

MULTIPLE CHOICE QUESTIONS AND ANSWERS (MCQs) FINAL EXAMINATION

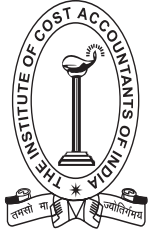
(Syllabus 2022)

WESTERN INDIA REGIONAL COUNCIL OF
The Institute of Cost Accountants of India
(Statutory Body under an Act of Parliament)

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Students & Members Facilitation Centres
Thane

Sumitra Arcade, 6th floor, Talav Pali,
Thane West



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Note : In case of discrepancies in answers, views expressed by Directorate of Examination are full and final.

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President's Message



Warm greetings to all CMA students,

I am delighted to share some exciting news with you all that the Western India Regional Council (WIRC) of ICMAI is unveiling a comprehensive Multiple Choice Questions & Answers bank during the "Regional Students Cost Convention 2024" on 17th & 18th February, 2024 at Nashik.

As we all know, consistent preparation using various methods, including MCQs, is instrumental in our overall readiness for examinations. These objective questions play a crucial role in ensuring success in our academic pursuits.

I extend my heartfelt congratulations to CMA Chaitanya Mohrir, Chairman of WIRC - ICMAI, and CMA Mihir Vyas, Chairman Students, Coordination Committee, WIRC - ICMAI, for spearheading this commendable initiative. Their dedication and enthusiasm in implementing such a beneficial program for students deserve recognition.

I am confident that the Multiple Choice Questions and Answers bank will greatly aid in your exam preparation and pave the way for impressive scores in the upcoming examinations. This resource is equally valuable for the students of Intermediate and Final Course, offering concise and focused guidance for effective revision.

A special note of gratitude goes to CMA P. D. Modh, CMA Rajesh Kapadia and CMA Anil Kawade, who served as the resource persons for developing the MCQs. Their expertise and efforts have contributed immensely to this invaluable resource.

I want to reassure all students that WIRC remains committed to its mission of serving students and will continue to provide support and resources to enhance your learning journey.

With best regards,

CMA Ashwin G. Dalwadi

President, ICMAI

FOREWORD



It is said that if a person can answer the objective type questions in a professional examination he/she has an edge to score high in the examination. However, it is a double edged sword as objective questions are sometimes tougher as they cover the nitty gritty of the syllabus. It is epitome for a student to study comprehensively to score high in the multiple choice questions. The objective of this publication is to enable the students to help them in the process of understanding and preparing for the examination.

The Multiple Choice Question Answers papers are set in different styles i.e. true or false statements, multiple choice etc. question paper is having due weightage to objective type.

This book is an attempt by WIRC to provide questions of various types in varied subjects of our Institute's Intermediate Course.

I acknowledge the valuable support of all well experienced faculties in the respective fields for their whole hearted support to WIRC for publishing this book. I have the great pleasure in associating with them in their attempt. I am confident that this monumental collective work will receive accord and appreciation from the students and teaching fraternity. I thank the Students' Coordination Committee for their efforts in materializing this publication for the benefit of the students.

I wish all success to the students and wish them all the best for the upcoming examination.

CMA Chaitanya Laxmanrao Mohrir

Chairman

Western India Regional Council

The Institute of Cost Accountants of India

Students Committee Chairman's Message



I am deeply pleased to state that it gives me immense pleasure to state that the Western India Regional Council had released the publication of Multiple Choice Questions & Answers at the Students Regional Cost Conference 2024 held at Nashik from the hands of Shri Hemant Godse, Hon'ble Member of Parliament, Chief Guest and CMA V.P.Shenoy, Assistant Vice President, Finance, Graphite India Ltd. Guest of Honour for the event. CMA Ashwin G. Dalwadi, President, ICAI was also present for the occasion to bless the occasion.

The publication is very useful as multiple type of questions are a mandatory part for the examination of the Intermediate Students and the scores are very much important for overall evaluation of the performance of the students.

I would like to thank our faculties who had contributed for the publication which is useful for the preparation of the students and thank the contribution of CMA P D Modh, CMA Rajesh Kapadia & CMA Anil Kawade respectively.

I would also like to thank CMA Chaitanya Laxmanrao Mohrir, Chairman, WIRC-ICMAI, CMA Arindam Goswami, Vice-Chairman, WIRC- ICAI and CMA Nanty Shah, Treasurer, WIRC-ICMAI and all the Council Members.

I would like to state the support of CMA Ashwin G Dalwadi, Hon'ble President, ICAI for his wholehearted support.

I wish all the students all the best for the upcoming examination and hope that they take the best from the MCQs for their preparation for the examination.

Warm Regards,

CMA Mihir Narayan Vyas

Hon Secretary &

Chairman, Students Co-ordination Committee

ICMAI - WIRC

MULTIPLE CHOICE QUESTIONS AND ANSWERS (MCQS) FINAL EXAMINATION

(Syllabus 2022)

Paper - 16 : Strategic Cost Management

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Paper - 17: Cost and Management Audit

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Strategic Cost Management Final – Paper 16

- (1) The transfer price as internal sale and internal purchase within the organization means
 - (a) No effect on the Profit of the organization
 - (b) It effect on the profit of the organization
 - (c) It will recorded in the books of Accounts
 - (d) None of the above

- (2) Which of the following is true
 - (a) Balance score card measured performance of divisions
 - (b) The RI will always increase when investment earning above the cost of capital are under taken
 - (c) Balance score card is a tool for Transfer price
 - (d) RI is a comparison tool

- (3) Decentralization seeks to overcome the problem of managing a large organization by creating a structure based on several autonomous decision making units is
 - (a) True
 - (b) False
 - (c) True and False
 - (d) None of the above

- (4) Planning variance measure the difference between budgeted and actual profit that has been caused by errors in the original standard cost. It is the difference of exonate and expost standard is
 - (a) True
 - (b) False
 - (c) Both True and False
 - (d) None

- (5) Which is not correct
 - (a) Planning variance = Original standard – revised standard
 - (b) Operational variance = Revised standard – actual
 - (c) Planning variance = Original standard – actual
 - (d) None of above

- (6) Which is not correct
 - (a) Rolling budget is a budget continuously updated by adding further accounting period
 - (b) When a key resource is abundance for planning is called principal budget factor
 - (c) ZBB is based on decision package
 - (d) Flexible budget is for various level of activity

- (7) Which is not correct
 - (a) Throughput = Sales less direct material cost
 - (b) Throughput = Sales less variable cost
 - (c) In TOC identify the bottleneck
 - (d) Throughput ratio = Return per factory hour / Cost per factory hour

- (8) Refers to the ongoing continuous improvement program that focuses on the cost reduction of waste in the production process is
- (a) Kaizen costing
 - (b) Value analysis
 - (c) Value Engineering
 - (d) Standard Costing
- (9) Which of the following is cost control technique?
- (a) Value Analysis
 - (b) Value Engineering
 - (c) Marginal Costing
 - (d) Standard Costing
- (10) Which of the following is Cost Reduction technique
- (a) Marginal Costing
 - (b) Standard Costing
 - (c) Value Analysis
 - (d) Process Costing
- (11) In Dairy Industries Metal tin is replace by plastic bag is the example of
- (a) Value Analysis
 - (b) Kaizen Costing
 - (c) Value Enhancement
 - (d) Value Addition
- (12) Throughput efficiency is
- (a) $\text{Throughput Cost} / \text{Actual Factory Cost}$
 - (b) $\text{Actual Factory Cost} / \text{Throughput Cost}$
 - (c) $\text{Actual Cost} / \text{Standard Cost}$
 - (d) $\text{Standard Cost} / \text{Actual Cost}$
- (13) Fundamental rethinking and redesign of business process to achieve improvement in critical measures of performance such as cost, quality, service and speed is known as
- (a) Value Engineering
 - (b) Kaizen Costing
 - (c) Business Process Re-engineering
 - (d) Benchmarking
- (14) Margin of safety can be increase by
- (a) Increasing P/v Ratio
 - (b) Increasing the fixed cost
 - (c) Decrease the volume of Sales
 - (d) Decrease the sales price
- (15) Training cost for the quality control staff is
- (a) Preventive cost of quality
 - (b) Internal Cost of quality
 - (c) External cost of quality
 - (d) None

- (16) DMAIC and DMADV is concern with
- (a) Cost of quality
 - (b) Value Engineering
 - (c) Six Sigma
 - (d) Kaizen Costing
- (17) North Waste corner method is concern with
- (a) Assignment Problem
 - (b) Transportation
 - (c) Replacement
 - (d) Profit Maximization
- (18) PERT is
- (a) Event Oriented
 - (b) Activity Oriented
 - (c) Suitable for Civil Construction
 - (d) None of above
- (19) Opportunity cost help in
- (a) Ascertain of Cost
 - (b) Controlling cost
 - (c) Making Managerial decisions
 - (d) None of above
- (20) Fixed Cost per unit increase when
- (a) Production volume decrease
 - (b) Production volume increase
 - (c) Variable cost per unit increase
 - (d) Variable cost per unit decrease
- (21) Which of the following not influence BEP
- (a) Changes in fixed cost
 - (b) Changes in P/v ratio
 - (c) Changes in Sales price
 - (d) Changes in Sales volume
- (22) Which is not correct in following
- (a) Standard Costing - Technique
 - (b) Process Costing - Method
 - (c) Uniform Costing - Method
 - (d) Marginal Costing - Technique
- (23) When existing sales is 1,00,000 and BEP is 80% and sales is increase by 20% how much Margin of Safety increase?
- (a) 20%
 - (b) 40%
 - (c) 100%
 - (d) Zero

