

M.COM DEGREE (CSS) EXAMINATION

FOURTH SEMESTER – FACULTY OF COMMERCE (Private Registration)

CM010401 – ADVANCED COST AND MANAGEMENT ACCOUNTING

MULTIPLE CHOICE QUESTIONS

1. ABC system means
A) Always Better control B) Activity Based costing C) Achievement Based control
D) None of these
2. Cost Pool is similar to in Absorption costing.
A) Cost centre B) Profit centre C) Investment centre D) Cost Unit
3. Cost driver is also known as
A) Facility driver B) Product driver C) Activity driver D) Cost driver
4. Activity based costing seeks to identify suitable :
A) Activity driver B) Cost drivers C) Value divers D) Faculty driver
5. ABB means
A) Activity Based Banking B) Activity Based Budgeting C) Activity Based Bargaining
D) None of the above
6. ABM is a short form of
A) Actual Based Marketing B) Actual Based Management C) Activity Based Management
D) Account Based Marketing
7. A cost that is incurred for the joint benefit of more than one department is called as
A) Direct expense B) Indirect expense C) Escapable expense D) Incurred expenses
8. The maintenance department is an example of a centre.
A) Cost centre B) Revenue centre C) Profit Centre D) Service centre
9. Identification of indirect cost with each activity is known as
A) Activity driver B) Cost driver C) Investment drivers D) Value driver
10. costs are identified and assigned properly under ABC system of accounting technique
A) Direct Cost B) Variable Cost C) Overhead Cost D) Fixed cost
11. The causes of occurrence of overhead cost are called
A) Cost Pool B) Cost Object C) Cost diver D) Revenue driver
12. The cost of activities which are related with the number of units produced are known as
A) Unit level activities B) Batch level activities C) Facility level activities
D) None of the above
13. drivers are related to the activities of which overhead cost is increased in accordance with the number of times it was incurred.
A) Transaction drivers B) Duration drivers C) Intensity drivers D) Activity drivers

14. are the objects to which overhead cost are charged on the basis of cost drivers.
A) Profit objects B) Cost objects C) Investment objects D) All of the above
15. is the basis used to allocate costs to cost objects in ABC system.
A) Activity driver B) Cost pool C) Cost driver D) Transaction driver
16. The product towards which the overheads are charged are known as
A) Cost pool B) Cost objects C) Cost driver D) Material
17. ABC system is the easiest way of overhead to the product
A) Allocating B) Apportioning C) Charging D) Absorbing
18. ABC system helps to identify the activities which can be
A) Introduced B) Eliminated C) Activated D) Abandoned
19. Segregating the costs into fixed and variable based on its behaviour is
A) Traceable B) Realistic C) Unrealistic D) Discoverable
20. In ABC system the proportion of overhead cost to total cost is
A) Low B) High C) Medium D) Moderate
21. Marginal Costing is a costing
A) Type B) Method C) Technique D) Tool
22. Under Marginal Costing total cost is divided into
A) Fixed and variable B) Direct and Indirect C) Controllable and Uncontrollable
D) Explicit and Implicit
23. Marginal cost is the total of
A) Fixed cost B) Variable cost C) Fixed and variable cost D) None of these
24. Absorption costing is also known as
A) Marginal costing B) Full costing C) Standard costing D) Historical costing
25. Contribution is the excess of sales over
A) Variable cost B) Fixed cost C) Total cost D) A and B
26. P/V Ratio is the ratio between
A) Total cost and sales B) Profit and sales C) Contribution and sales
D) Variable cost and sales
27. At Break even point contribution =
A) Fixed cost B) Variable cost C) Total cost D) Overheads
28. Margin of safety is the excess of actual sales over
A) Budgeted sales B) Break even sales C) Normal sales D) Standard sales
29. Break even chart is a graphical representation of
A) Absorption costing B) Standard costing C) Marginal costing D) All of the above

30. Financial Break even point is also known as
 A) Non cash Break even point B) Cash Break even point
 C) Both cash & Non cash Break even point D) Neither A nor B
31. The change in cost due to the change in the level of activity is known as
 A) Differential cost B) Marginal cost C) Standard cost D) Traditional cost
32. A key factor is also known as
 A) Unrealistic factor B) Realistic factor C) Commercial factor D) Limiting factor
33. is an angle formed at the intersection of total sales line and total cost line on a break even chart.
 A) Angle of incidence B) Angle of activity C) Angle of Budget D) Angle of sales
34. While drawing a Break even chart fixed cost line is drawn
 A) Horizontal B) Vertical C) Parallel D) Historical costing D) Curve
35. Margin of safety may be improved by
 A) Increasing sales volume B) Increasing Variable Cost C) Increasing Fixed Cost
 D) Reducing fixed cost
36. 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) Prime cost B) Marginal cost C) Fixed cost D) Additional cost
37. In two periods total cost amounts to Rs. 50,000 and Rs. 40,000 against production of 20000 units and 15000 units respectively. Determine marginal cost per unit and fixed cost
 A) Rs. 2 and Rs. 10000 B) Rs. 4 and Rs. 5000 C) Rs. 10 and Rs. 8000
 D) None of these
38. While computation of profit in marginal costing
 A) Marginal cost is deducted from sales B) Fixed cost is deducted from sales
 C) Fixed cost is deducted from contribution. D) Variable cost is deducted from sales
39. cost decreases per unit with the increases in production and increases per unit with decrease in production
 A) Variable cost B) Fixed cost C) Total cost D) Indirect expenses
40. Marginal costing is also known as
 A) Direct costing B) Variable costing C) Total costing D) Uniform costing
41. Pre-determined cost determined on scientific basis becomes
 A) Standard cost B) Budgeted cost C) Estimated cost D) Absorbed cost
42. Standard costing is a technique for
 A) Cost ascertainment B) Cost control C) Cost accumulation D) Cost evaluation

