written off doesn't affect cash flow.
  - B) Cash flow statement is a substitute for cash account.
  - C) Appropriation of retained earnings is not shown in Cash flow statement.
  - D) Net cash flow during a period can never be negative.
- a) A, B, C
  - b) B, C, D
  - c) C, D, A
  - d) None of the above
- 18.** Which of the following is not a cash inflow?
- a) Decrease in debtors
  - b) Issue of shares
  - c) Decrease in creditors
  - d) Sale of fixed assets
- 19.** Which of the following is not a cash outflow?
- a) Increase in Prepaid expenses
  - b) Increase in debtors
  - c) Increase in stock
  - d) Increase in creditors
- 20.** Which of the following is a conventional method of ascertaining cost?
- a) Absorption costing
  - b) Full Costing
  - c) Both a & b
  - d) None of the above
- 21.** Under absorption costing, profit is ascertained
- a) On the basis of difference between sales and total cost.
  - b) By computation as per desired rate of profit on sales or cost
  - c) Both a and b
  - d) None of the above.
- 22.** While ascertaining gross profit under absorption costing, only that portion of manufacturing overheads is deducted from sales revenue which is associated with the goods sold.
- a) True
  - b) False
- 23.** Under absorption costing among fixed expenses
- a) Fixed manufacturing expenses are included in unit cost
  - b) Fixed non-manufacturing expenses are included in unit cost
  - c) Both a and b
  - d) None of the above
- 24.** Absorption costing is used for
- a) Price determination on basis of full cost
  - b) Solution of separation of costs
  - c) Calculation of gross and net profit
  - d) All of the above

- 25.** Absorption costs helps in
- a) Difference between product cost and period cost
  - b) Charged of fixed factory overheads on inventory
  - c) Both a and b
  - d) None of the above
- 26.** Which of the following statements are true?
- A) Absorption costing helps in preparation of fixed budget.
  - B) Absorption costing is dependent on level of level of output.
  - C) Absorption costing is very helpful in taking managerial decisions.
  - D) Absorption costing helps to conform with accrual and matching concept.
- a) A and B
  - b) B and C
  - c) A and D
  - d) B and D
- 27.** Fixed expenses decrease per unit with the increases in production and increases per unit with the decrease in production.
- a) True
  - b) False
- 28.** Marginal costs is taken as equal to
- a) Prime Cost plus all variable overheads
  - b) Prime Cost minus all variable overheads
  - c) Variable overheads
  - d) None of the above
- 29.** If total cost of 100 units is Rs 5000 and those of 101 units is Rs 5030 then increase of Rs 30 in total cost is
- a) Marginal cost
  - b) Prime cost
  - c) All variable overheads
  - d) None of the above
- 30.** Marginal cost is computed as
- a) Prime cost + All Variable overheads
  - b) Direct material + Direct labor + Direct Expenses + All variable overheads
  - c) Total costs – All fixed overheads
  - d) All of the above
- 31.** Marginal costing is also known as
- a) Direct costing
  - b) Variable costing
  - c) Both a and b
  - d) None of the above
- 32.** Which of the following statements are true?
- A. Marginal costing is not an independent system of costing.
  - B. In marginal costing all elements of cost are divided into fixed and variable components.
  - C. In marginal costing fixed costs are treated as product cost.
  - D. Marginal costing is not a technique of cost analysis.
- a) A and B
  - b) B and C

- c) A and D
  - d) B and D
- 33.** While computation of profit in marginal costing
- a) Total marginal cost is deducted from total sales revenues
  - b) Total marginal cost is added to total sales revenues
  - c) Fixed cost is added to contribution
  - d) None of the above
- 34.** Which of the following are the assumptions of marginal costing?
- A) All the elements of cost can be divided into fixed and variable components.
  - B) Total fixed cost remains constant at all levels of output.
  - C) Total variable costs varies in proportion to the volume of output.
  - D) Per unit selling price remain unchanged at all levels of operating activity.
- a) A and B
  - b) B and C
  - c) A and D
  - d) A, B C and D
- 35.** In two periods total costs amounts to Rs 50000 and Rs 40000 against production of 20000 and 15000 units respectively. Determine marginal cost per unit and fixed cost.
- a) Rs 2 and Rs 10,000
  - b) Rs 4 and Rs 5000
  - c) Rs 10 and Rs 8000
  - d) None of the above
- 36.** Under High and Low Point method, the output at two different levels is compared with the amount of \_\_\_\_\_ incurred at these two points.
- a) Total fixed costs
  - b) Total costs
  - c) Total fixed costs
  - d) None of the above
- 37.** Given Maximum value of production and minimum value of production is 10,000 and 5000 units respectively. Maximum total cost is RS 25,000 and minimum total cost is Rs 15,000. Determine total fixed cost and per unit marginal cost.
- a) Rs 2 per unit, Rs 5,000
  - b) Rs 5 per unit, Rs 2000
  - c) Rs 10 per unit, Rs 10,000
  - d) None of the above
- 38.** Under method of least squares, a linear equation is developed in the form of \_\_\_\_\_ wherein Y is total cost, a=fixed cost, b= marginal cost and X is output.
- a)  $Y=a+bX$
  - b)  $Y=a-bX$
  - c)  $Y=a*bX$
  - d) None of the above
- 39.** In Analytical method of calculating marginal costing, it is determined on the basis of past records.
- a) True
  - b) False