- (24) When company sells 5000 units, loss is Rs.10000; and sales 9000 units, profit is Rs.10000, what will be fixed cost
- Rs.35000
 - Rs.25000
 - Rs.45000
 - Rs.55000
- (25) Quality guru is
- F.W Taylor
 - Daming
 - Peter Drucker
 - Maslow
- (26) Sales Price is Rs.1,00,000
P/v Ratio is Rs.50%
Fixed Cost is Rs.40,000
Fixed cost is to be increased by 20%
Profit % to be keep same
How much % of sales should increased
- 20%
 - 10%
 - 50%
 - No Increase
- (27) Loss is Rs.10,000 (10% of Sales), P/v Ratio is 20%, What will be margin of safety when sales will increase 50%
- Zero
 - 10,000
 - 20,000
 - 50,000
- (28) Profit is Rs.10,000 (10% of Sales), P/v Ratio 20%, what will be margin of safety when 20% sales is increased?
- Rs.50,000
 - Rs.70,000
 - Rs.30,000
 - Rs.1,00,000
- (29) Product A and B following data are available
- | | |
|----------------------|--------------------------|
| Sales Price / unit | (A) – Rs.20; (B) – Rs.30 |
| Material Cost | (A) – Rs.10; (B) – Rs.18 |
| Material Cost per Kg | (A) – Rs.4; (B) – Rs.6 |
- When material is a limiting factor, which product you have a choice
- A
 - B
 - Anyone A or B
 - None

- (30) Sale is given for two years

Sales – 2021 – Rs.2,00,000; 2022- Rs.3,00,000

Profit – 2021 – Rs.20,000; 2022 – Rs.40,000

What amount of sales is required to earn Rs.50,000 profit

- (a) Rs.3,50,000
- (b) Rs.4,00,000
- (c) Rs.5,00,000
- (d) Rs.6,00,000

(31) Relevant data	X	Y	Z
Sales Price	48	46	40
Variable Cost	33	24	28
Labour Hrs (Div. A)	3	4	2
Max. Sales units	800	500	300

Up to 300 units of Y can be transfer to division B. Division A has available hours 3600.

What will be priority of production considering labour hours

- (a) XYZ
- (b) YZX
- (c) XZY
- (d) ZYX

- (32) Based on above data what will be the transfer price?

- (a) Rs.44
- (b) Rs.34
- (c) Rs.36
- (d) Rs.50

- (33) Data as under for the year 2022

	1 st half	2 nd half
Sales	810000	1026000
Profit	21600	64800

BEP for the year 2022, assume fixed. Cost remain same throughout the year

- (a) Rs.14,04,000
- (b) Rs.7,02,000
- (c) Rs.12,00,000
- (d) Rs.18,36,000

- (34) There are two plant manufacture same product under same group.

	Plant A	Plant B
Capacity operation	100%	60%
Sales Rs.	600 Lakhs	240 Lakhs
Variable cost Rs.	440 Lakh	180 Lakh
Fixed Cost	80 Lakhs	40 Lakhs

What will be the capacity and the merged plant to be operated for the purpose of breakeven of merged plant?

- (a) 46%
- (b) 80%
- (c) 50%
- (d) 100%

- (35) Find out mismatch from following pair

Table A

1. Differential costing
2. Contribution
3. Breakeven Point
4. Shutdown point

- (a) 1
- (b) 2
- (c) 3
- (d) 4

Table B

1. Marginal Costing
2. To ascertain P/v Ratio
3. Fixed Cost / P/v Ratio
4. Profit / P/v Ratio

- (36) Under flexible budgetary control systems

Units produced	500
Cost per unit	
Factory OH	10 (40% variable)
Depreciation	10 (100% fixed)
Selling overhead	10 (40% fixed)

What will be per unit factory overhead when production will be 1000 units

- (a) Rs.7 per unit
- (b) Rs.10 per unit
- (c) Rs.3 per unit
- (d) Rs.5 per unit

- (37) In above data what will be depreciation per unit when production will be 1000 units

- (a) Rs.5 per unit
- (b) Rs.10 per unit
- (c) Rs.2.5 per unit
- (d) Rs.6 per unit

- (38) What will be per unit selling overhead when product is 1000 units

- (a) Rs.8 per unit
- (b) Rs.16 per unit
- (c) Rs.4 per unit
- (d) Rs.10 per unit

- (39) Which flexible Budget system

Production	1000 units	2000 units
Material cost	5 L	10 L
Overhead	20 L	30 L

What will be overhead when production will be 3000 units

- (a) Rs.40 L
- (b) Rs.30 L
- (c) Rs.25 L
- (d) Rs.50 L

- (40) Strategic Cost Management having one of the following character

- (a) It consider external information
- (b) It is short term and only effect on profitability
- (c) It covers risk
- (d) Objective is cost control an cost reduction

- (41) Items provided free of cost within the warranty period is
- Preventive cost of quality
 - External cost of quality
 - Internal cost of quality
 - Appraisal cost of quality
- (42) Activity within the firm where the demand for that resource is more than its capacity to supply
- Bottle neck
 - Surplus capacity
 - Lean System
 - None of above
- (43) It is a system for waste minimization without scarifying productivity within manufacturing system
- Cost control
 - Cost reduction
 - Lean Balancing
 - Lean system
- (44) Learning curve equation
- $y = Ax^B$
 - $y = X^B$
 - $y = A^B$
 - None of above
- (45) Geometrical progression which reveals the steadily decreasing cost for the accomplishment of a given repetitive operation as the identical operation is increasingly repeated is
- Liner Programming
 - Life Cycle costing
 - Learning curve effect
 - None of above
- (46) Strategic Cost management has
- Steady approach
 - Reactive approach
 - Proactive approach
 - Straight forward approach
- (47) Remove which is not correct under value chain
- | Activity | Category |
|--|------------|
| (a) Material handling and warehousing | Primary |
| (b) Transforming input into Final output | Primary |
| (c) Procurement | Supporting |
| (d) Technology Developed | Primary |
- (48) Which is one of the Daming's 14 points of Quality Control
- Quality is free
 - Prevention is better than cure
 - If you cannot measure you cannot manage
 - Eliminate slogans

- (49) Capital Investment Rs.100 Lakh. Actual Profit 10 Lakh, expected return on investment 10%, when expected return increase 20%, residue income will
- Increase
 - Decrease
 - Stable
 - No effect on RI
- (50) Existing Investment 100L, expected Return 10%, actual profit is Rs14L. Company wants its double RI, how much actual profit should increase
- Rs.10 Lakh
 - Rs.22 Lakh
 - Rs.4 Lakh
 - Rs.18 Lakh
- (51) Target Cost plus Target profit equal market driven sales price is
- Inductive approach
 - Deductive approach
 - Conductive approach
 - None of above
- (52) Main difference between Cost control and cost reduction is
- Cost Control is temporary and cost reduction is permanent
 - Cost control is engineering approach and cost reduction is Accounting approach
 - Standard costing will reduce the cost and value analysis will control the cost
 - None of above
- (53) Remove which is not match
- Cost Control – Not effecting quality
 - Cost Control – Target costing
 - Cost Reduction – Permanent
 - Cost Reduction – Value analysis
- (54) Life Cycle costing aims at cost ascertainment of product or project over its projected life is
- True
 - False
 - True and False
 - Cannot say
- (55) When Sales Quality increase without increase in sales price there will not be effect on
- BEP
 - Margin of Safety
 - Total contribution
 - Total Profit
- (56) Details as under
- | | | |
|---------------|---------------------|------------------|
| | In-house production | Outside Jon work |
| Variable Cost | Rs.10 per unit | Rs.14 per unit |
| Fixed Cost | Rs.20000 | Rs.12000 |
- What will be indifference points between in-house and outside.
- 5000 units
 - 10000 units
 - 15000 units
 - 1000 units

(57) Company has three divisions

	A	B	C
Sales	Rs.20000	Rs.30000	Rs.40000
Variable Cost	Rs.10000	Rs.15000	Rs.30000
Contribution	Rs.10000	Rs.15000	Rs.10000
Fixed Cost	Rs.8000	Rs.12000	Rs.16000
(apportioned)			
Profit / Loss	+ 2000	+ 3000	- 6000

It is advisable as a company as a whole

- (a) Discontinuing Division C
- (b) Continue Division C
- (c) It make no difference
- (d) None of above

(58) Difference of variable cost / Difference in fixed cost
This formula will be useful to ascertain

- (a) P/v Ratio
- (b) BEP
- (c) Indifferent point
- (d) Margin of safety

(59) Products of Division A

	X	Y	Z
Contribution	40	56	60
Required hours/unit	4	7	10

Division B wants 100 units of Y product. What will be opportunity cost when division A is ready to offer to division B

- (a) Rs.600
- (b) Rs.800
- (c) Rs.1000
- (d) Rs.500

(60) Which of the following is irrelevant cost

- (a) Imputed cost
- (b) Committed cost
- (c) Opportunity Cost
- (d) Differential Cost

(61) Which price strategy is useful for new product

- (a) Skimming
- (b) Cash discount strategy
- (c) Going rate pricing
- (d) Cost plus pricing

(62) Which center is not a part of responsibility accounting

- (a) Cost center
- (b) Profit center
- (c) Revenue center
- (d) Liquidity center

- (63) Which is formula of EVA
- (a) NOAT – Weighted Average Cost of Capital
 - (b) Net Profit before tax – WACC
 - (c) Net Profit before tax + WACC
 - (d) None of above
- (64) In top down approach
- (a) Business are prepared centrally and assistance have little influence
 - (b) Budget are prepared by Assistance and send higher authority to approve
 - (c) It does not matter who prepare
 - (d) None of above
- (65) Sales budget is
- (a) Flexible Budget
 - (b) Functional Budget
 - (c) Performance Budget
 - (d) Zero Base Budget
- (66) Which is not correct
- (a) Efficiency Variance + Capacity Variance equal volume variance
 - (b) Price Variance + Usage Variance equal Cost variance
 - (c) Expenses Variance + Volume Variance equal efficiency variance
 - (d) All above are correct
- (67) Where Variances are computed and accounted at the end of the period is called
- (a) Dual Plan
 - (b) Single Plan
 - (c) Partial Plan
 - (d) None of above
- (68) Which is not the method of LPP
- (a) Graphical Method
 - (b) Simplex Method
 - (c) Trial and Error method
 - (d) Critical path method
- (69) A Mathematical model dealing with the use or allocation of certain scarce resources in the best possible manner in order to maximum profit or minimum loss is called
- (a) PERT
 - (b) CPM
 - (c) LPP
 - (d) CVP
- (70) Learning curve Ratio means
- (a) Average Labour Time for 1st 2N units / Average labour time for 1st N Unit
 - (b) Average Labour Time for 1st N units / Average Labour time for 2N units
 - (c) Total time / Total units produced
 - (d) None of above
- (71) Learning curve theory applied to a division of a company which is fully automated is
- (a) True
 - (b) False
 - (c) True & False
 - (d) None of above

(72) Find out the mismatch cost driver against activity

	Activity	Driver
(a)	Setup	No. of Production Run
(b)	Receiving	No. of breakdown
(c)	Engineering	No. of product orders
(d)	Packing	No. of order deliveries

(73)

	Budget	Actual
Fixed OH	Rs.500000	Rs.600000
Production units	500000	600000
Hours	1000000	1800000

What is efficiency variance

- (a) Rs.6 L A
- (b) Rs.6 L F
- (c) Rs.12 A
- (d) Nil

(74)

	Budget	Actual
Fixed OH	Rs.200000	Rs.300000
Production units	100000	200000
Hours	30000	40000

What is Capacity variance?