43. The term standardised costing is synonymous to
- A) Absorption costing B) Marginal costing C) Uniform costing D) Process costing
44. is the standard which can be attained under the most favourable condition possibly.
- A) Ideal standard B) Basic standard C) Normal standard D) None of the above
45. is the standard which is established for use unaltered over a long period of time.
- A) Ideal standard B) Basic standard C) Normal standard D) Final standard
46. The limitation of have led to the development of standard costing system
- A) Marginal costing system B) Batch costing system C) Historical costing system
D) Traditional costing system
47. The sign of idle time variance is always
- A) Negative B) Positive C) Negative or positive D) Zero
48. MQV means
- A) Material Quality Variance B) Material Quantity Variance C) Material Price Variance
D) Machine Quality Variance
49. The term MCV stands for
- A) Material Cost Variance B) Material Control Variance C) Material Charge Variance
D) Material Consumption Variance
50. Idle time variance =
- A) Abnormal Idle time x standard rate B) Abnormal Idle time x Actual rate
C) Abnormal Idle time x Normal rate D) None of the above
51. Management by exception is exercising control over
- A) Favourable items B) Unfavourable items C) Special items D) None of these
52. Standards that can be attained only under the best circumstances are referred to as
- A) Attainable standards B) Budget standards C) Ideal standards
D) Uniform standards
53. $MCV = MPV + \dots\dots\dots$
- A) MQV B) MYV C) MMV D) MUV
54. Standard costing system acts as a mechanism
- A) Control B) Co-ordination C) Budgeting D) All of the above
55. Service of experts is required for the implementation of system.
- A) Budgeting control B) Marginal costing C) Standard costing
D) Process costing
56. MMV means
- A) Money Market Variance B) Material Mix Variance C) Machine Quality Variance
D) Market Mix Variance

57. Historical costing is based on
- A) Budget Cost B) Standard Cost C) Actual Cost D) Past cost
58. Comparison of the actual cost with the standard cost is to find out
- A) Variance B) Budget C) Estimate D) Difference
59. ZBB means
- A) Zero Balance Budgeting B) Zero Batch Budgeting C) Zero Base Budgeting
D) None of these
60. Budgets are projection of accounts
- A) Financial B) Cost C) Management D) Sales
61. The product which is transferred from one division to another division in the same organisation is known as
- A) Intermediate product B) Inter product C) Inter firm product
D) Intra firm product
62. Transfer price is a
- A) Standard price B) Pre-determined price C) Budgeted price D) Base price
63. Transfer price is a of the transferring division.
- A) Cost B) Profit C) Revenue D) Gain
64. At the end of the accounting period, proper adjustments are to be made on on stock.
- A) Unrealised profit B) Realised profit C) Estimated profit D) Transit profit
65. The of the divisional managers may be adversely affected if transfer price is fixed inappropriately.
- A) Sympathy B) Morale C) Skill D) Empathy
66. The aim of any transfer pricing system should be retain the
- A) Divisional autonomy B) Efficiency C) Attitude D) Proficiency
67. Proper accounting of transfer price will make the of both the units realistic.
- A) Profit B) Cost C) Sales D) Revenue
68. The transfer pricing should motivate the divisional managers to maximise the of their division.
- A) Solvency B) Liquidity C) Profitability D) Responsibility
69. While fixing the transfer price the overall interest of the should be taken.
- A) Organisation B) Selling division C) Buying division D) Finance division
70. transfer pricing methods are simple and objective.
- A) Negotiated B) Cost based C) Market based D) Traditional

