COST AND MANAGEMENT ACCOUNTANCY

1.
Who among the following is the competent authority to appoint a cost auditor where the Central Government mandates the audit of cost records?
(a) Members of the Company
(b) Central Government
(c) Board of Directors
(d) State Government concerned

2.
Which one of the following Sections of the Companies Act, 2013 is applicable to the audit of cost accounts in certain cases?
(a) Section 139
(b) Section 141
(c) Section 148
(d) Section 144

3.
Number of days within which every cost auditor shall forward his / her report referred to in sub-rule (5) of Rule 6 of the Companies (Cost Records and Audit) Rules 2014 to the Board of Directors of the company from the closing of the company's financial year to which the report relates is:
(a) 90 days.
(b) 120 days.
(c) 150 days.
(d) 180 days.

4.
If there is a casual vacancy in the office of the cost auditor whether due to resignation, death or removal, the same shall be filled by the Board of Directors within how many days of occurrence of such a vacancy?
(a) 15 days
(b) 30 days
(c) 45 days
(d) 60 days

5.
Which one of the following is the threshold limit applicable in the case of a multi-products or a multi-services company under of the Companies (Cost Records and Audit) Rules 2014 as regards its individual turnover?
(a) Rs. 25 Crore
(b) Rs. 35 Crore
(c) Rs. 50 Crore
(d) Rs. 100 Crore

6.
Which one of the following statements is NOT correct?

(a) There are prescribed formats for maintenance of cost accounting records
(b) Rules for maintenance of cost accounting records are principle-based
(c) Cost auditors have to report any deviations from cost accounting standards
(d) Cost accounting records should determine a true and fair view of the cost of production, cost of sales and margin of the product / service

7.
As per the Companies (Cost Records and Audit) Rules, 2014, 'turnover' does NOT include:

(a) turnover for job work.
(b) sale of scrap.
(c) sale of services.
(d) duties and taxes.

8.
Maintenance of cost accounting records and cost audit of specified products and services are mandatory wherever the product is:

1. manufactured and 100% captively consumed for production of some other products which is also covered under the Companies (Cost Records and Audit) Rules, 2014 and is subject to cost audit.
2. manufactured partly for captive consumption and partly for sale.
3. 100 % captively consumed for production of some other product which is not covered under the Companies (Cost Records and Audit) Rules, 2014.

Select the correct answer using the code given below:

(a) 2 and 3 only
(b) 1 and 2 only
(c) 1, 2 and 3
(d) 3 only

9.
If sales price and variable costs remain constant but the fixed cost related to a product increases, what will be the effect on breakeven point and contribution margin?

(a) No effect on both
(b) Increase in breakeven point and no effect on contribution margin
(c) Increase in both
(d) Decrease in both

10.
Which of the following is / are the assumption(s) of the Cost-Volume-Profit analysis?

1. The sales-mix of the product is constant
2. Inventory quantities change during the year
3. The behaviour of both revenues and cost is linear throughout the relevant range of production

Select the correct answer using the code given below:

(a) 1, 2 and 3
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1 only

11.
If a firm has relatively high operating leverage, it has relatively:
(a) high variable costs.
(b) high fixed costs.
(c) low operating expenses.
(d) high operating expenses.

12.
Which one of the following is the correct way of determining target costs of a product?
(a) Target selling price less present profit margin
(b) Target selling price less estimated profit margin
(c) Estimated total costs less estimated profit margin
(d) Target selling price less target profit margin

13.
Given, variable cost per unit is Rs. 9, P/V ratio is 25% and monthly fixed cost is Rs. 36,000; what is the BEP in terms of units?
(a) 10000
(b) 8000
(c) 12000
(d) 4000

14.
Suppose the selling price per unit and variable cost per unit of a product are Rs. 60 and Rs. 35 respectively, and the total fixed cost is Rs. 1,00,000. If the variable cost increases by Rs.5 per unit, then the additional sales required to reach the breakeven point in terms of units will be:
(a) 1000
(b) 1250
(c) 1500
(d) 2000

15.
If the estimated total costs for manufacturing 1000 units and 1500 units of a product are Rs. 17,000 and Rs.22,000 respectively, what will be the estimated fixed cost during the period?
(a) Rs. 5,000
(b) Rs. 6,000
(c) Rs. 7,000
(d) Rs. 8,000

16.
The sales and profits of a company for two consecutive periods are as follows:

	Period I	Period II
Profit / Loss	(Rs. 1,00,000)	Rs. 1,50,000
Sales	Rs. 5,00,000	Rs. 10,00,000

If the selling price and cost structure remain same over the periods, the contribution on sales of Rs. 15,00,000 will be:
(a) Rs. 5,00,000
(b) Rs. 7,50,000
(c) Rs. 10,00,000
(d) Rs. 12,50,000