- (a) Rs.20,000 F
- (b) Rs.20,000 A
- (c) Nil
- (d) Rs.40,000 A

(75) Find out the missing figure

Sales	Rs.75000
Operating Income	Rs.25000
ROI	10%
Min. Required rate of return	?
Residue Income	5000

- (a) 8%
- (b) 25%
- (c) 10%
- (d) 5%

(76) Determine the transfer price for the division A

Fixed Assets	Rs.200000
Current Assets	Rs.300000
Annual Fixed Cost of division	Rs.500000
Variable cost per unit	Rs.2
Budgeted production (units)	100000
Expected rate of return on Investment	- 10%

- (a) Rs.9.50
- (b) Rs.9.00
- (c) Rs.10.00
- (d) Rs.5.00

- (77) P/v ratio is 20% Fixed cost Rs.90000 p.a. The number of units required to breakeven is
- 3000
 - 2000
 - 5000
 - Cannot compute due to insufficient information
- (78) Sales price Rs.15
Variable cost per unit Rs.9.50
Budgeted fixed OH Rs.60000 p.a. charged at a constant rate each month. Budgeted production 30000 p.a.. In a month when actual production was 2400 units and exceeds sales by 180 units the profit reported under absorption costing was
- Rs.6660
 - Rs.7570
 - Rs.7770
 - Rs.8200
- (79) Target cost is calculated by deducting the target profit from a predetermined selling price based on customers view is
- True
 - False
 - True and False
 - None of above
- (80) Which statement is not correct
- Standard costing a pull system and target costing is push system
 - Target costing is proactive technique and standard costing is reactive technique
 - Target costing driven by external market price, standard costing is driven by internal environment,
 - Target costing cost of production and standard costing is cost control
- (81) Back flush accounting system offers a simplified approach to costing by getting rid of unnecessary costing record is
- True
 - False
 - True and False
 - None of above
- (82) Calculate throughput accounting ratio based on following information
Selling price per unit Rs.16
Direct material cost per unit Rs.10
Max. demand unit per period 40000
Time required (hours) in process x per unit 1
Time required (hours) In process y per unit 1.5
The capabilities are 35000 hours in process x and 42000 hours in process y. Total factory cost is Rs.1,05,000 in the period
- 1.6
 - 1.0
 - 2.6
 - 3.0

(83) Find out mismatch

Cost	Cost category
(a) Reliability study -	Preventive cost
(b) Return Material for repair	External cost
(c) Quality Audit	Appraisal cost
(d) Quality Control Investigation	External cost

(84) When capacity variance is favourable efficiency variance also favourable is

- (a) True
- (b) False
- (c) Cannot be favourable
- (d) Cannot say, may be favourable or adverse

(85) Quantity demanded at a price of Rs.100 will be 1000 units. The quantity demanded will increase / decrease by 100 units for every Rs.50 increase / decrease of the sales price. Marginal Cost of each unit Rs.35. Calculate selling price that maximize company profit

- (a) Rs.317.5
- (b) Rs.150
- (c) Rs.100
- (d) Rs.50

(86) Variable cost per product Rs.14 per unit. Company wants to fix optimum sales price. If price changed, was to be Rs.25 per unit, than the demand would be 1000 units each period. For every Rs.1 increase in selling price, demand would reduce by 100 units each period, for every reduction in the selling price the demand would increase by 100 units each period. Calculate the optimum selling price

- (a) Rs.16
- (b) Rs.24
- (c) Rs.24.50
- (d) Rs.25.50

(87) Which statement is not correct

- (a) Penetration price occurs when company sets a very low price for the new product initially
- (b) Bundling is a putting a package of many product and service to customer at low price
- (c) Skimming is offering low price initially of new product
- (d) All are incorrect

(88) Total cost break-up of product X is as under

	Rs.per unit
Variable production cost	4
Variable selling cost	2
Fixed production cost	3
Fixed selling cost	1
Total cost	10

The marginal revenue (MR) and demand function for the product X are

$$MR = 200 - 0.4 X; \quad P = 200 - 0.2 X$$

Where P = Price; x = Quantity demanded per period

What is the profit – maximizing selling price of product X

- (a) Rs.103
- (b) Rs.93
- (c) Rs.113
- (d) Rs.140

(89) Elasticity of demand = % change in qty demand / % change in price is

- (a) True
- (b) False
- (c) Both
- (d) None

(90) The time taken to produce each of the first four batches of a new product were as follows

Batch number	Time taken
1	100 minutes
2	70 minutes
3	62 minutes
4	57 minutes

Based on above data, rate of learning was closest to

- (a) 70%
- (b) 72.25%
- (c) 82%
- (d) 85%

(91) A factory has a key resources (bottleneck of facility) 6250 minutes per period. Data as under

Product	Selling price/unit	Mat. Cost	Time in facility
X	Rs.7	Rs.4.0	1 minute
Y	Rs.7	Rs.3.50	2 minute

Weekly expenses Rs.15650

What will be throughput ratio for product X

- (a) 3
- (b) 1.2
- (c) 2
- (d) 4

(92) Based on the above data of 91 actual product was 4750 units for product X and 650 units for product Y. What is efficiency %

- (a) 90%
- (b) 60%
- (c) 50%
- (d) 96.6%

(93) What will be entry in Back flush costing. Raw materials were purchase on account for Rs.100000.

- (a) Material A/c. dr. 100000
To Creditors 100000
- (b) Material control A/c. dr. 100000
To GLC 100000
- (c) Material Purchase A/c. dr. 100000
To Bank A/c. 100000
- (d) Raw material in process a/c. dr. 100000
To Creditors 100000

- (94) Which is not correct
- Angle of incidence which is sales line makes with the total cost line
 - Cost indifference point is that at which total fixed cost under two alternate is same
 - Breakeven point is contribution equal fixed cost
 - all are correct
- (95) Difference between differential cost and marginal cost is that marginal cost based on variability and not contain fixed cost but differential cost may include fixed cost is
- True
 - False
 - True and False
 - None of above
- (96) Differential costs are known as incremental cost is
- True
 - False
 - True and False
 - None of above
- (97) Which is most profitable product mix
- | Product | A | B | C |
|--------------------|-------|-------|-------|
| Sales price/ unit | Rs.10 | Rs.20 | Rs.30 |
| Variable cost/unit | Rs.7 | Rs.17 | Rs.22 |
- Fixed cost company as a whole Rs.2000
- 600 units of A 300 units of B
 - 500 units of A 200 units of C
 - 400 units of A 100 units of B and 200 units of C
 - 500 units of C
- (98) Cost per 100 copies
- | | Machine A Rs. | Machine B Rs. |
|---------------------|---------------|---------------|
| Material Cost Rs.60 | 60 | 40 |
| Labour Cost | 80 | 30 |
| Annual Fixed cost | 30,000 | 58,000 |
- Compare the cost indifference points
- 400 Nos
 - 100 Nos
 - 600 Nos
 - 800 Nos
- (99) Evaluate this decision
- Existing
- | | A | B |
|--------------------|------|------|
| Sales price / unit | 50 | 60 |
| Variable cost | 30 | 45 |
| Quantity sales | 1000 | 2000 |
- If price can be reduced Rs.10 of B; 4000 more quantity can be sold, where Rs.10000 advertisement cost will increase, this proposal
- Can be accept
 - Cannot be accept
 - Cannot be said
 - None of above

(100) Three product, three limiting factor, problem requires which of the following technique to find profit maximizing product mix?