71. If there is a perfect outside market for the transferred goods, may be taken as the transfer price.
 A) Negotiated B) Cost based C) Market based D) Resale price
72. The general approach to the determination of transfer price is
 A) Cost based B) Market based C) Both D) Neither A nor B
73. Agreed transfer price will depend on the skills of the managers.
 A) Selling B) Negotiating C) Purchasing D) Moderating
74. of the product is one of the major factors considered for a pricing decision.
 A) Expense B) Sales C) Cost D) Revenue
75. Cost plus pricing is also known as
 A) Full cost pricing B) Variable cost pricing C) Fixed cost pricing
 D) Dynamic pricing
76. Marginal Cost pricing is also known as
 A) Full cost pricing B) Variable cost pricing C) Fixed cost pricing
 D) High low pricing
77. Rate of return pricing is a refined version of pricing.
 A) Cost plus pricing B) Marginal cost pricing C) Fixed cost pricing
 D) Price skimming
78. refers to the fixation of selling price as per direction of government.
 A) Dual price B) Administered price C) Shadow price D) Cost plus price
79. is the practice of charging two prices for the same product at the same time .
 A) Administered price B) Shadow price C) Dual price D) Value price
80. The price of the product is determined at a point at which the demand and supply curve intersect each other is
 A) Equilibrium price B) Multiple price C) Monopoly price D) Ideal price
81. The situation of occurs when a firm launches a newly invented product.
 A) Permanent Monopoly B) Temporary Monopoly C) Balanced Monopoly
 D) Subsequent monopoly
82. A Pure is a market in which there are only two firms exist.
 A) Oligopoly B) Monopoly C) Duopoly D) Oligopsony
83. is a state of limited competition, in which a market is shared by a small number of producers or sellers
 A) Oligopoly B) Monopoly C) Duopoly D) Natural monopoly

84. Under many firms offer products or services which are similar but not the perfect substitutes
 A) Monopolistic Competition B) Perfect Competition C) Oligopolistic Competition
 D) None of these
85. The policy of charging a higher price for the product at the entry level into the market reducing the same at a later stage is known as
 A) Export price policy B) Skimming price policy C) Penetration price policy
 D) All of these
86. pricing is used for pricing a new product to popularize it at the initial stage if self.
 A) Export B) Skimming C) Penetration D) Uniform
87. analysis is also known as 80/20 Rule.
 A) Pareto B) Skimming C) Penetration D) None of these
88. is the process of fixing the price of products sold or the service rendered in the overseas market.
 A) Export pricing B) Domestic pricing C) Dual pricing D) Foreign pricing
89. Costing is the technique and process of ascertaining
 A) Revenue B) Cost C) Profit D) Expenses
90. is the application of costing and cost accounting principles.
 A) Costing B) Cost Accounting C) Cost Accountancy D) Cost Management
91. The limitations of financial accounting led to the development of
 A) Cost Accounting B) Management Accounting C) Historical Accounting
 D) Human Resource Accounting
92. is the amount of resources given up in exchange of some goods or services.
 A) Income B) Cost C) Expense D) Revenue
93. is a unit of an organisation for which cost may be ascertained.
 A) Cost centre B) Revenue centre C) Profit centre D) Responsibility centre
94. is that segment of activity of a business which is responsible for both revenue and expenses
 A) Cost centre B) Revenue centre C) Profit centre D) Expense centre
95. is an irrecoverable cost due to complete abandonment of a plant.
 A) Conversion cost B) Sunk cost C) Opportunity cost D) Implicit cost
96. is the value of a benefit sacrificed in favour of an alternative course of action.
 A) Conversion cost B) Sunk Cost C) Opportunity cost D) Standard cost

97. is the substance from which the product is made.
 A) Material B) Labour C) Overhead D) All of the above
98. The human effort required to perform an activity is called
- A) Material B) Labour C) Overhead D) Mechanism
99. The aggregate of indirect material, indirect labour and indirect expenses is called
- A) Material B) Labour C) Overhead D) Total cost
100. A system of accounting providing accounting information useful to management for decision making is called
- A) Financial accounting B) Cost accounting C) Management accounting
 D) Responsibility accounting

ANSWER KEY

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|---------|----------|---------|---------|---------|---------|---------|
| 1. B | 2. A | 3. C | 4. A | 5. B | 6. C | 7. B |
| 8. A | 9. B | 10. C | 11. C | 12. A | 13. A | 14. B |
| 15. C | 16. B | 17. A | 18. B | 19. C | 20. B | 21. C |
| 22. A | 23. B | 24. B | 25. A | 26. C | 27. A | 28. B |
| 29. C | 30. B | 31. A | 32. D | 33. D | 34. C | 35. A |
| 36. B | 37. A | 38. C | 39. B | 40. B | 41. A | 42. B |
| 43. C | 44. A | 45. B | 46. C | 47. A | 48. B | 49. A |
| 50. A | 51. B | 52. C | 53. A | 54. A | 55. C | 56. B |
| 57. C | 58. A | 59. C | 60. A | 61. A | 62. B | 63. C |
| 64. A | 65. B | 66. A | 67. B | 68. C | 69. A | 70. B |
| 71. C | 72. A | 73. B | 74. C | 75. A | 76. B | 77. A |
| 78. B | 79. C | 80. A | 81. B | 82. C | 83. A | 84. A |
| 85. B | 86. C | 87. A | 88. A | 89. B | 90. C | 91. A |
| 92. B | 93. A | 94. C | 95. B | 96. C | 97. A | 98. B |
| 99. C | 100. C | | | | | |