17.
Suppose the selling price of a product is Rs. 50 per unit, variable cost is Rs. 30 per unit, fixed cost is Rs. 30 per unit, the total fixed cost during the period is Rs. 1,50,000 and the sales during the period is Rs. 7,50,000; then what is the margin of safety?
(a) 5000 units
(b) 6000 units
(c) 7500 units
(d) 8500 units

18.
During the year 2015, X Ltd. sold goods worth Rs. 10,00,000 and earned a profit of Rs. 1,00,000. The company incurred fixed costs of Rs. 3,00,000. If the sales for the year 2016 is estimated at Rs. 12,00,000, the expected profit of the company is:
(a) Rs. 1,20,000
(b) Rs. 1,80,000
(c) Rs. 2,00,000
(d) Rs. 2,40,000

19.

M invested Rs. 100 lakh in a hotel of 50 rooms. He expects to rent the rooms for 15000 room-nights a year. Variable cost per room-night is Rs. 100 and fixed cost of the hotel for a year is Rs. 25 lakh. What price should M charge per room night to meet the target return of 20% on investment?

(a) Rs. 200
(b) Rs. 450
(c) Rs. 300
(d) Rs. 400

20.

Z Ltd. has two divisions, P and Q. Target profit of P is Rs. 100 lakh. P has capacity to produce 20000 units of product K but only 15000 units are produced and sold in the market at Rs. 3,000 per unit. Q received an order for which K would be required as input. Q approaches P for purchase of 5000 units of K. What price should P charge from Q per unit of K so as to meet its target profit? (Other details of P are: Fixed cost is Rs. 90 lakh; Variable cost per unit of K is Rs. 2,000)

(a) Rs. 3,000
(b) Rs. 2,800
(c) Rs. 2,500
(d) Rs. 2,000

21.

Which one of the following does NOT pertain to transfer pricing decisions?

(a) Arm's length price
(b) Advance rulings
(c) Cost- based transfer and market-based transfer prices
(d) Predatory pricing

22.

The identification of the behaviour of the costs in relation to change in the level of activity is an important pre-requisite for which one of the following?

(a) Flexible budget
(b) Life cycle costing
(c) Fixed budget
(d) Absorption costing

23.

Which one among the following is the starting point in the process of preparation of various functional budgets?

(a) Formation of budget committee
(b) Identification of principal budget factor
(c) Establishment of budget centres
(d) Appointment of budget controller

24.
Which of the following management techniques is / are practised under budgetary control system?

1. Participative management
2. Management by objective
3. Management by exception

Select the correct answer using the code given below:

(a) 1 only
(b) 1 and 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

25.
Suppose the inspection costs in a firm at 50% of its capacity (production level 5000 units) are Rs. 30,000. These are variable to the extent of 50%. What will be the inspection costs at 80% level of capacity?

(a) Rs. 60,000
(b) Rs. 45,000
(c) Rs. 39,000
(d) Rs. 40,000

26.
Suppose the units of a product are produced at the rate of 3 units per useful direct labour hour. Direct labour idle time is 10% of hours paid for. Sales of 500 units are budgeted and finished goods stock is expected to rise by 40 units. The budgeted direct labour hours for the production would be:

(a) 1620
(b) 162
(c) 200
(d) 180

27.
Which one of the following is a principal budget factor?

(a) The item or factor having high influence on cost
(b) A factor which is common to all budget centres
(c) A factor which limits the activities of a firm
(d) A factor which can be controlled by the manager of a budget centre

28.
A perfect coordination and unity of direction is achieved in all functional activities through budgetary plans by which one of the following?

(a) Production manager
(b) Sales manager
(c) Budget controller
(d) H R manager

29.

In making a production budget, a company takes into account 40% of sales forecast for the next month, while the remaining is to be produced in the month under consideration. Given the following four-monthly sales forecasts, the production budget for the month of June is:

Forecast for May to August 2016

Period	May	June	July	August
Sales (Units)	20000	24000	30000	18000

(a) 21600
(b) 26400
(c) 20000
(d) 28000

30.

Given, EBIT = 4,00,000
EBT = 3,00,000
Sales = 20,00,000

Which of the following is / are correct?

1. DFL is 1.33
2. Interest coverage ratio is 3
3. Operating profit margin is 20%

Select the correct answer using the code given below:

(a) 1, 2 and 3
(b) 1 and 2 only
(c) 1 and 3 only
(d) 3 only

31.

If velocity of stock is 2 months, annual sales amount to Rs.6 lakh at 20% gross profit margin and opening stock is Rs.60,000; what is the closing stock value?

(a) Rs. 60,000
(b) Rs. 70,000
(c) Rs. 80,000
(d) Rs. 1,00,000

32.

If MOS is 25%, then which one of the following is correct?