40. Theory of contribution is the excess of sales over variable costs.
- a) a)True
  - b) b)False
41. Which of the following statements related to Contribution Analysis are true?
- a) If contribution is zero, there is loss equal to fixed costs
  - b) If contribution is negative, loss is less than fixed costs
  - c) If contribution is positive and more than fixed cost there will be profit.
  - d) All of the above
42. When contribution is negative but less than fixed cost,
- a) There is loss equal to fixed costs
  - b) There is loss more than fixed costs
  - c) There will be loss less than fixed costs
  - d) All of above are false
43. When contribution is positive but equal to fixed cost,
- a) There is loss equal to fixed costs
  - b) There is loss more than fixed costs
  - c) There will be loss less than fixed costs
  - d) There will be neither profit nor loss
44. Opportunities to achieve further growth within current businesses are:
- a) Intensive Opportunities
  - b) Integrative Opportunities
  - c) Diversification Opportunities
  - d) None of the above
45. Absorption costing is also known as
- a) Historical costing
  - b) Total costing
  - c) Both a and b
  - d) None of the above
46. Given production is 1,00,000 units, fixed costs is Rs 2,00,000 Selling price is Rs 10 per unit and variable cost is Rs 6 per unit. Determine profit using technique of marginal costing.
- a) Rs 2,00,000
  - b) Rs 8,00,000
  - c) Rs 6,00,000
  - d) None of the above
47. Which of the following statements are true?
- a) In absorption costing, cost is divided into three major parts while in marginal costing cost is divided into two main parts.
  - b) IN absorption costing period is important and in marginal costing product is important.
  - c) Both a and b
  - d) None of the above

- 48.** In context of net operating profit, which of the following statements are true?
- a) If all costs are variable, the amount of profit obtained in marginal costing and absorption costing will be same.
  - b) If the volume of sales and output is equal in a period, profit will be same in absorption costing and marginal costing.
  - c) Both a and b
  - d) None of the above
- 49.** Under absorption costing, managerial decisions are based on
- a) Profit
  - b) Contribution
  - c) Profit volume ratio
  - d) None of the above
- 50.** If sales is less than production and there is no opening stock, it suggests there is closing stock. In such a scenario, profit under marginal costing will be less than the one shown by absorption costing.
- a) True
  - b) False
- 51.** In the calculation of return on shareholders investments the referred investment deals with
- A. All reserves
  - B. Preference and equity capital only
  - C. All appropriations
  - D. All of the above
- 52.** 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
- 53.** The assets of a business can be classified as
- A. Only fixed assets
  - B. Only current assets
  - C. Fixed and current assets
  - D. None of the above
- 54.** Which of the following is the test of the long term liquidity of a business?
- A. Interest coverage ratio
  - B. Stock turnover ratio
  - C. Operating ratio
  - D. Current ratio
- 55.** The term management accounting was first coined in
- a) 1960
  - b) 1950
  - c) 1945
  - d) 1955

**56.** Management accounting is

- A) Subjective
- B) Objective
  - a) Only A
  - b) Only B
  - c) Both A and B
  - d) None of the above

**57.** The use of management accounting is

- a) Optional
- b) Compulsory
- c) Legally obligatory
- d) Compulsory to some and optional to others

**58.** The management accounting can be stated an extension of

- A) Cost Accounting
- B) Financial Accounting
- C) Responsibility Accounting
  - a) Both A and B
  - b) Both A and C
  - c) Both B and C
  - d) A, B, C

**59.** Which of the following is true about management accounting?

- A) Management accounting is associated with presentation of accounting data.
- B) Management accounting is extremely sensitive to investors needs.
  - a) Only A
  - b) Only B
  - c) Both A and B
  - d) None of the above

**60.** Management accounting assists the management

- a) Only in control
- b) Only in direction
- c) Only in planning
- d) In planning, direction and control

**61.** Which of the following are tools of management accounting?

- A) Decision accounting
- B) Standard costing
- C) Budgetary control
- D) Human Resources Accounting
  - a) A, B and D
  - b) A, C and D
  - c) A, B and C
  - d) A, B, C, D

**62.** Management accounting is related with

- a) The problem of choice making
- b) Recording of transactions
- c) Cause and effect relationships
  - A. A and B



- B. B and C
  - C. A and C
  - D. All are false
- 63.** Management accountancy is a structure for
- A. Costing
  - B. Accounting
  - C. Decision making
  - D. Management
- 64.** Who coined the concept of management accounting?
- A. R.N Anthony
  - B. James H. Bliss
  - C. J. Batty
  - D. American Accounting
- 65.** Management accounting deals with
- A. Quantitative information
  - B. Qualitative information
  - C. Both a and b
  - D. None of the above
- 66.** Management accounting highlights staff relationship with top management as well as other personnel.
- A. True
  - B. False
- 67.** The definition "Management Accounting is the presentation of accounting information in such a way as to assist management in the creation of policy and the day-to-day operation of an undertaking."
- A. Anglo-American Council on Productivity
  - B. AICPA
  - C. Robert N. Anthony
  - D. All of the above
- 68.** The second term for Horizontal Analysis is
- A. Dynamic Analysis
  - B. Inter-firm Analysis
  - C. Time-series Analysis
  - D. All of the above
- 69.** Vertical analysis is also known as
- A. Static analysis
  - B. Structural analysis
  - C. Cross-sectional analysis
  - D. All of the above
- 70.** The assessment of financial statements by a shareholder is an example of
- A. Vertical Analysis
  - B. Horizontal Analysis
  - C. Internal Analysis
  - D. External Analysis