- (a) Linear programming
- (b) Graphical method
- (c) Calculation from first principle
- (d) Use of profit volume graph

Answer :

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

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- (101) Under this method work in process account is debited with actual cost and credited with standard cost of production. Material price variance is computed on goods completed and goods in progress is
- Partial Plan
 - Single Plan
 - Dual Plan
 - None of the above
- (102) Activity ratio / Capacity ratio x 100 is
- Activity ratio
 - Efficiency ratio
 - Calendar ratio
 - Usage ratio
- (103) Simulation is a versatile tool which is used when mathematical analysis difficult
- True
 - False
 - Both true and false
 - None of above
- (104) Which is not a character of Back-flash costing
- Journal entries are made on trigger point
 - Cost is initially changed based on standard direct material and standard conversion cost
 - Labour Cost and overhead cost combined
 - Cannot applicable in JIT environment
- (105) A factory can make only one of the three products X, Y and Z in a given production period. The following information are given :
- | Per unit Rs. | X | Y | Z |
|---------------|------|------|------|
| Selling price | 1500 | 1800 | 2000 |
| Variable cost | 700 | 950 | 1000 |
- Assume that there is no constraint on resource utilization or demand and similar resources are consumed by X, Y and Z. The opportunity cost of making one unit of Z is:
- Rs.850
 - Rs.800
 - Rs.1800
 - Rs.1500
- (106) S Ltd. manufactures a product whose time for the first unit is 1000 hours. It experiences a learning curve of 80%. What will be the total time taken in hours for units 5 to 8?
- 4096 hours
 - 3200 hours
 - 1536 hours
 - 2000 hours
- (107) In the context of Critical Path Analysis, the portion of the float of an activity which cannot be consumed without affecting adversely the float of the subsequent activities is called
- Free float
 - Interfering float
 - Independent float
 - Total float

- (108) Excel Products Ltd manufactures four products e.g. Product E, Product F, Product G and Product H using same raw materials. The input requirements for products E, F, G and H are 1Kg, 2Kgs, 5 Kgs and 7 Kgs respectively. Product-wise selling price and variable cost data are given hereunder :

Products	E	F	G	H
Selling Price Rs.	100	150	200	300
Variable Cost Rs.	50	70	100	125

Assuming raw material availability is a limiting factor, the correct ranking of the products would be :

- (a) E, F, G & H
 - (b) E, F, H & G
 - (c) F, E, G & H
 - (d) F, E, H & G
- (109) Which of the following is a valid constraint for a linear programming problem?
- (a) $3x^2 + 4x + 1 = 0$
 - (b) $5x_1 + 2x_2 \leq 10$
 - (c) $4x_1 + 3x_2 > 7$
 - (d) $(12x_1 + 4x_2) / 3x_2 \leq 8x_1$
- (110) Which of the following is not a correct match?
- | Activity | Cost Drivers |
|---------------------------|---------------------------|
| (a) Production scheduling | Number of production runs |
| (b) Despatching | Number of Despatch orders |
| (c) Goods receiving | Goods received order |
| (d) Inspection | Machine hours |
- (111) A factory is setting up a special inspection at the supply point of raw materials at Rs.80,000. Consequent to this, there is lesser number of returns from customers. These goods used to be sold for Rs.1,00,000 and variable costs are Rs.80,000. The change in quality costs are
- (a) Decrease by Rs.80,000
 - (b) Decrease by Rs.60,000
 - (c) Decrease by Rs.20,000
 - (d) No Change
- (112) Variable cost is Rs.24 and transfer price is Rs.44, what will be opportunity cost
- (a) Rs.20
 - (b) Rs.64
 - (c) Rs.12
 - (d) Rs.22
- (113) What will be actual capacity usage ratio when Actual Working hours 6000 and maximum possible working hours in a period is 8000 hours.
- (a) 25%
 - (b) 100%
 - (c) 133%
 - (d) None of above

- (114) Actual fixed overhead Rs.156000; Budgeted fixed overhead Rs.150000; Actual working hours 56000; Budgeted working hours 50000; Budgeted production 5000; Actual production 5600. What will be expenses variance
- Rs.6000 F
 - Rs.6000 A
 - Rs.19000 F
 - Rs.12000 A
- (115) A profit and loss summary shows the following :
- | | |
|---------------|---------|
| Sales revenue | Rs.1000 |
| Variable cost | 700 |
| Contribution | 300 |
| Fixed Costs | 500 |
| Net Loss | 200 |
- In which of the following circumstances is it financially relevant to continue production and sale of the product?
- When the contribution is greater than zero
 - When avoidable fixed cost are at least Rs.200
 - When avoidable fixed costs are less than Rs.300
 - When net profit is improved to greater than zero.
- (116) A department may be used to make and sell a product which will earn a contribution of Rs.15,000. If it is not used to produce a component for internal use. Into which cost classification should the Rs.15,000 be categorize?
- An avoidable cost of the company
 - An opportunity cost of the company
 - An irrelevant cost for decision making
 - Irrelevant costs.
- (117) Which of the following is not a relevant cost. In a decision about whether to buy a piece of machinery?
- The cost of transporting the machinery to the factory
 - The cost of installing the machinery in the production department
 - The cost of a special maintenance agreement for the machinery
 - The cost of a survey carried out recently to check that the factory floor would bear the load of the new machinery.
- (118) The type of costs presented to management for elimination of a product-line should be limited to :
- Relevant costs
 - Standard costs
 - Controllable costs
 - Conversion costs
- (119) A company budgets to produce 120 units, each using 3 Kg material @ Rs.2 per kg. Actual production is 100 units. Actual material used is 330 Kgs @ Rs.2.20 per Kg. The material usage variance is :
- Rs.6 (A)
 - Rs.40 (F)
 - Rs.66 (F)
 - Rs.60 (A)

- (120) Product N has standard cost of Rs.25, Rs.5 of which relates to direct materials. Budgeted production for the month was 1600 units. During the month 1500 units of N were produced, and Rs.8000 of materials were purchased. There was no opening stock of materials but closing stock, which is valued at standard cost, amounted to Rs.1000. What is the total variance for materials?
- Rs.500 (A)
 - Rs.1000 (F)
 - Rs.500 (F)
 - Nil
- (121) SW plc manufactures a product known as the TRD 100 by mixing two materials. The standard material cost per unit of the TRD 100 is as follows :
 Material X 12 liters @ Rs.2.50 - Rs.30; Material Y 18 liters @ Rs.3.00 – Rs.54
 In October 2002, the actual mix used was 984 liters of X and 1230 liters of Y. The actual output was 72 units of TRD 100.
- The total material mix variance reported was nearest to
- Rs.102 (F)
 - Rs.49 (F)
 - Rs.49 (A)
 - Rs.151 (A)
- (122) The Holiday Card company, a producer of specially cards, has asked you to complete several calculations based upon the following information :
- | | |
|------------------------|-----------|
| Income Tax rate | 30% |
| Selling price per unit | Rs.6.60 |
| Variable cost per unit | Rs.5.28 |
| Total Fixed costs | Rs.46,200 |
- How many cards must be sold to earn an after-tax net income of Rs.18,480?
- 60,000 units
 - 45,000 units
 - 75,000 units
 - 55,000 units
- (123) In Ashish Co's Just in Time production system, costs per setup were reduced from Rs.28 to Rs.2. In the process of reducing inventory levels, Baba found that there were fixed facility and administrative costs that previously had not been included in the carrying cost calculation. The result was an increase from Rs.8 to Rs.32 per unit per year. What were the effects of these changes on Baba's economic lot size and relevant costs?
- | | Lot Size | Relevant costs |
|-----|-----------------|-----------------------|
| (a) | Decrease | Increase |
| (b) | Increase | Decrease |
| (c) | Increase | Increase |
| (d) | Decrease | Decrease |
- (124) Which of the following are correct with regard to service organizations?
- Activity based costing would not be considered appropriate.
 - The cost of materials will be relatively small
 - A significant proportion of the costs incurred will be fixed and indirect.
- (i), (ii) and (iii)
 - (i) and (ii) only
 - (i) and (iii) only
 - (ii) and (iii) only

- (125) Division Q makes a single product. Information for the division for the year just ended is :

Sales	30,000
Fixed Costs	Rs.4,87,000
Depreciation	2,47,500
Residual income	47,200
Net assets	12,50,000

Head Office assesses divisional performance by the residual income achieved. IT uses a cost of capital of 12% a year.

Division Q's average contribution per unit was :

- (a) Rs.14.82
- (b) Rs.22.81
- (c) Rs.28.06
- (d) Rs.31.06

- (126) A hospital's records show that the cost of carrying out health checks in the last five accounting periods have been as follows :

Period	Number of patients seen	Total Cost
1	650	17,125
2	940	17,800
3	1260	18,650
4	990	17,980
5	1150	18,360

Using the high-low method and ignoring inflation, the estimated cost of carrying out health checks on 850 patients in period 6 is

- (a) Rs.17,515
 - (b) Rs.17,570
 - (c) Rs.17,625
 - (d) Rs.17,680
- (127) B Ltd has recently developed a new product. The nature of B Ltd's work is repetitive, and it is usual for there to be an 80% learning effect when a new product is development. The time taken for the first unit was 22 minutes. Assuming that an 80% learning effect applies, the time to be taken for the fourth unit is nearest to
- (a) 9.91 minutes
 - (b) 9.97 minutes
 - (c) 14.08 minutes
 - (d) 15.45 minutes
 - (e) 17.60 minutes

- (128) E Ltd operates a marginal costing system. For the forthcoming year, variable costs are budgeted to be 60% of sales value and fixed costs are budgeted to be 10% of sales value.

If E Ltd increases its selling prices by 10%, but its fixed costs, variable costs per unit and sales volume remain unchanged, the effect on E plc's contribution will be

- (a) a decreases of 2%
- (b) an increase of 5%
- (c) an increase of 10%
- (d) an increase of 25%

- (129) The annual demand of a certain component bought from the market is 1000 units. The cost of placing an order is Rs.60 and the carrying cost per unit is Rs.3 p.a. The Economic Order quantity for the item is
- 200
 - 400
 - 600
 - 500
- (130) A company's fixed cost amounts to Rs.120 lakhs p.a. and its overall P/v ratio is 0.4. The annual sales of the company should be Rs._____ lakhs to have a Margin of Safety of 25%
- 400
 - 500
 - 600
 - 700
- (131) A company maintains a margin of safety of 20% on its current sales and earns a profit of Rs.20 lakhs p.a./ If it has an overall contribution / sales ratio of 50%, its current sales amount to
- Rs.150 L
 - Rs.200 L
 - Rs.250 L
 - Rs.300 L
- (132) Contribution is known as :
- Marginal income
 - Gross profit
 - Net income
 - None of above
- (133) Increase in capacity reduces the Margin of Safety, if :
- Total cost remains unchanged
 - Fixed costs at new capacity are increased
 - Fixed cost increases and sales grow
 - Variable cost per unit increases
- (134) Linear Programming techniques can be applied for :
- Minimization of cost
 - Optimization of system
 - Improving human relations
 - None of above
- (135) The Simulation technique will be useful when :
- a precise solution is required
 - problems are complex
 - problems cannot be solved mathematically
 - None of above
- (136) A three product, three limiting factor problem requires which of the following techniques to find profit maximizing product mix?
- Linear Programming
 - Graphical representation of the constraints
 - Use of a profit volume graph
 - All of the above