(a) DOL < 0.25
(b) DOL > 0.25
(c) DOL = 4
(d) DOL = ¼

33.
A firm has generated Rs. 4,00,000 EBIT upon an investment of Rs. 24,00,000 by pooling equal proportion of 10% debentures and equity shares of Rs. 10 each. If the corporate tax rate is 25%, what is the EPS of the firm?
(a) Rs. 10.00
(b) Rs. 6.00
(c) Rs. 3.33
(d) Rs. 1.75

34.
Altman's multiple discriminate analysis of Z score is a useful tool for predicting:
(a) stock price movement.
(b) corporate bankruptcy.
(c) value of a derivative.
(d) total value of the firm.

35.
A firm has maintained a current ratio of 2.5 : 1 and a quick ratio of 2 : 1. If its current liabilities are Rs. 5,00,000; what is the value of its inventories?
(a) Rs. 12,50,000
(b) Rs. 2,50,000
(c) Rs. 10,00,000
(d) Rs. 7,50,000

36.
The cash flows from operating activities before interest and tax is divided by interest paid to get:
(a) interest coverage ratio only.
(b) cash coverage ratio only.
(c) both cash coverage ratio and interest coverage ratio.
(d) cash reserve ratio.

37.
What is the market price per share of X Ltd. if price earnings ratio is 15, dividend payout ratio is 60% and dividend per share is Rs. 12?
(a) Rs. 180
(b) Rs. 108
(c) Rs. 300
(d) Rs. 360

38.
For an input of 3000 kg of material introduced in the process, the normal loss is 5%. If the actual production from the process is 2600 kg, the abnormal loss is:
(a) 150 kg
(b) 250 kg
(c) 400 kg
(d) 500 kg

39.
Consider the following:

Opening work-in-progress	:	2000 units	(Degree of completion 80%)
Units introduced and completed	:	5000 units	
Closing work-in-progress	:	3000 units	(Degree of completion 80%)

Which of the following is the equivalent production under the FIFO method in process costing?
(a) 7000 units
(b) 7800 units
(c) 8000 units
(d) 3000 units

40.
While working out the cost of production under process costing method, normal loss is absorbed by:
(a) normal output.
(b) units introduced.
(c) actual output.
(d) costing profit and loss account.

41.
When by-product is used by the manufacturer as raw material for some other process, which one of the following methods of valuation of by-product should be used?
(a) Sale value method
(b) Other income method
(c) Opportunity cost method
(d) Zero value method

42.
Sometimes the processing of a particular raw material may result in the output of two or more products of equal importance and none of them can be termed as a major product. Such products are called:
(a) co-products.
(b) joint products.
(c) main products.
(d) by-products.

43.
Which one of the following is the appropriate costing method where services are rendered or services are offered for sale?
(a) Operation costing
(b) Activity based costing
(c) Process costing
(d) Operating costing

44.
If BEP = 6000 units, Shut down point = 3600 units and contribution per unit is Rs 10; which one of the following statements is correct?
(a) Avoidable fixed cost is Rs. 60,000
(b) Avoidable fixed cost is Rs. 36,000
(c) Avoidable fixed cost is Rs. 24,000
(d) Unavoidable fixed cost is Rs. 36,000

45.
A manufacturing firm is weighing three options to produce and sell two standard products, namely X and Y as under:

Option I	:	2000 units of X and 3000 units of Y
Option II	:	3000 units of X and 2000 units of Y
Option III	:	2500 units of X and 2500 units of Y

If the variable cost per unit of X is Rs. 400 and that of Y is Rs. 500 and if selling price per unit of X is Rs. 700 and that of Y is Rs.750, which one of the following options should the firm exercise irrespective of the level of annual fixed cost?
(a) Option I
(b) Option II
(c) Option III
(d) None

46.
A firm is currently selling 6000 units of a standard product at Rs.200 per unit with a variable cost of Rs. 120 per unit and a fixed cost of Rs. 80,000. If the firm decides to reduce its selling price by 10%, how many additional units must the firm sell to maintain its current performance measured in terms of profit?
(a) 2000 units
(b) 4000 units
(c) 6000 units
(d) 8000 units

47.
A firm has reported its profits over last two years as Rs. 50,000 and Rs. 70,000 respectively with corresponding sales of Rs. 2,50,000 and Rs. 3,00,000 for the said period. What shall be the firm’s required sales to earn a profit of Rs. 1,00,000?
(a) Rs. 3,50,000
(b) Rs. 3,75,000
(c) Rs. 4,00,000
(d) Rs. 4,25,000

48.
In the context of Break Even Analysis, greater the angle of incidence, the higher is the:

(a) value of the firm.
(b) managerial efficiency of the firm.
(c) investment opportunity of the firm.
(d) profit making ability of the firm.