- 71.** Trend percentages and trend ratios are used in
- A. Static Analysis
  - B. Dynamic Analysis
  - C. Horizontal Analysis
  - D. Vertical Analysis
- 72.** Which of the following statements are true?
- A) Vertical Analysis is also termed as dynamic analysis.
  - B) Horizontal analysis is also termed as dynamic analysis.
  - C) Static Analysis is not extremely useful for the long-term financial planning.
    - A. Both A and B
    - B. Both A and C
    - C. Both B and C
    - D. A, B , C
- 73.** Which of the following statements are true?
- A) Funds Flow statement is one of the ways to analysis & interpret financial statements.
  - B) Cash Flow Statement is one of the ways to analysis & interprets financial statements.
  - C) Common-size statement one of the ways to analysis & interprets financial statements.
    - A. Both A and B
    - B. Both A and C
    - C. Both B and C
    - D. A, B, C
- 74.** Which of the following statements are true about Horizontal Analysis?
- A) It do not examines the periodical trend
  - B) It is useful for long-term analysis.
  - C) It is useful for long term planning.
    - A. Both A and B
    - B. Both A and C
    - C. Both B and C
    - D. A, B, C
- 75.** Which of the following statements are true?
- A) Comparative financial statement is an example of horizontal analysis.
  - B) Trend Analysis is an example of vertical analysis.
  - C) Cash flow analysis is an example of horizontal analysis.
    - A. Both A and B
    - B. Both A and C
    - C. Both B and C
    - D. A, B, C
- 76.** John N. Myer stated that vertical and horizontal analysis forms the back-bone of financial statement analysis technique.
- A. True
  - B. False
- 77.** Ratio analysis is an important approach of horizontal analysis.
- A. True
  - B. False

- 78.** The 3 Ps, i.e. the three objectives of analysis and interpretation of financial statements are :  
Progress, Position and Prospects.
- A. True
  - B. False
- 79.** Comparison of financial statements highlights the trend of the \_\_\_\_\_ of the business.
- A. Financial position
  - B. Performance
  - C. Profitability
  - D. All of the above
- 80.** Analysis of any financial Statement comprises
- A. Balance sheet
  - B. P&L Account
  - C. Trading account
  - D. All of the above
- 81.** Which of the following are techniques, tools or methods of analysis and interpretation of financial statements?
- A. Ratio Analysis
  - B. Average Analysis
  - C. Trend Analysis
  - D. All of the above
- 82.** Interpretation of accounts is the
- A. Art and science of translating the figures
  - B. To know financial strengths and weaknesses of a business
  - C. To know the causes for the prevailing performance of business
  - D. All of the above
- 83.** The only feasible purpose of financial management is
- A. Wealth Maximization
  - B. Sales Maximization
  - C. Profit Maximization
  - D. Assets maximization
- 84.** Financial management process deals with
- A. Investments
  - B. Financing decisions
  - C. Both a and b
  - D. None of the above
- 85.** Agency cost consists of
- A. Binding
  - B. Monitoring
  - C. Opportunity and structure cost
  - D. All of the above
- 86.** Finance Function comprises
- A. Safe custody of funds only
  - B. Expenditure of funds only
  - C. Procurement of finance only
  - D. Procurement & effective use of funds

- 87.** The objective of wealth maximization takes into account
- A. Amount of returns expected
  - B. Timing of anticipated returns
  - C. Risk associated with uncertainty of returns
  - D. All of the above
- 88.** Financial management mainly focuses on
- A. Efficient management of every business
  - B. Brand dimension
  - C. Arrangement of funds
  - D. All elements of acquiring and using means of financial resources for financial activities
- 89.** Time value of money indicates that
- A. A unit of money obtained today is worth more than a unit of money obtained in future
  - B. A unit of money obtained today is worth less than a unit of money obtained in future
  - C. There is no difference in the value of money obtained today and tomorrow
  - D. None of the above
- 90.** Time value of money supports the comparison of cash flows recorded at different time period by
- A. Discounting all cash flows to a common point of time
  - B. Compounding all cash flows to a common point of time
  - C. Using either a or b
  - D. None of the above.
- 91.** If the nominal rate of interest is 10% per annum and there is quarterly compounding, the effective rate of interest will be:
- A. 10% per annum
  - B. 10.10 per annum
  - C. 10.25% per annum
  - D. 10.38% per annum
- 92.** Relationship between annual nominal rate of interest and annual effective rate of interest, if frequency of compounding is greater than one:
- A. Effective rate > Nominal rate
  - B. Effective rate < Nominal rate
  - C. Effective rate = Nominal rate
  - D. None of the above
- 93.** Mr. X takes a loan of Rs 50,000 from HDFC Bank. The rate of interest is 10% per annum. The first installment will be paid at the end of year 5. Determine the amount of equal annual installments if Mr. X wishes to repay the amount in five installments.
- A. Rs 19500
  - B. Rs 19400
  - C. Rs 19310
  - D. None of the above

94. If nominal rate of return is 10% per annum and annual effective rate of interest is 10.25% per annum, determine the frequency of compounding:
- A. 1
  - B. 2
  - C. 3
  - D. None of the above
95. Present value tables for annuity cannot be straight away applied to varied stream of cash flows.
- A. True
  - B. False
96. Heterogeneous cash flows can be made comparable by
- A. Discounting technique
  - B. Compounding technique
  - C. Either a or b
  - D. None of the above
97. Risk of two securities with different expected return can be compared with:
- A. Coefficient of variation
  - B. Standard deviation of securities
  - C. Variance of Securities
  - D. None of the above
98. Efficient portfolios can be defined as those portfolios which for a given level of risk provides
- A. Maximum return
  - B. Average return
  - C. Minimum return
  - D. None of the above
99. CAPM accounts for:
- A. Unsystematic risk
  - B. Systematic risk
  - C. Both a and b
  - D. None of the above
100. Which among the following presents a bird's-eyeview of the operations for the entire period of a business?
- A. Balance sheet
  - B. Profit and loss a/c
  - C. Cash flow statements
  - D. Position statement
101. \_\_\_\_\_ is the relationship between quick assets and current liabilities .
- A. Current ratio
  - B. Absolute liquidity ratio
  - C. Acid test ratio
  - D. Proprietary ratio

