

**M.COM PART I (SEM I)/PAPER CODE- 71803/COST & MANAGEMENT ACCOUNTING
QUESTION BANK**

1. At the break-even point, which equation will be true ?
 - a) Variable cost - fixed cost = contribution
 - b) Sales = variable cost + fixed cost
 - c) Sales - fixed cost = contribution
 - d) Sales - contribution = variable cost
2. A particular cost is classified as being 'semi-variable'. If activity increases by 10% what will happen to the cost per unit
 - a) Increase
 - b) Reduce but not in proportion to the change in activity
 - c) Reduce in proportion to the change in activity
 - d) Remain constant
3. A particular cost is classified as 'semi-variable'.
What effect would a 15% reduction in activity have on the unit cost?
 - a) Increase by less than 15%
 - b) Increase by 15%
 - c) Reduce by less than 15%
 - d) Remain constant
4. The price reduction policy, _____ the P/V ratio and _____ the break even point.
 - a) reduces, reduces
 - b) reduces, increases
 - c) increases, reduces
 - d) increases, increases
5. The margin of safety point lies
 - (a) To the left of break even point
 - b) To the right of break even point
 - c) On break even point
 - d) Can't say
6. Last month, when a company had an opening stock of 16,500 units and a closing stock of 18,000 units, the profit using absorption costing was ₹ 40,000. The fixed production overhead rate was ₹ 10 per unit.
What would the profit for last month have been using marginal costing ?
 - a) ₹ 15,000
 - b) ₹ 25,000
 - c) ₹ 55,000
 - d) ₹ 65,000
7. The sales volume in value required to earn the target profit, the formula is
 - a) Target profit/contribution per unit
 - b) (Fixed cost + Target profit) P/V ratio
 - c) Fixed cost + Target profit/contribution on per unit
 - d) (Fixed cost + Target profit) / PV ratio
8. Variable cost are those which
 - a) Are directly apportioned to cost unit or cost centre
 - b) Varies directly with production
 - c) Depends upon the demand
 - d) Depends upon the sale
9. Telephone charges is a
 - a) Fixed cost
 - b) Variable cost
 - c) Semi-variable cost
 - d) Marginal cost
10. When variable costs decreases, then break even point
 - a) Increases
 - b) Decreases
 - c) No effect
 - d) Can't say
11. A company manufactures and sells a single product. The variable cost of the product is ₹ 2.50 per unit and all production each month is sold at a price of ₹ 3.70 per unit. A potential new customer has offered to buy 6,000 units per month at a price of ₹ 2.95 per unit. The company has sufficient spare capacity to produce this quantity. If the new business is accepted, sales to existing customers are expected to fall by two units for every 15 units sold to the new customer. What would be the overall increase in monthly profit which would result from accepting the new business ?
 - a) ₹ 1,740
 - b) ₹ 2,220
 - c) ₹ 2,340
 - d) ₹ 2,700

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12. A company manufactures two products (L and M) using the same material and labour. It holds no stocks. Information about the variable costs and maximum demands are as follows:

	Product L ₹/unit	Product M ₹/unit
Material (₹ 4 per litre)	13	19
Labour (₹ 7 per hour)	35	28
	Units	Units
Maximum monthly demand	6000	6000

Each month 50,000 litres of material and 60,000 labour hours are available.

Which one of the following statements is correct ?

- a) Material is a limiting factor but labour is not a limiting factor
 - b) Material is not a limiting factor but labour is a limiting factor
 - c) Neither material nor labour is a limiting factor
 - d) Both material and labour are limiting factors
13. A company would sell 40,000 units of a product if the unit selling price was set at ₹ 10 and these would generate a total contribution of ₹ 1,60,000. If the unit selling price was reduced to ₹ 9.50 then sales of 44,000 units would result. Setting unit selling prices of ₹ 10.50 and ₹ 11 would result in sales of 36,000 and 31,000 units respectively.

Which selling price would generate the highest total contribution?

- a) ₹ 9.50
 - b) ₹ 10.00
 - c) ₹ 10.50
 - d) ₹ 11.00
14. A company currently produces 6,000 units of its single product each period, incurring total variable costs of ₹ 60,000 and fixed costs of ₹ 42,000. Production will increase to 8,000 units per period if the company expands capacity resulting in changes both to the variable costs per unit and to the total fixed costs. For production of 8,000 units per period total variable costs would be ₹ 76,000 and fixed costs ₹ 50,000.
- What is the reduction in total cost per unit comparing the costs for 8,000 units per period with the unit costs currently being incurred?
- a) ₹ 0.50
 - b) ₹ 0.75
 - c) ₹ 1.25
 - d) ₹ 2.08

15. A manufacturing company pays its employees a constant salary for working 35 hours each week. The production process is highly specialised and the quality of output is a critical factor. All completed units are inspected. Currently about 10% of output fails to meet the expected specification. The Managing Director has forecast increasing sales and is keen to reduce the labour cost per unit of production. He has suggested three possible ways of achieving this:

- 1. Improve direct labour productivity
- 2. Increase the number of hours worked
- 3. Reduce the rate of rejections

Which of the above suggestions would enable the company to reduce the labour cost per unit?