- (137) A company budgets for fixed overhead of Rs.24,000 and production of 4800 units. Actual production is 4200 units and fixed overhead cost incurred is Rs.22000. The fixed overhead volume variance is :
- (a) Rs.3000 A
 - (b) Rs.1000 A
 - (c) Rs.2000 F
 - (d) Rs.3000 F
- (138) In the following cases one of the answers is correct.
- (a) cost objects
 - (b) cost benefit analysis
 - (c) cost pool
 - (d) none of the above
- (139) AB Ltd. purchased 6850 kgs of materials for Rs.21,920. The material price variance was Rs.1370 (favourable). The standard price per Kg. was :
- (a) Rs.3.00
 - (b) Rs.3.20
 - (c) Rs.3.40
 - (d) None of the above
- (140) A division of a company employs capital of Rs.2 million and its return on capital is 12%. It is considering a new project requiring fresh capital of Rs.500000 and expected to yield profits of Rs.90000 p.a. The company's interest rate is 10% p.a. IF the new project is implemented, the division's residual income will be :
- (a) Rs.30,000
 - (b) Rs.33,000
 - (c) Rs.58,000
 - (d) Rs.80,000
- (141) When the time taken by the first unit is 10 hours and the learning rate is 80%, the average time taken for each of 20 units produced would be :
- (a) 3.81 hours
 - (b) 3.35 hours
 - (c) 4.50 hours
 - (d) 4.00 hours
- (142) A Ltd. which manufactures small electronic circuits, has a capacity to produce 4 lakhs units. The market demand is sensitive to the sale price and it has been estimate that the company could sell 1 lakh units when the price is Rs.50 per circuit. Thereafter, the demand would double for each Rs.5 fall in the selling price. The company expects a minimum margin of 25%. Accordingly, the target cost of the company to sell at full capacity should be :
- (a) Rs.20
 - (b) Rs.25
 - (c) Rs.30
 - (d) Rs.32

- (143) The budgeted sales and cost of sales of Ram Brothers for the coming year are Rs.15 crore and Rs.10 crore respectively. The current level of inventory turnover is 5 times. Considering that the inventory is financed at an average cost of 10% p.a., the expected cost saving for the budget period by doubling the inventory turnover would be :
- Rs.20 lakh
 - Rs.10 lakh
 - Rs.25 lakh
 - Rs.7.5 lakh
- (144) Which of the following would decrease unit contribution margin the most?
- 15% decrease in selling price
 - 15% increase in variable costs
 - 15% decrease in variable costs
 - 15% decrease in fixed costs
- (145) When allocating service department costs to production departments, the method that does not consider different cost behavior patterns is the :
- Step method
 - Reciprocal method
 - Single Rate method
 - Dual Rate method
- (146) Value Engineering leads to :
- Increase in Sales
 - Cost Reduction
 - Profit Maximization
 - Lesser Investment
- (147) In a waiting line problem, the customer arrival is expected to follow :
- Erlang distribution
 - Poisson distribution
 - Normal distribution
 - Binominal distribution
- (148) Which of the following would take place if a company is able to reduce its variable costs?
- | | Contribution Margin | Break-Even Point |
|-----|---------------------|------------------|
| (a) | Increase | Increase |
| (b) | Decrease | Decrease |
| (c) | Increase | Decrease |
| (d) | Decrease | Increase |
- (149) A company requires Rs.85,00,000 in sales to meet its target net profit. Its contribution margin is 30% and the fixed costs are Rs.15,00,000. What is the target net profit?
- Rs.10,50,000
 - Rs.19,50,000
 - Rs.25,50,000
 - Rs.35,00,000

- (150) The following figures are extracted from the books of company :
 Budgeted O/h. Rs.10,000 (Fixed Rs.6,000, Variable Rs.4,000)
 Budgeted Hours 2000
 Actual O/H Rs.10,400 (Fixed Rs.6,100, Variable Rs.4,300)
 Actual Hours 2100
 Variable O/H cost variance and Fixed O/H cost variance will be :
- (a) 100 (A) and 200 (A)
 - (b) 100 (F) and 200 (F)
 - (c) 100 (A) and 200 (F)
 - (d) 200 (A) and 100 (F)
- (151) Which model among the following is not example of mathematical programming models. (Optimization models)?
- (a) Linear Programming model
 - (b) EOQ model
 - (c) CPA or PERT model
 - (d) Game theory model
- (152) IBM found, after analyzing computer processing time that 80% of processing time was concerned with executing 20% of software operating code. As a result, its programmes rewrote the code to make the most frequently used parts of it as streamlined as possible. This is possible because of
- (a) GE Matrix
 - (b) Pareto Analysis
 - (c) Value Engineering
 - (d) Benchmarking
- (153) Which of the following are correct in the context of network analysis?
- (a) There can be one or more activities without a predecessor in a network
 - (b) Where two activities have the same start and end events, the end event of one activity is numbered differently and then connected by a dummy to the original start event.
 - (c) When crashing is carried out, the non-critical paths have to remain non critical.
 - (d) If the critical path is longer than the other paths, the project may be completed by using a path having a shorter duration.
- (154) Which of the following will always be a relevant cost?
- (a) Fixed Cost
 - (b) Opportunity Cost
 - (c) Variable Cost
 - (d) Sunk Cost
- (155) The constraints in a linear programming model are
- (a) Included in the Objective Function
 - (b) Costs
 - (c) Scarce Resources
 - (d) Dependent Variables

Answer :

101	(a)	102	(b)	103	(a)	104	(d)	105	(b)	106	(c)	107	(b)	108	(b)
109	(b)	110	(d)	111	(d)	112	(a)	113	(a)	114	(a)	115	(c)	116	(b)
117	(d)	118	(a)	119	(d)	120	(c)	121	(b)	122	(d)	123	(d)	124	(d)
125	(d)	126	(c)	127	(b)	128	(d)	129	(a)	130	(a)	131	(b)	132	(a)
133	(b)	134	(b)	135	(c)	136	(a)	137	(a)	138	(c)	139	(c)	140	(d)
141	(a)	142	(c)	143	(b)	144	(a)	145	(c)	146	(b)	147	(b)	148	(c)
149	(a)	150	(c)	151	(d)	152	(d)	153	(a)	154	(b)	155	(b)		

Whether the following statement are True or False

- (1) Formula for Learning curve is $Y_x = aX^b$
- (2) Absorption costing is a technique which is used to calculate a fair share of overheads to be attributed to each cost unit.
- (3) Marginal costing is widely used for internal reporting and decision making.
- (4) In activity base costing classified activities into four major categories that drive expenses at the product level. They are (i) unit level (ii) batch related (iii) product sustaining (iv) facility sustain cost.
- (5) RI is one of the methods to evaluate divisional performance.
- (6) Weighted average contributions ratio = Total Contribution / Total Revenue
- (7) Cost that are not relevant in management decisions are called non-relevant cost.
- (8) Penetration pricing occurs when a company sets a very low price for the new product initially.
- (9) Under Pull system of Just in Time which responds to demand in contrast push system which inventory acts as a buffer.
- (10) Push system = Supplier \leftarrow Production \leftarrow Customer
- (11) Pull System = Supplier \rightarrow Production \rightarrow Customer
- (12) Get it right first time is the principle of TQM.
- (13) Routine repairing and maintenance of equipment is preventive cost.
- (14) A Quality circle is a team of 4 to 12 peoples usually coming from the same area who voluntarily meet on regular basis to identify investigate analyze and solve work related problems.
- (15) Value engineering related to existing product and value analysis related to products that have not yet been produced.
- (16) Kaizen Costing is cost control technique and standard costing is cost reduction technique.
- (17) Identify the system's bottlenecks in a character of theory of constrain.
- (18) Under throughput costing system, Return per factory hour is = Throughput per unit / Product time on the bottleneck resources
- (19) ABM seeks to classify each activity within a process as a value added or non-value added activity.
- (20) Use of Pareto Analysis in business is instead of analyzing products, customers can be analyzed for their relative profitability.
- (21) ABM considering how the use of resources supports both operational and strategic decisions.

- (22) When a key resources is in short supply and affects the planning decisions is known as principal budget factor.
- (23) Rolling budgets are for a fixed period but this need not be a full financial year.
- (24) ZBB a method of budgeting whereby all activities are evaluated each time a budget is formulated.
- (25) ABB as a method of budgeting based on activity frame work and utilizing cost drive data in the budget setting and variance feedback processes.
- (26) A yield variance is the overall usage variance or efficiency variance for all the items in the mix.
- (27) Material use variance is always favourable than material price variance.
- (28) Planning variance equal Revised standard – Actual
- (29) Operational variance = Original standard – Revised standard
- (30) Sales Quantity variance plus Sales mix variance = Sales volume variance
- (31) There are three approaches of Benchmarking
 - (a) Matric benchmarking
 - (b) Process benchmarking
 - (c) Diagnostic benchmarking
- (32) Out sources of IT job is the learning and growth indicators of performance.
- (33) Increased marketing spend is the internal processes indicators of performance.
- (34) Economic value added (EVA) is measure of performance similar to residue income except the profit figure used is the economic profit and the capital employed figure used as the economic capital employed.
- (35) Use of EVA set target for performance for investment center and company as a whole.
- (36) The obvious comparison is that ROI is an absolute measure whereas RI is relative measure.
- (37) Where transfer price is based on cost, it could be actual cost or budgeted cost. Most suitable base is budgeted or standard cost.
- (38) A budget allowances which is set without permitting the ultimate budget holder to the opportunity to participate in the budgeting process is called imposed (top down) budget.
- (39) Non-Financial performance indicates are measures of performance based on Non financial information that may originate in and be used by operating departments to monitor and control their activities without any accounting input.
- (40) Dual pricing is where one transfer price recorded by the supplying division and different price is recorded by the buying division.