- 102.** When the concept of ratio is defined in respect to the items shown in the financial statements, it is termed as
- A. Accounting ratio
  - B. Financial ratio
  - C. Costing ratio
  - D. None of the above
- 103.** The definition, “The term accounting ratio is used to describe significant relationship which exist between figures shown in a balance sheet, in a profit and loss account, in a budgetary control system or in a any part of the accounting organization” is given by
- A. Biramn and Dribin
  - B. Lord Keynes
  - C. J. Betty
  - D. None of the above.
- 104.** The relationship between two financial variables can be expressed in:
- A. Pure ratio
  - B. Percentage
  - C. Rate or time
  - D. Either of the above
- 105.** Liquidity ratios are expressed in
- A. Pure ratio form
  - B. Percentage
  - C. Rate or time
  - D. None of the above
- 106.** Which of the following statements are true about Ratio Analysis?
- A) Ratio analysis is useful in financial analysis.
  - B) Ratio analysis is helpful in communication and coordination
  - C) Ratio Analysis is not helpful in identifying weak spots of the business.
  - D) Ratio Analysis is helpful in financial planning and forecasting.
- a) A, B and D
  - b) A, C and D
  - c) A, B and C
  - d) A, B , C, D
- 107.** Profit for the objective of calculating a ratio may be taken as
- A. Profit before tax but after interest
  - B. Profit before interest and tax
  - C. Profit after interest and tax
  - D. All of the above
- 108.** Which of the following falls under Profitability ratios?
- A) General Profitability ratios
  - B) Overall Profitability ratios
  - C) Comprehensive Profitability ratios
- A. A and B
  - B. A and C
  - C. B and C
  - D. None of the above

- 109.** General Profitability ratios are based on
- A. Investments
  - B. Sales
  - C. a & B
  - D. None of the above
- 110.** 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
- 111.** While calculating Gross Profit ratio,
- A. Closing stock is deducted from cost of goods sold
  - B. Closing stock is added to cost of goods sold
  - C. Closing stock is ignored
  - D. None of the above
- 112.** While calculating Gross Profit, if net profit is given,
- A. It can be converted into gross profit by adding interest to it
  - B. It can be converted into Gross profit by adding indirect expenses to it
  - C. Both a and b
  - D. None of the above
- 113.** 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
- 114.** Given Sales is 1, 20,000 and Gross Profit is 30,000, the gross profit ratio is
- A. 24%
  - B. 25%
  - C. 40%
  - D. 44%
- 115.** What will be the Gross Profit if, total sales is Rs 2,60,000 Cost of net goods sold is Rs 2,00,000 and Sales return is Rs 10,000?
- A. 13%
  - B. 28%
  - C. 26%
  - D. 20%
- 116.** If selling price is fixed 25% above the cost, the Gross Profit ratio is
- A. 13%
  - B. 28%
  - C. 26%
  - D. 20%
- 117.** Gross Profit ratio should be adequate to cover
- A. Selling expenses
  - B. Administrative expenses
  - C. Dividends
  - D. All of the above

- 118.** Which statement is prepared in the process of funds flow analysis?
- A. Schedule of changes in working capital
  - B. Funds Flow Statement
  - C. Both a and b
  - D. None of the above
- 119.** Funds Flow Statement is prepared on the basis of data of P&L statement and two consecutive balance sheets.
- A. True
  - B. False
  - C. Value delivery
  - D. None of the above
- 120.** Which of the following rules stands true while preparation of Schedule of changes in working capital?
- A) An increase in current assets increases working capital.
  - B) An increase in current assets decreases working capital.
  - C) An increase in current liabilities decreases working capital.
  - D) An increase in current liabilities increases working capital
- A. A and C
  - B. A and D
  - C. B and D
  - D. A, B, C and D
- 121.** If reserve for bad and doubtful debts is mentioned in the question of Funds Flow Statement Preparation, it can be shown as
- A. In the schedule by deducting from total debtors under current assets
  - B. In the schedule separately under the heading of capital liabilities
  - C. Both a & b
  - D. None of the above
- 122.** Funds Flow Statement is also known as
- A. Statement of Funds Flow
  - B. Statement of Sources and Application of Funds
  - C. Statement of Sources and Uses of Funds
  - D. All of the above
- 123.** Given Net profit for the year Rs 2, 50,000 Transferred to general reserves Rs 40,000 and old machinery bought for Rs 50,000 was sold for Rs 20,000. Calculate funds from operations.
- A. Rs 2, 80,000
  - B. Rs 2, 20,000
  - C. Rs 2, 90,000
  - D. Rs 3, 00,000
- 124.** Which of the following are sources of funds?
- A) Issue of bonus shares
  - B) Issue of shares against the purchase of fixed assets
  - C) Conversion of debentures into shares
  - D) Conversion of loans into shares
- a) A and C
  - b) A and D