- a) Suggestion 2 only
- b) Suggestions 1 and 2 only
- c) Suggestions 1 and 3 only
- d) Suggestions 2 and 3 only

16. The following details relate to Product Z:

₹/Unit	
Selling price	45.00
Purchased components	14.00
Labour	10.00

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32. Which of the information below should be contained in a budget manual?
a) An organisation chart
b) Timetable for budget preparation
c) A list of account codes
d) All (a), (b) and (c)
33. Which of the following is normally the most appropriate sequence of events in the preparation of the indicated budgets ?
a) Sales budget, cash budget, budgeted balance sheet, production budget
b) Sales budget, cash budget, production budget, budgeted balance sheet
c) Sales budget, production budget, cash budget, budgeted balance sheet
d) Sales budget, production budget, budgeted balance sheet, cash budget
34. Which of the following items should be included in a cash budget?
(i) loan repayments
(ii) depreciation charge
(iii) tax provision
(iv) wages paid
a) (i) and (ii)
b) (i) and (iv)
c) (ii) and (iii)
d) (iii) and (iv)
35. A budget that gives a summary of all the functional budgets is known as
a) Capital budget
b) Flexible budget
c) Master budget
d) Fixed budgets
36. The classification of fixed and variable cost has a special significance in the preparation of
a) Flexible budget
b) Cash budget
c) Capital budget
d) Zero-based budget
37. If the activity level is reduced from 80% to 70%, the fixed cost
a) will decrease by 10%
b) will increase by 10%
c) per unit will decrease
d) per unit will increase
38. When a flexible budget is used, a decrease in the actual production level within a relevant range would
a) Decrease variable cost per unit
b) Decrease variable costs
c) Increase total fixed costs
d) Increase variable cost per unit
39. A master budget comprises
a) The budgeted profit and loss account
b) Budgeted cash flow, budgeted profit and loss, budgeted balance sheet
c) Budgeted cash flow
d) Entire sets of budgets prepared
40. Which one of the following items would NOT be included in a cash budget?
a) Capital repayments on loans
b) Depreciation charges
c) Dividend payments
d) Proceeds of sale of fixed assets
41. Electricity Undertaking
a) Per Kilowatt – Hour
b) Per Consumer - Hour
c) Per Consumer – Points
d) Per K.G. / Cubic Ft
42. Operating Costing uses the methods of _____ Costing when costing a particular trip by a bus.
a) Operation
b) Standard
c) Process
d) Job

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43. Passenger transport
- a) Per Passenger – Seat
b) Per Passenger - K.M.
c) Per Passenger – Day
d) Per Passenger - Hour
44. _____ Costing is the method used to ascertain the cost of providing a service such as transport, hotel, hospital, gas or electricity.
- a) Operation
b) Operating
c) Process
d) Job
45. In case of passenger transport, Carriage capacity is in terms of _____
- a) seats
b) tonnes
c) KM
d) CC
46. Which of the following would be regarded as a variable cost in the annual operation of a motor vehicle?
- a) Hire purchase payments
b) Insurance
c) Petrol
d) Tyre replacement
47. There are 100 rooms in the hotel. 80% of the rooms are generally occupied in summer and 30% in winter. The period of summer and winter may be considered to be of 6 months in each case. A month may be assumed to be 30 days. Wages of the room attendant ₹ 20 per day. There is a room attendant for each room. He is paid wages when the room is occupied. Room attendant wages for summer are
- a) 2,88,000
b) 3,60,000
c) 1,08,000
d) 72,000
48. A hotel has 60 available rooms. Room occupancy was 80% during a 90 day period during which total costs incurred were ₹ 1,04,976. What was the cost per occupied room per night in the period?
- a) ₹ 12.44
b) ₹ 15.55
c) ₹ 19.44
d) ₹ 24.30
49. Which of the following would be classified as a fixed cost in the operation of a motor vehicle?
- a) Oil change every 10,000 kilometres
b) Petrol
c) Insurance
d) Tyre replacement
50. Operating Costing uses the methods of _____ Costing when ascertaining the cost of supply of electricity, steam etc.
- a) Operation
b) Marginal tool
c) Process
d) Job