- (41) Optimum transfer price = Marginal cost + shadow price
- (42) Fixed cost that will not increase or decrease in non relevant.
- (43) The opportunity cost is represented by the forgone potential benefit rejected course of action.
- (44) Material already in the stock is irrelevant in decision making.
- (45) There is spare capacity in plant is relevant cost.
- (46) Additional labour can be hired is irrelevant cost.
- (47) Cumulative output double the cumulative average time per unit falls to fixed percentages (the learning rate) of the previous average time.
- (48) Elasticity of Demand = % changes in price / % changes in quantity demanded
- (49) It is relatively easy to enter or exist as business in a perfectly competitive market.
- (50) Skimming is a technique a high price is set for the product initially

Answer :

1	T	2	T	3	T	4	T	5	T	6	T	7	T	8	T
9	T	10	F	11	F	12	T	13	T	14	T	15	F	16	F
17	T	18	T	19	T	20	T	21	T	22	T	23	T	24	T
25	T	26	T	27	F	28	F	29	F	30	F	31	T	32	T
33	T	34	T	35	T	36	F	37	T	38	T	39	T	40	T
41	T	42	T	43	T	44	T	45	F	46	F	47	T	48	F
49	T	50	T												

Paper 16 – Strategic Cost Management

- (1) Legal consultancy fees payable for patent rights for a new product is
 - (a) Committed cost
 - (b) Discretionary cost
 - (c) Product cost
 - (d) Period cost
- (2) Which is not covered under cost reduction?
 - (a) Prevention function
 - (b) Corrective function
 - (c) Value analysis
 - (d) Value engineering
- (3) Which pricing strategy is suitable in situation like a New product is to be launch. It has had high promotional expenditure and its demand in the market is not known
 - (a) Skimming price
 - (b) Penetrating price
 - (c) Cost plus price
 - (d) None of above

Whether following statement are True of False

- (4) Dummy activity is concern with network
- (5) A new product is to be launched. It is to be mass manufacturing penetrating price is suitable.
- (6) If BEP is low and angle of incidence is large, so margin of safety is large.
- (7) When sales are equal to production, profit will be the same under absorption costing and marginal costing.
- (8) Dual plan of standard costing helps to convert standard into actual by using the rations.
- (9) Polishing furniture by a system engineer in a software firm is non-value added activity.
- (10) All committed fixed cost are non-relevant cost.
- (11) Incremental cost are relevant cost.
- (12) Discretionary fixed cost which vary with the decisions are irrelevant cost.
- (13) Throughput is influence by selling price.
- (14) Learning curve theory is not applicable for Indirect material.

- (15) There is a limit beyond which labour productivity cannot be improved.
- (16) When demand does not exist in the market, we should start production incentives.
- (17) Breakdown maintenance doesn't required use of standby machines.
- (18) There is a limit beyond which labour productivity cannot be improved.
- (19) When demand does not exist in the market, we should start production incentives.
- (20) Breakdown maintenance doesn't required use of stand by machines.
- (21) In two different product X has 2 PV ratio, Y has 25%, always Y has higher amount of profit.
- (22) Investment center is concern with responsibility accounting.
- (23) Higher contribution per hour leads to higher TA ratio.
- (24) Driver must be signification and measurable activity.
- (25) Strategic cost management consider external information is decision making.
- (26) Efficiency plus capacity equal volume variance.
- (27) Expenditure plus volume variance = Total Variance.
- (28) Standard costing is cost based transfer price.
- (29) Product under traditional costing compared to ABC is higher
- (30) RIP account is concern with Backflush costing.
- (31) In throughput contribution considering only raw material.
- (32) Lean accounting in compact account.
- (33) First cost reduction than cost control is possible.
- (34) In JIT always purchase in small quantity.
- (35) Sixth level of Six sigma almost near to zero defect.
- (36) Four 'P' of TQM is people, process, problem and preparation.
- (37) Preventive cost of Quality generally reduce internal cost of quality

- (38) Interest of our own capital is imputed cost.
- (39) Relevant cost always consider for decision making.
- (40) Sunk cost always historical cost.
- (41) Graphical solution is one of the technique for LPP.
- (42) VAM is a method associated with Transportation problems.
- (43) Six sigma is a part of TQM.
- (44) Techniques for cost control and cost reduction are more or less same.
- (45) Free cash flow ignore PV

Answer :

1	(a)	2	(a)	3	(a)	4	T	5	T
6	T	7	T	8	T	9	T	10	T
11	T	12	F	13	T	14	T	15	T
16	F	17	F	18	T	19	F	20	F
21	F	22	T	23	F	24	T	25	T
26	T	27	T	28	T	29	F	30	T
31	T	32	T	33	F	34	F	35	T
36	T	37	T	38	T	39	T	40	T
41	T	42	T	43	T	44	F	45	F

MCQ FOR PAPER 17 (Cost and Management Audit)

- 1) Which section of the Companies Act,2013 states that the Cost Auditor shall have the same powers as the auditors of the Company has under section 143 of the Companies Act,2013 ?
- a) 148 (4)
 - b) 148(5)
 - c) 148(6)
 - d) 148(7)

Correct Answer is b) 148 (5)

- 2) Till Today, how many Cost Accounting Standards have been prescribed by Cost Accounting Standards Board of CMA Institute ?
- a) 14
 - b) 20
 - c) 24
 - d) 27

Correct Answer is c) 24

- 3) Till today how many guidance notes have been issued by the Cost Accounting Standard Board of CMA Institute ?
- a) 5
 - b) 7
 - c) 13
 - d) 20

Correct Answer is c) 13

- 4) Which Cost Accounting Standard deals with Raw Material Cost ?
- a) CAS-5
 - b) CAS-6

- c) CAS-7
- d) CAS-8

Correct Answer is b) CAS-6

5) Which among the following is not the regular Annual Audit under Companies Act,2013 ?

- a) Financial Audit
- b) Internal Audit
- c) Cost Audit
- d) Forensic Audit

Correct Answer is d) Forensic Audit

6) Which among the Following Audit has its primary object being to uncover fraud ?

- a) Management Audit
- b) ESG Audit
- c) CSR Audit
- d) Forensic Audit

Correct Answer is d) Forensic Audit

7) By which circular of MCA, contribution to PM CARES Fund is made an eligible activity under Schedule VII of the Companies Act,2013 for CSR expenditure ?

- a) Circular dated 28th March, 2017
- b) Circular dated 28th March, 2018
- c) Circular dated 28th March, 2019
- d) Circular dated 28th March, 2020

Correct Answer is d) Circular dated 28th March,2020

8) Which schedule of the Companies Act,2013 specifies the activities that may be included in CSR Policies ?

- a) Schedule IV
- b) Schedule V
- c) Schedule VI

d) Schedule VII

Correct Answer is d) Schedule VII

9) Who among following can be appointed as management auditor of the Company ?

- a) CA
- b) CMA
- c) CS
- d) Any one or more or all of above

Correct Answer is d) Any one or more or all of above

10) Which of the following audit is not prescribed by Companies Act,2013 ?

- a) Financial Audit
- b) Internal Audit
- c) Cost Audit
- d) Management Audit

Correct Answer is d) Management Audit

11) Raw Material Cost can be optimised by

- a) Well laid down HR Policy
- b) Well laid down Purchase Policy
- c) Well laid down Production Policy
- d) Well laid down Marketing Policy

Corrected Answer is b) Well laid down Purchase Policy

12) Which Audit Primarily deals with Input / Output Ratio ?

- a) Financial Audit
- b) Internal Audit
- c) Productivity Audit

d) Forensic Audit

Correct Answer is c) Productivity Audit

13) Which among following is major Cost Component of Cooling Water ?

- a) Raw Material Cost
- b) Electricity Cost
- c) Employee Cost
- d) Consumable Stores Cost

Correct Answer is b) Electricity Cost

14) Common Employee Cost of Production in Charge looking after 2 similar plants can be allocated on the basis of :

- a) Production Volume of 2 plants
- b) Depreciation Cost of 2 plants
- c) Insurance Cost of 2 plants
- d) Overheads of 2 plants

Correct Answer is a) Production volume of 2 plants

15) During Verification of Abridge Cost Statement, Cost Auditor should focus on

- a) Raw Material Cost
- b) Electricity Cost
- c) Packing Material Cost
- d) A Category Cost Elements

Correct Answer is d) A Category Cost Elements

16) During Audit of Raw Material Cost Component, Cost Auditor should focus on

- a) Goods Receipt Voucher
- b) Goods Issue Voucher
- c) Goods Returned Voucher
- d) Raw Material Inventory Balancing

Correct Answer is d) Raw Material Inventory Balancing

17) During the Audit of Employee Cost, Cost Auditor should focus on

- a) Increase in Raw Material Cost per Unit of Finished Product
- b) Increase in Electricity Cost per unit of Finished Product
- c) Increase in Employee Cost per Unit of Finished Product
- d) Increase in Stores Cost per Unit of Finished Product

Correct Answer is c) Increase in Employee Cost per unit of Finished Product

18) During the Audit of Depreciation Cost per Unit of Finished Product, Cost Auditor should focus on

- a) Gross Block of Fixed Assets
- b) Net Block of Fixed Assets
- c) New Assets Procured during the Year
- d) Capacity Utilisation achieved during the year

Correct Answer is d) Capacity Utilisation achieved during the year

19) Cost of Cooling Water can be allocated to various plants on the basis of

- a) Raw Material Cost
- b) Packing Material Cost
- c) Cost of Consumable Stores
- d) Technical Estimate of Usage of Cooling Water

Correct Answer is d) Technical Estimate of Usage of Cooling Water

20) During the Audit of Consumable Stores Expenses, Cost Auditor should consider the following

- a) Goods Receipt Voucher
- b) Goods Issue Voucher
- c) Goods Returned Voucher
- d) Aging of Plant & Machinery

Correct Answer is d) Aging of Plant & Machinery

21) During the Audit of Over Head Expenses, Cost Auditor should consider the following

- a) Over Head Expenses vis a vis Raw Material Expenses
- b) Over Head Expenses vis a vis Electricity Expenses
- c) Over Head Expenses vis a vis Production Volume
- d) Over Head Expenses vis a vis Repairs Expenses

Correct Answer is c) Over Head Expenses vis a vis Production Volume

22) During the Audit of Production Volume, Cost Auditor should consider the following

- a) List of Approved Vendors
- b) List of Dealers
- c) Increase in Capacity vis a vis Increase in Production Volume
- d) R & D Facility

Correct Answer is c) Increase in Capacity vis a vis Increase in Production Volume

23) Increase in Employee Cost Per Unit of Finished Product can be due to

- a) Increament
- b) Wage Settlement
- c) Lower Capacity Utilisation
- d) All of the above

Correct Answer is d) All of the Above

24) Concept of OEM (Original Equipment Manufacture) is related to Procurement of

- a) Raw Material
- b) Packing Material
- c) Stationery
- d) Consumable Stores

Correct Answer is d) Consumable Stores

25) Which is the following is usually not considered as Inventory Item ?