- c) A, B, C and D
- d) None of the above

- 125.** The share capital of A Ltd. stood at Rs 20,00,000 in 2013 and at Rs 26 lac in 2014. As per records, the company bought asset of another company for Rs 6 lac payable in fully paid shares. These assets included Goodwill Rs 2,00,000 Machinery Rs 1, 83, 600 and Stock Rs 2,16,400. What is the fund from issue of shares?
- A. Rs 2,15,600
  - B. Rs 2,16,400
  - C. Rs 2,00,000
  - D. None of the above
- 126.** Debentures are Rs 2,50,000 and Rs 3,50,000 in the balance sheet of 2013 and 2014. 1000 of the debentures of Rs 100 each were issued at par in 2014 of which 400 debentures were issued to a supplier for the purchase of a machine. Determine amount of issue for debentures for the purpose of funds flow statement.
- A. Rs 60,000
  - B. Rs 40,000
  - C. RS 10,000
  - D. None of the above
- 127.** In the balance sheet of Praveen for 2013 and 2014, 4% debentures are Rs 5,00,000 and Rs 4,00,000, respectively. Profit on redemption of debentures in 2013 is nil while in 2014 is Rs 4,000. What is the amount of redemption for the purpose of funds flow statement?
- A. Rs 96,000
  - B. Rs 1,04,000
  - C. Rs 9,00,000
  - D. Rs 9,04,000
- 128.** The balance of property at cost has been RS 20,000 and Rs 17,000 in 2013 and 2014 respectively. The profit on sale of property of Rs 2000 is credited to Capital Reserves Account. New property costing Rs 5000 bought in 2014. Determine sale of proceeds from land.
- A. Rs 3000
  - B. Rs 10,000
  - C. Rs 7000
  - D. Rs 15,000
- 129.** of Ram at end of 2013 and 2014 disclose investments in shares of Rs 2000 and Rs 3000, respectively. Rs 100 as pre-acquisition dividend has been credited to investments account. Determine purchase of investments.
- A. RS 5000
  - B. Rs 1000
  - C. Rs 1,100
  - D. None of the above
- 130.** The balance of fixed assets of Y Ltd. at cost at the end of 2013 and 2014 were Rs 5,70,800 and Rs 6,15,300. During the year 2014 a machinery costing Rs 60,000 was sold. Determine the purchase of fixed assets.
- A. Rs 1,04,500
  - B. Rs 1,40,500
  - C. Rs 1,64,500

- D. None of the above
- 131.** Which of the following are applications of funds?
- A. Payment of dividend on share capital
  - B. Payment of tax
  - C. Increase in working capital
  - D. All of above
- 132.** Which of the following are treated as long term investments?
- A. Non-current investments
  - B. Trade Investments
  - C. Sinking fund investments
  - D. All of the above
- 133.** Provision of taxation is treated as
- A. As a current liability
  - B. As an appropriation of profits
  - C. Either a or b
  - D. None of the above
- 134.** As per accounting standard AS3, provision for taxation should be treated as
- A. As a current liability
  - B. As an appropriation of profits
  - C. Either a or b
  - D. None of the above
- 135.** Which of the following statement is true?
- A. If the amount of good will increases during current year, the difference is treated as purchase of goodwill.
  - B. If the amount of good will decreases during current year, It will treated as written off.
  - C. Both a and b
  - D. None of the above
- 136.** The opening and closing balance of general reserves are Rs 10,000 and Rs 9,000, respectively. It is stated in addition information that a loss of Rs 1000 has been written off in general reserves. In such a case, decline in reserve and loss on investment will be adjusted in P&L account.
- A. True
  - B. False
- 137.** As per Accounting Standard-3, Cash Flow is classified into
- A. Operating activities and investing activities
  - B. Investing activities and financing activities
  - C. Operating activities and financing activities
  - D. Operating activities, financing activities and investing activities
- 138.** Cash Flow Statement is also known as
- A. Statement of Changes in Financial Position on Cash basis
  - B. Statement accounting for variation in cash
  - C. Both a and b
  - D. None of the above.

**139.** The objectives of Cash Flow Statement are

- A) Analysis of cash position
- B) Short-term cash planning
- C) Evaluation of liquidity
- D) Comparison of operating Performance
  - a) Both A and B
  - b) Both A and C
  - c) Both B and D
  - d) A, B, C, D

**140.** In cash flow statement, the item of interest is shown in

- A) Operating Activities
- B) Financing Activities
- C) Investing Activities
  - A. Both A and B
  - B. Both A and C
  - C. Both B and C
  - D. A, B, C

**141.** Cash Flow Statement is based upon

- A. Cash basis of accounting
- B. Accrual basis of accounting
- C. Credit basis of accounting
- D. None of the above

**142.** Which of the following statements are false?

- A) Cash Flow Statement is helpful in the formation of policies.
- B) Cash Flow Statement is useful for external analysis
- C) Cash Flow Statement is helpful in estimating future cash flow
  - A. Both A and B
  - B. Both A and C
  - C. Both B and C
  - D. None of the above

**143.** Which of the following statements are true?

- A) Cash flow reveals only the inflow of cash
- B) Cash flow reveals only the outflow of cash
- C) Cash flow is a substitute for income statement
- D) Cash flow statement is not a replacement of funds flow statement.
  - A. Only A
  - B. Only B
  - C. Both B and C
  - D. Only D

**144.** Cash flow statement is based upon \_\_\_\_\_ while Funds Flow Statement recognizes \_\_\_\_\_.

- A. Cash basis of accounting, accrual basis of accounting
- B. Accrual basis of accounting, cash basis of accounting
- C. Both are based on cash basis of accounting
- D. None of the above

- 145.** Statement of changes in working capital is prepared separately in
- A. Cash Flow Statement
  - B. Funds Flow Statement
  - C. Both a and b
  - D. None of the above
- 146.** Cash Flow Statement studies causes of change in working capital.
- A. True
  - B. False
- 147.** \_\_\_\_\_ reconciles the opening cash balance with the closing cash balance of a given period on the basis of net decrease or increase in cash during that period.
- A. Cash Flow Statement
  - B. Funds Flow Statement
  - C. Both a and b
  - D. None of the above
- 148.** Which of the following statements are true?
- A) Cash flow statement is more useful for short term cash planning.
  - B) Funds Flow statement is more useful in planning medium term and long term financing.
  - C) Cash Flow statement discloses the position of liquidity in a better way
- A. Only A
  - B. Only B
  - C. Only C
  - D. A, B and C
- 149.** \_\_\_\_\_ has/have accepted cash flow statement is more useful than funds flow statement, particularly from view of analysis of liquidity of a firm.
- A. Institute Of Chartered Accountants of India
  - B. FASB, America
  - C. SEBI
  - D. All of the above
- 150.** Cash Flow Statement is prepared from
- A. Profit and loss account
  - B. Balance Sheet
  - C. Additional Information
  - D. All of the above
- 151.** Which of the following are cash flow from operating activities?
- A) Cash Receipts from customers
  - B) Cash Paid to Supplier and Employees
  - C) Purchase of fixed assets
  - D) Sale of fixed assets
- A. Both A and B
  - B. Both A and C
  - C. Both B and C
  - D. Both C and D