- a) Raw Material
- b) Consumable Stores
- c) Packing Material
- d) Stationery

Correct Answer is d) Stationery

26) Cost of Stationery is usually treated as part of

- a) Raw Material Cost
- b) Packing Material Cost
- c) Consumable Stores Cost
- d) Overheads Cost

Correct Answer is d) Overheads Cost

27) For monitoring Utilities Cost, management may resort to

- a) Financial Audit
- b) Internal Audit
- c) Energy Audit
- d) Forensic Audit

Correct Answer is c) Energy Audit

28) To audit selling & distribution expenses, Cost Auditor should consider the following

- a) Volume of Sales
- b) Value of Sales
- c) Substantial Increase in any item of Expenses
- d) All of the above

Correct Answer is d) All of the Above

29) To audit Electricity Cost, Cost Auditor should consider the following

- a) Electricity Purchased from State Boards
- b) Electricity Generated by Own Power Plant
- c) Electricity From Wind Mills & Solar
- d) All of the Above

Correct Answer is d) All of the Above

30) Sales value can be the basis of apportionment of

- a) Factory Overheads
- b) Administrative Overheads
- c) Selling Overheads
- d) All of the Above

Correct Answer is c) Selling Overheads

31) To audit Raw Material Cost, Cost Auditor should consider the following

- a) Approved Purchase Policy
- b) Development of New Vendors
- c) Specific Consumption of Raw Material
- d) All of the Above

Correct Answer is d) All of the aboves

32) Employee Cost of Production in Charge looking after various Plants producing heterogeneous products can be apportioned on the basis of

- a) Production Volume
- b) Raw Material Cost
- c) Employee Cost
- d) Technical Estimate of Time Spent on Various Plant

Correct Answer is d) Technical Estimate of Time Spent on Various Plants

33) To Audit Steam Cost, Cost Auditor should consider the following

- a) Installation of Steam Meters
- b) Kettle Hours
- c) Insulation of Steam Distribution System
- d) All of the Above

Correct Answer is d) All of the Above

34) Steam Cost of Coal Fired Boiler per unit of Finished Product has increased in Current Year.
What Factors Cost Auditor should consider during Audit of Steam Cost ?

- a) Calorific Value of Coal Procured
- b) Procurement Rate of Coal Procured
- c) Insulation of Steam Distribution System
- d) All of the Above

Correct Answer is d) All of the Above

35) Employee Cost per unit of Finished Product can be Brought Down by

- a) Better Capacity Utilisation
- b) Better on the Job Training
- c) Employing Skilled Staff
- d) All of the Above

Correct Answer is d) All of the Above

36) Raw Material Cost per unit of Finished Product can be brought down by

- a) Reducing Specific Consumption of Raw Materials
- b) Developing New Vendors

- c) Better Negotiation
- d) All of the Above

Correct Answer is d) All of the Above

37) To Audit Employee Cost, Cost Auditor should evaluate Payroll to ensure correct cost centrewise booking of

- a) Consumable Stores
- b) Repairs Expenses
- c) Employee Cost
- d) Depreciation

Correct Answer is c) Employee Cost

38) Bills of Materials (BOM) should be regularly evaluated by Cost Auditor to ensure that they are regularly updated with respect to

- a) Receipt of Raw Material
- b) Issue of Raw Material
- c) Inventory of Raw Material
- d) Process Improvements

Correct Answer is d) Process Improvements

39) Fixed Assets Register shall provide cost centrewise value of

- a) Consumable Stores
- b) Repairs Expenses
- c) Employee Cost
- d) Depreciation

Correct Answer is d) Depreciation

40) By amending which LODR regulation, SEBI has introduced a new reporting requirement for ESG ?

- a) 34(2) (a)
- b) 34 (2) (c)
- c) 34 (2) (e)
- d) 34 (2) (f)

Correct Answer is 34 (2) (f)

41) For which top listed companies, SEBI has made it mandatory to file BRSR Report for F.Y.2022-23 ?

- a) Top 100 listed companies by market capitalisation
- b) Top 500 listed companies by market capitalisation
- c) Top 700 listed companies by market capitalisation
- d) Top 1000 listed companies by market capitalisation

Correct Answer is d) Top 1000 listed companies by market capitalisation

42) Which among following is regulated by SEBI LODR Regulation 34 (2) (f) ?

- a) Financial Audit
- b) Cost Audit
- c) Internal Audit
- d) ESG Reporting

Correct Answer is d) ESG Reporting

43) ESG Reporting and Compliance are regulated by whom ?

- a) RBI
- b) Ministry of Finance,
- c) External Affairs Ministry
- d) SEBI

Correct Answer is d) SEBI

44) Which of the following is an Emerging Area of Compliance

- a) Productivity Audit
- b) Energy Audit
- c) Internal Audit
- d) ESG

Correct Answer is d) ESG

45) Quantity of Steam can be allocated to various cost centres on the basis of

- a) Steam Meters
- b) Technical Estimates
- c) Steam Balancing Diagram
- d) Any one of the above

Correct Answer is d) Any one of the above

46) Cost Auditor should audit Steam Quantity through

- a) Profit & Loss Account
- b) Balance Sheet
- c) Product Cost Sheet
- d) Report of Boiler House

Correct Answer is d) Report of Boiler House

47) While Auditing Overhead Expenses, Cost Auditor should ensure that

- a) Raw Material is received
- b) Raw Material is Issued
- c) Raw Material is consumed
- d) Basis of apportionment is consistent

Correct Answer is d) Basis of apportionment is consistent

48) Cost Components can be ascertained through

- a) Cost Accounting Standards
- b) Guidance Notes on Cost Accounting Standards

- c) Generally Accepted Cost Accounting Principles
- d) All of the above

Correct Answer is d) All of the above

49) Cost Accounting Standards are more like

- a) Profit & Loss A/c
- b) Balance Sheet
- c) Cash Flow Statement
- d) Bare Acts

Correct Answer is d) Bare Acts

50) Cost Auditor should accept Installed Capacity as certified by

- a) Head of Human Resources Function
- b) Head of Material Procurement Function
- c) Head of Production Function
- d) Head of Marketing Function

Correct Answer is c) Head of Production Function

51) Cost Auditor should verify Total No of employees provided to him with no of employees as mentioned in

- a) Annual Report
- b) Production Report
- c) Boiler House Report
- d) DG Set Report

Correct Answer is a) Annual Report

52) Loss of Production can be due to

- a) Non availability of Raw Material
- b) Break down of Plant & Machinery
- c) Poor Market Scenario
- d) Any one or more or all of above

Correct Answer d) is Any one or more or all of above

53) Which of the Following is not part of Utility Cost Centre ?

- a) D G Set
- b) Demineralised Water Plant
- c) Boiler House
- d) First Aid Dispensary

Correct Answer is d) First Aid Dispensary

54) Which of the following is part of Production Cost Centre ?

- a) Reactor
- b) Boiler House
- c) Time Office
- d) Canteen

Correct Answer is a) Reactor

55) Which of the following is part of Utilities Cost Centres ?

- a) D G Set
- b) Demineralised Water Plant
- c) Boiler House
- d) All of the above

Correct Answer is d) All of the above

56) Job Work Charges paid to the Third Party should be considered as Variable Cost as it is related to

- a) Raw Material Consumed
- b) Volumn of Output
- c) Electricity Consumed
- d) Steam Consumed

Correct Answer is b) Volumn of Output

57) To Audit Abridge Cost Statement of Product made on Job Work Basis by Third Party, Cost Auditor should ensure that Cost Sheet does not include

- a) Raw Material Cost
- b) Packing Material Cost
- c) Job Work Charges
- d) Employee Cost

Correct Answer is d) Employee Cost

58) Which of the following Expenses are part of CAS-10 Direct Expenses

- a) Royalty
- b) Technical Assistant
- c) Job Work Charges
- d) All of above

Correct Answer is d) All of Above

59) Which Cost Accounting Standard deals with Classification of Cost ?

- a) CAS-1
- b) CAS-2
- c) CAS-3
- d) CAS-4

Correct Answer is a) CAS-1

60) As per CAS-7 Employee Cost , which cost shall be excluded from employee cost ?

- a) Basic Pay
- b) Dearness Allowance
- c) Conveyance Allowance
- d) Penalty paid to PF Authorities

Correct Answer is d) Penalty paid to PF Authorities

61) Cost Accounting Standard 14 (CAS-14) deals with

- a) Pollution Control Cost
- b) Selling & Distribution Overheads
- c) Depreciation & Amortisation
- d) Interest and Finance Charges

Correct Answer is a) Pollution Control Cost

62) Cost Accounting Standard 16 (CAS-16) deals with

- a) Selling & Distribution Overheads
- b) Depreciation & Amortisation
- c) Joint Cost
- d) Quality Control

Correct Answer is b) Depreciation & Amortisation

63) Reassessment of Installed Capacity relates to Which Cost Accounting Standard ?