**152.** Match the column

- A) Taxes Paid ----- i) Cash flow from investing activities  
B) Repayment of loans ----- ii) Cash flow from operating activities  
C) Sale of fixed assets ----- iii) Cash Flow from financing activities
- A. A-ii), B-iii), C-i)  
B. A-i), B-ii), C-iii)  
C. A-iii), B-i), C-ii)

**153.** Cash payment to suppliers for services and goods is example of cash outflow.

- A. True  
B. False

**154.** For the calculation of cash flow from operating activities, payments and receipts shown in Profit & Loss account are converted into payments and receipts actually in cash.

- A. True  
B. False

**155.** For the calculation of cash flow from operating activities, payments and receipts shown in Profit & Loss account are converted into payments and receipts actually in cash by eliminating

- A. Non-cash revenue from the revenue earned  
B. Non-cash expenses from expenses incurred  
C. Both a & b  
D. None of the above

**156.** While preparing Cash Flow Statement, non-cash items and non-operating items are not required to be adjusted under \_\_\_\_\_

- A. Indirect method  
B. Direct method  
C. Both a & b  
D. None of the above

**157.** Cash flow from sales is calculated by

- A. Cash sales + Cash Collections  
B. Sales + Opening debtors + Opening B/R - Closing Debtors - Closing B/R  
C. Both a and b  
D. None of the above

**158.** Cash outflow on purchases is calculated by

- A. Purchases + Opening Creditors + Opening B/P - Closing Creditors - Closing B/P  
B. Purchases + Opening Creditors - Closing Creditors + Closing B/P  
C. Purchases - Opening Creditors - Opening B/P + Closing Creditors + Closing B/P  
D. None of the above

**159.** The amount of operating expenses which are actually been paid in cash are shown under:

- A. Cash flow from sales  
B. Cash outflow on purchases  
C. Cash outflow on expenses  
D. All of above are false

**160.** Given salary expenses Rs 40,000, Outstanding in the beginning of the year: Rs 5,000 and outstanding at the end of the year Rs 10,000. Cash outflow on salary will be:

- A. Rs 45,000  
B. Rs 35,000

- C. Rs 55,000
- D. Rs 15,000

**161.** In indirect method, net cash flow from operating activities is calculated on the basis of

- A. Net Profit after tax
- B. Net profit before tax
- C. Both and b
- D. None of the above

**162.** Which of the following are added to net profit after tax and extraordinary items to reach to net profit before tax and extraordinary items?

- A) Provision for tax made during the year
  - B) Proposed dividend made during the year
  - C) Interim dividend
  - D) Transfer to General reserves and other reserves
- A. Both A and B
  - B. Both A and C
  - C. Both B and C
  - D. A, B, C and D

**163.** Which of the following are cash flow from investing activities?

- A) Interest received
  - C) Dividend received
  - D) Sale of fixed assets
  - E) Purchase of fixed assets
- a) Both A and B
  - b) Both A and C
  - c) Both B and C
  - d) A, B, C and D

**164.** Which of the following are cash flow from financing activities?

- A) Interest received
  - B) Dividend received
  - C) Interest paid
  - D) Dividend paid
- A. Both A and B
  - B. Both A and C
  - C. Both C and D
  - D. A, B, C and D

**165.** Acquisition and disposal of long term assets is included in

- A. Cash flow from investing activities
- B. Cash flow from financing activities
- C. Cash flow from operating activities
- D. None of the above

**166.** Which of the following statements represent example of cash flow from investing activities?

- A. Cash advances and loans made by financial enterprises
- B. Cash advances and loans made to third parties
- C. Both a and b
- D. None of the above

- 167.** ABC Ltd had investment of Rs 68,000 as on 31.3.2013 and investment of Rs 56,000 as on 31.3.2014. During the year ABC Ltd sold 40% of its investments being held in the beginning of period at a profit of Rs 16,800. Determine cash flow from investing activities.
- A. Rs 59,200
  - B. Rs 28,800
  - C. Rs 72,800
  - D. None of the above
- 168.** Financing activities brings changes in
- A. Size and composition of owner's equities
  - B. Borrowing of the enterprise
  - C. Both a and b
  - D. None of the above
- 169.** For year 2013 Equity Share Capital is Rs 3,00,000 Preference Share Capital is 1,00,000 10% debentures is 2,00,000 and Share premium is 30,000. For year 2014 Equity Share Capital is Rs 4,00,000 Preference Share Capital is 60,000 10% debentures is 1,00,000 and Share premium is 40,000. Also given, Dividend paid on shares Rs 15,000 and Interest paid on debentures RS 20,000. Determine net cash flow from financing activities.
- A. Cash inflow of Rs 65,000
  - B. Cash outflow of Rs 65,000
  - C. Cash inflow of Rs 56,000
  - D. Cash outflow of Rs 56,000
- 170.** As per AS-3, Cash Flow Statement is mandatory for
- A) All enterprises
  - B) Companies listed on a stock exchange
  - C) Companies with a turnover of more than Rs 50 crores
- A. Both A and B
  - B. Both A and C
  - C. Both C and B
- 171.** Listed Enterprises need to prepare Cash Flow Statement only under indirect method.
- A. True
  - B. False
- 172.** In the case of financial enterprises, the cash flow resulting from interest and dividend received and interest paid should be classified as cash flow from
- A. Operating activities
  - B. Financing activities
  - C. Investing activities
  - D. None of the above
- 173.** In case of other enterprises cash flow arising from interest paid should be classified as cash flow from \_\_\_\_\_ while dividends and interest received should be stated as cash flow from \_\_\_\_\_.
- A. Operating activities, financing activities
  - B. Financing activities, investing activities
  - C. Investing activities, operating activities
  - D. None of the above

- 174.** Issue of bonus shares and conversion of debentures into equity are shown as a footnote to the Cash Flow Statement.
- A. True
  - B. False
- 175.** When a fixed asset is bought as hire purchase, interest element is classified under \_\_\_\_\_ and loan element is classified under \_\_\_\_\_.
- A. Operating activities, financing activities
  - B. Financing activities, investing activities
  - C. Investing activities, operating activities
  - D. None of the above
- 176.** Which of the following statements are false?
- A) Old Furniture written off doesn't affect cash flow.
  - B) Cash flow statement is a substitute for cash account.
  - C) Appropriation of retained earnings is not shown in Cash flow statement.
  - D) Net cash flow during a period can never be negative.
- A. A, B, C
  - B. B, C, D
  - C. C, D, A
  - D. None of the above
- 177.** Which of the following is not a cash inflow?
- A. Decrease in debtors
  - B. Issue of shares
  - C. Decrease in creditors
  - D. Sale of fixed assets
- 178.** Which of the following is not a cash outflow?
- A. Increase in Prepaid expenses
  - B. Increase in debtors
  - C. Increase in stock
  - D. Increase in creditors
- 179.** Which of the following is a conventional method of ascertaining cost?
- A. Absorption costing
  - B. Full Costing
  - C. Both a & b
  - D. None of the above
- 180.** Under absorption costing, profit is ascertained
- A. On the basis of difference between sales and total cost.
  - B. By computation as per desired rate of profit on sales or cost
  - C. Both a and b
  - D. None of the above.
- 181.** All costs are classified under \_\_\_\_\_ segments under absorption costing.
- A. Five
  - B. Six
  - C. Four
  - D. Three



- 182.** While ascertaining gross profit under absorption costing, only that portion of manufacturing overheads is deducted from sales revenue which is associated with the goods sold.
- A. True
  - B. False
- 183.** Under absorption costing among fixed expenses
- A. Fixed manufacturing expenses are included in unit cost
  - B. Fixed non-manufacturing expenses are included in unit cost
  - C. Both a and b
  - D. None of the above
- 184.** Absorption costing is used for
- A. Price determination on basis of full cost
  - B. Solution of separation of costs
  - C. Calculation of gross and net profit
  - D. All of the above
- 185.** Absorption costs helps in
- A. Difference between product cost and period cost
  - B. Charged of fixed factory overheads on inventory
  - C. Both a and b
  - D. None of the above
- 186.** Fixed expenses decrease per unit with the increases in production and increases per unit with the decrease in production.
- A. True
  - B. False
- 187.** Marginal costs is taken as equal to
- A. Prime Cost plus all variable overheads
  - B. Prime Cost minus all variable overheads
  - C. Variable overheads
  - D. None of the above
- 188.** If total cost of 100 units is Rs 5000 and those of 101 units is Rs 5030 then increase of Rs 30 in total cost is
- A. Marginal cost
  - B. Prime cost
  - C. All variable overheads
  - D. None of the above
- 189.** Marginal cost is computed as
- A. Prime cost + All Variable overheads
  - B. Direct material + Direct labor + Direct Expenses + All variable overheads
  - C. Total costs – All fixed overheads
  - D. All of the above
- 190.** Marginal costing is also known as
- A. Direct costing
  - B. Variable costing
  - C. Both a and b
  - D. None of the above

- 191.** Under High and Low Point method, the output at two different levels is compared with the amount of \_\_\_\_\_ incurred at these two points.
- A. Total fixed costs
  - B. Total costs
  - C. Total fixed costs
  - D. None of the above
- 192.** In Analytical method of calculating marginal costing, it is determined on the basis of past records.
- A. True
  - B. False
- 193.** When contribution is positive but equal to fixed cost,
- A. There is loss equal to fixed costs
  - B. There is loss more than fixed costs
  - C. There will be loss less than fixed costs
  - D. There will be neither profit nor loss
- 194.** Opportunities to achieve further growth within current businesses are:
- A. Intensive Opportunities
  - B. Integrative Opportunities
  - C. Diversification Opportunities
  - D. None of the above
- 195.** Absorption costing is also known as
- A. Historical costing
  - B. Total costing
  - C. Both a and b
  - D. None of the above
- 196.** Under absorption costing, managerial decisions are based on
- A. Profit
  - B. Contribution
  - C. Profit volume ratio
  - D. None of the above
- 197.** Managers utilize marginal costing for
- A. Make or buy decision
  - B. Utilization of additional capacity
  - C. Determination of dumping price
  - D. All of the above
- 198.** The problems associated with marginal costing are
- A. Difficulties in divisions of costs
  - B. Problem of valuation of stocks
  - C. Ignores time elements
  - D. All of the above
- 199.** \_\_\_\_\_ is not suitable where selling price is determined on the basis of cost-plus method.
- A. Absorption costing
  - B. Marginal costing
  - C. Both a and b
  - D. None of the above

**200.** Which of the following are added to net profit after tax and extraordinary items to reach to net profit before tax and extraordinary items?