- a) CAS-1
- b) CAS-2
- c) CAS-3
- d) CAS-4

Correct Answer is b) CAS-2

64) Cost Accounting Standard 2 (CAS-2) Capacity Determination deals with

- a) Installed Capacity

- b) Reassessment of Installed Capacity
- c) Actual Capacity Utilisation
- d) All of above

Correct Answer is d) All of aboves

65) As per Cost Accounting Standard 7 (CAS-7) on Employee Cost, which of the following cost shall be treated as Overheads ?

- a) Basic Salary
- b) Dearness Allowance
- c) Leave Encashment
- d) Recruitment Costs

Correct Answer is d) Recruitments Costs

66) As per Cost Accounting Standard 2 (CAS-2) on Capacity Determination, Reassessment of Installed Capacity is necessitated due to

- a) Addition
- b) Deletion
- c) Modification
- d) All of above

Correct Answer is d) All of above

67) For Which Cost Accounting Standard, Guidance Note has not been issued by Cost Accounting Standard Board ?

- a) CAS-2
- b) CAS-4
- c) CAS-6
- d) CAS-14

Correct Answer is d) CAS-14

68) As per Cost Accounting Standard on Employee Cost (CAS-7) , remuneration paid to non-executive director will be treated as

- a) Factory Overheads
- b) Administrative Overheads
- c) Selling & Distribution Overheads
- d) None of the above

Correct Answer is b) Administrative Overheads

69) To which Cost Accounting Standard, Corrugated Boxes relate to ?

- a) CAS-6
- b) CAS-7

- c) CAS-8
- d) CAS-9

Correct Answer is d) CAS-9

70) Cost Accounting Standard 10 (CAS-10) on Direct Expenses provides that if an item of Direct Expenses does not meet the test of Materiality, it can be treated as part of

- a) Raw Material
- b) Utilities
- c) Packing Materials
- d) Overheads

Correct Answer is d) Overheads

71) Which Cost Accounting Standard provides for treatment of Rentals of Operating Lease ?

- a) CAS-9
- b) CAS-10
- c) CAS-11
- d) CAS-12

Correct Answer is c) CAS-11

72) Advertisement related to recruitment relates to Which Cost Accounting Standard ?

- a) CAS-11
- b) CAS-12
- c) CAS-13
- d) CAS-14

Correct Answer is a) CAS-11

73) As per Guidance Note on Costs Relating to Corporate Social Responsibility (CSR) Activities,

CSR expenses

- a) To be included in Raw Material Cost
- b) To be included in Packing Material Cost
- c) To be included in Utilities Cost
- d) Not to be included in Cost of Sales

Correct Answer is d) Not to be included in Cost of Sales

74) Which Guidance Note issued by Cost Accounting Standard Board provides that – both the expenditure incurred on CSR Activities and also any income generated from such activities to be treated as as non cost items in the cost statements of the company ?

- a) Guidance Note on Capacity Determination (CAS-2)
- b) Guidance Note on Material Cost (CAS-6)
- c) Guidance Note on Employee Cost (CAS-7)
- d) Guidance note on CSR Activities

Correct Answer is d) Guidance Note on CSR Activities

75) For which category of company, criteria of outstanding deposits of Rs 25 crore or more is not applicable for deciding the applicability of Internal Audit ?

- a) Listed Company
- b) Producer Company
- c) Unlisted Public Company
- d) Private Company

Correct Answer is d) Private Company

76) For which companies, Internal Audit is mandatory irrespective of any criteria ?

- a) Listed Companies and Producer Companies
- b) Unlisted Public Company
- c) Private Company
- d) All of above

Correct Answer is a) Listed Companies and Producer Companies

77) For deciding the applicability of Internal Audit, criteria of Paid Up Capital of Rs 50 crore or more during the preceding financial year is applicable to which category of company ?

- a) Listed Companies
- b) Producer Companies
- c) Unlisted Public Company
- d) Private Company

Correct Answer is c) Unlimited Public Company

78) For deciding the applicability of Internal Audit, criteria of Turnover of Rs 200 Crore or more during the preceding financial year is applicable to which category of company ?

- a) Listed Companies
- b) Producer Companies
- c) Unlisted Public Company and Private Company
- d) All of the Above

Correct Answer is c) Unlimited Public Company and Private Company

79) For Deciding the Applicability of Internal Audit, the criteria of Outstanding Loans and borrowings from bank and PFI exceeding Rs 100 crore at any point of time during the preceding year is applicable to which category of the company ?

- a) Listed Companies
- b) Producer Companies
- c) Unlisted Public Company and Private Company
- d) All of the Above

Correct Answer is c) Unlisted Public Company and Private Company

80) To which category of Company criteria of Paid up capital of Rs 50 crore or more during the preceding financial year is not applicable for deciding the applicability of Internal Audit ?

- a) Listed Companies
- b) Producer Companies
- c) Unlisted Public Company
- d) Private Company

Correct Answer is d) Private Company

81) CARO 2020 is made up of how many clauses ?

- a) 18
- b) 19
- c) 20
- d) 21

Correct Answer is d) 21

82) Which section of the Companies Act,2013 provides for applicability of Internal Audit ?

- a) 136
- b) 137
- c) 138
- d) 139

Correct Answer is c) 138

83) Who is the appointing authority for Internal Auditor u/s 138 of the Companies Act,2013 ?

- a) RBI
- b) Ministry of Finance
- c) SEBI
- d) Board of Directors

Correct Answer is d) Board of Directors

84) Who can be appointed as Internal Auditor of Producer Company ?

- a) CA
- b) CMA
- c) CS
- d) Any one from above

Correct Answer is a) CA

85) Who can be appointed as Internal Auditor of the Company other than Producer Company ?

- a) CA
- b) CMA
- c) Other Professional as may be decided by the Board
- d) Any one from above

Correct Answer is d) Any one from above

86) Which section of Companies Act,2013 provides for penalty for non compliance of Section 138 ?

- a) 447
- b) 448
- c) 449
- d) 450

Correct Answer is d) 450

87) Which audit primarily deals with output / input ratio ?

- a) Corporate Services Audit
- b) Corporate Development Audit
- c) Energy Audit
- d) Productivity Audit

Correct Answer is d) Productivity Audit

88) Which Audit primarily deals with Energy consumed per unit of production ?

- a) Audit of Environmental Pollution Control
- b) Energy Audit
- c) Productivity Audit
- d) Propriety Audit

Correct Answer is b) Energy Audit

89) Increase in specific energy consumption may be due to

- a) Aging of equipment
- b) Low Production Rate
- c) Frequent Break Down due to poor maintenance
- d) All of above

Correct Answer is d) All of above

90) Key functions of Energy Auditor are

- a) Quantifications of Energy Quantities and costs
- b) To identify obvious inefficiencies and energy wastes
- c) To identify areas for further detailed investigation
- d) All of above

Correct Answer is d) All of above

91) For Applicability of CSR Provisions, Net Worth of company should be

- a) Rs 300 crore or more
- b) Rs 400 crore or more
- c) Rs 500 crore or more
- d) Rs 600 crore or more

During immediately preceding financial year

Correct Answer is c) Rs 500 crore or more

92) For Applicability of CSR Provisions, Turnover of company should be

- a) Rs 500 crore or more
- b) Rs 700 crore or more
- c) Rs 1000 crore or more
- d) Rs 1500 crore or more

During immediately preceding financial year

Correct Answer is c) Rs 1000 crore or more

93) For evaluating adequacy of Project Implementation, what factors Management Auditor should consider ?

- a) Maintenance Plans in place to achieve desired capacity utilisation
- b) Specific consumption of Raw Material
- c) Volume Reconciliation for each type of Inventory

- d) Technology adopted for Project is in-house technology or technology procured from Indigenous or Foreign Sources

Correct Answer is d) Technology adopted for Project is in-house technology or technology procured from Indigenous or Foreign Sources

94) For evaluating adequacy of Production Function, what factors Management Auditor should consider ?

- a) Detailed Production Plan
- b) Availability of Infrastructure like machinery, materials, manpower & money
- c) Any constraint in achieving maximum available capacity ?
- d) All of Above

Correct Answer is d) All of Above

95) For evaluating adequacy of Purchase Function, what factors Management Auditor should consider ?

- a) Imbalance in the Plant
- b) Excess Consumption in utilities like power, fuel, water, steam etc
- c) Awareness of Production in Charge about the Cost Structure of the Product
- d) Introduction of New Vendors / Exploring New Vendors to reduce dependency on Existing Vendors

Correct Answer is d) Introduction of New Vendors / Exploring New Vendors to reduce dependency on Existing Vendors

96) For evaluating adequacy of Inventory Function, what factors Management Auditor should consider ?

- a) % of marketing expenses to total sales
- b) Safety measures in place to pre-empt accidents
- c) Location of the Project
- d) Adequacy of Insurance Coverage for Inventory

Correct Answer is d) Adequacy of Insurance Coverage for Inventory

97) For evaluating adequacy of Finance Function, what factors Management Auditor should consider ?

- a) Production hold up due to delay in procurement of goods or services
- b) Capacity Utilisation
- c) Break down of Plant & Machinery
- d) Sources of Finance

Correct Answer is d) Sources of Finance

98) For evaluating adequacy of R & D Function, what factors Management Auditor should consider ?

- a) Monthwise Production
- b) No of Employees
- c) Inventory of Employees
- d) Spending on R & D as % of Sales

Correct Answer is d) Spending on R & D as % of Sales

99) For evaluating adequacy of Insurance Function, what factors Management Auditor should consider ?

- a) Advertisement for the product
- b) Consumption of Raw Materials – Both Quantity and Value
- c) Job Work Production
- d) Adequate Insurance cover for Company's assets across location

Correct Answer d) Adequate Insurance cover for Company's assets across location

100) For evaluating adequacy of Personnel Function , what factors Management Auditor should consider ?

- a) Inventory of Finished Product
- b) Raw Material Imported
- c) Relations with Trade Unions
- d) Profit for the year

Correct Answer is c) Relations with Trade Unions