- A. Provision for tax made during the year
- B. Proposed dividend made during the year
- C. Interim dividend
- D. Transfer to General reserves and other reserves
  - a. Both A and B
  - b. Both A and C
  - c. Both B and C
  - d. A, B, C and D

**201.** Absorption costing is used for

- A. Price determination on basis of full cost
- B. Solution of separation of costs
- C. Calculation of gross and net profit
- D. All of the above

## Answers

1. D) All of the Above
2. C) Decreased Cash
3. B) Increases Cash
4. C) Depreciation
5. D) None of the Above
6. D) Operating, Investing and Financing Activities
7. D) Purchase of Fixed Asset
8. D) Sale of Investment by Non-Financial Enterprise
9. C) Interest Paid on Term-deposits by a Bank
10. D) All of the above
11. c) Both C and B
12. a) True
13. a) Operating activities
14. b) Financing activities, investing activities
15. a) True
16. b) Financing activities, investing activities
17. b) B, C, D
18. c) Decrease in creditors
19. d) Increase in creditors
20. c) Both a & b
21. c) Both a and b
22. a) True
23. a) Fixed manufacturing expenses are included in unit cost
24. a) Price determination on basis of full cost
25. c) Both a and b
26. d) B and D
27. a) True
28. a) Prime Cost plus all variable overheads
29. a) Marginal cost
30. a) Prime cost + All Variable overheads
31. c) Both a and b
32. a) A and B
33. a) Total marginal cost is deducted from total sales revenues
34. d) A, B C and D
35. a) Rs 2 and Rs 10,000
36. b) Total costs
37. a) Rs 2 per unit, Rs 5,000
38. a)  $Y=a+bX$
39. a) True
40. a) True
41. a) If contribution is zero, there is loss equal to fixed costs
42. c) There will be loss less than fixed costs
43. d) There will be neither profit nor loss
44. a) Intensive Opportunities
45. c) Both a and b
46. a) Rs 2,00,000
47. c) Both a and b
48. c) Both a and b
49. a) Profit
50. a) True
51. D) All of the Above
52. D) All of the Above
53. Fixed and current assets
54. A) Interest coverage ratio
55. b) 1950
56. a) Only A
57. a) Optional
58. d) A, B, C
59. a) Only A
60. d) In planning, direction and control
61. c) A, B and C
62. c) a and c
63. c) Decision making
64. b) James H. Bliss
65. c) Both a and b
66. b) False
67. a) Anglo-American Council on Productivity
68. d) All of the above
69. d) All of the above
70. d) External Analysis
71. a) Static Analysis
72. c) Both B and C
73. d) A, B, C
74. c) Both B and C
75. b) Both A and C

76. a) True
77. b) False
78. a) True
79. d) All of the above
80. d) All of the above
81. d) All of the above
82. d) All of the above
83. a) Wealth Maximization
84. b) Financing decisions
85. d) All of the above
86. d) Procurement & effective use of funds
87. d) All of the above
88. d) All elements of acquiring and using means of financial resources for financial activities
89. a) A unit of money obtained today is worth more than a unit of money obtained in future
90. c) Using either a or b
91. d) 10.38% per annum
92. a) Effective rate > Nominal rate
93. c) Rs 19310
94. b) 2
95. a) True
96. c) Either a or b
97. a) Coefficient of variation
98. a) Maximum return
99. b) Systematic risk
100. b) Profit and loss a/c
101. c) Acid test ratio
102. a) Accounting ratio
103. c) J. Betty
104. Either of the above
105. A) Pure ratio form
106. a) A, B and D
107. D) All of the above
108. A) A and B
109. B) Sales
110. C) Both A and B
111. A) Closing stock is deducted from cost of goods sold
112. a) It can be converted into gross profit by adding interest to it
113. )  $(\text{Gross profit} / \text{net sales}) * 100$
114. B) 25 %
115. D) 20 %
116. B) 20%
117. D) All of the above
118. A) Schedule of changes in working capital
119. A) True
120. A) A and C
121. C) Both a and b
122. D) All of the above
123. A) 2,80,000
124. d) None of the above
125. B) Rs. 2,16,400
126. A) Rs 60,000
127. A) 96,000
128. B) 10,000
129. C) 1,100
130. A) 1,04,500
131. d) All of above
132. d) All of the above
133. c) Either a or b
134. b) As an appropriation of profits
135. c) Both a and b
136. b) False
137. d) Operating activities, financing activities and investing activities
138. c) Both a and b
139. d) A, B, C, D
140. c) Both B and C
141. a) Cash basis of accounting
142. d) None of the above
143. D) only D
144. a) Cash basis of accounting, accrual basis of accounting
145. b) Funds Flow Statement
146. b) False
147. a) Cash Flow Statement
148. d) A, B and C
149. d) All of the above
150. D) All of the above
151. a) Both a and b
152. a) A-ii), B-iii), C-i)
153. b) False
154. : a) True
155. c) Both a & b
156. b) Direct method
157. c) Both a and b

158. a) Purchases + Opening Creditors + Opening B/P - Closing Creditors - Closing B/P
159. c) Cash outflow on expenses
160. b) Rs 35000
161. b) Net profit before tax
162. d) A, B, C and D
163. d) A, B, C and D
164. c) Both C and D
165. a) Cash flow from investing activities
166. b) Cash advances and loans made to third parties
167. b) Rs 28,800
168. c) Both a and b
169. b) Cash outflow of Rs 65,000
170. c) Both C and B
171. a) True
172. a) Operating activities
173. b) Financing activities, investing activities
174. a) True
175. b) Financing activities, investing activities
176. b) B, C, D
177. c) Decrease in creditors
178. d) Increase in creditors
179. c) Both a & b
180. c) Both a and b
181. d) Three
182. a) True
183. a) Fixed manufacturing expenses are included in unit cost
184. a) Price determination on basis of full cost
185. c) Both a and b
186. a) True
187. a) Prime Cost plus all variable overheads
188. a) Marginal cost
189. a) Prime cost + All Variable overheads
190. c) Both a and b
191. b) Total costs
192. a) True
193. d) There will be neither profit nor loss
194. a) Intensive Opportunities
195. c) Both a and b
196. a) Profit
197. d) All of the above
198. d) All of the above
199. b) Marginal costing
200. d) A, B, C and D
201. a) Price determination on basis of full cost