49.
The margin of safety in sales value of a firm that is selling 5000 units of a standard product at Rs. 300 per unit with direct material, direct labour, variable overhead and fixed overhead cost per unit of Rs. 100, Rs. 80, Rs. 40 and Rs. 30 respectively is:

(a) Rs. 15,00,000
(b) Rs. 3,75,000
(c) Rs. 9,37,500
(d) Rs. 5,62,500

50.
By making and selling 4000 units of a standard product, a company incurs a loss of Rs. 2 per unit whereas for 6000 units the company earns a profit of Rs. 2 per unit. The contribution per unit is:

(a) Rs. 2
(b) Rs. 4
(c) Rs. 6
(d) Rs. 10

51.
A company estimates a loss of Rs. 10,000 for producing 5000 units a month. Fixed cost per month amounts to Rs. 60,000 and selling price per unit is Rs. 20. If the company doubles the monthly output, selling price will fall down to Rs. 19, what will be the profit or loss for the month in that eventuality?

(a) Loss of Rs. 20,000
(b) Profit of Rs. 20,000
(c) Loss of Rs. 30,000
(d) Profit of Rs. 30,000

52.
Consider the following data:

Product	P	Q	R
Contribution per unit	10	4	18
Machine hour per unit (Limiting factor)	2	2	3

Which one of the following is the correct order of preference?

(a) P rank 1; Q rank 2; and R rank 3
(b) P rank 3; Q rank 2; and R rank 1
(c) P rank 2; Q rank 3; and R rank 1
(d) P rank 2; Q rank 1; and R rank 3

53.
Consider the following information:

Output (units)	Total cost per unit (Rs.)
2000	10
3000	9

Which one of the following is the selling price per unit if the firm attains the BEP at 4000 units?
(a) Rs. 8.00
(b) Rs. 8.50
(c) Rs. 9.00
(d) Rs. 10.00

54.
Company Z uses a certain component for producing a certain product. The company purchases the component from the market at a price of Rs 15 per unit. The company has an alternative option of manufacturing the component with an additional fixed cost of Rs. 60,000 per month and variable cost of Rs. 12 per unit. The company should continue to buy the component from the market if its monthly requirement is:
(a) 15000 units
(b) 21000 units
(c) 24000 units
(d) 25000 units

55.
The monthly demand of a product in the domestic market is as follows:

Price per unit (Rs.)	Quantity demanded (Units)
30	3000
25	4000

Company P produces 3000 units of the product a month operating at 75% capacity. The company is planning to run at full capacity and to sell the products in any of the following three alternative plans:

Plan A : To sell all 4000 units in domestic market
Plan B : To sell all 4000 units in foreign market at Rs.24 per unit
Plan C : To sell 3000 units in domestic market and 1000 units in foreign market at Rs.22 per unit

Which one of the following alternatives would maximize profits of the Company if monthly fixed cost is Rs. 36,000 and variable cost is Rs. 15 per unit?

(a) Plan A
(b) Plan B
(c) Plan C
(d) To operate at the existing 75% capacity

56.
A manufacturing firm is presently producing and selling 10000 units of a product at Rs. 500 per unit in the domestic market. The fixed cost per unit at the current level of operation is Rs. 150 and variable cost is Rs. 300 per unit. The firm has received an export order for supply of 5000 units of the product at Rs. 400 per unit. After meeting the domestic demand, if the firm accepts the export offer, the profit of the firm is expected to:
(a) increase by Rs. 5,00,000.
(b) decrease by Rs. 5,00,000.
(c) increase by Rs. 2,50,000.
(d) decrease by Rs. 2,50,000.

57.
Operating results of X Ltd. for the year 2015 are given below:

Product	I	II	III
Sales (Rs.)	2,00,000	3,00,000	4,00,000
Variable Cost (Rs.)	1,50,000	2,50,000	2,80,000
Identifiable Fixed Cost (Rs.)	50,000	60,000	70,000
Profit / Loss (Rs.)	0	(10,000)	10,000

On the basis of the above the company should decide to:
(a) discontinue product I only.
(b) discontinue product II only.
(c) discontinue both product I and product II.
(d) discontinue none of the three products.

58.
B Ltd. supplies the following information relating to its three products – P, Q and R:

Product	P	Q	R
Selling price per unit (Rs.)	100	120	150
Variable cost per unit (Rs.)	80	100	120
Raw materials requirement per unit	4 kg	3 kg	3 kg
Demand (units)	5000	4000	5000

If only 21000 kg of raw materials are available, the company should manufacture and sell:
(a) 5000 units of P.
(b) 4000 units of Q and 2250 units of P.
(c) 4000 units of Q and 3000 units of R.
(d) 5000 units of R and 2000 units of Q.

59.
Standard costing is NOT suitable for industries where:
(a) each job differs in its work contents and specifications.
(b) mass production of standardized products are carried out.
(c) methods, operations and processes are standardized and repetitive in nature.
(d) a proper classification of costs into fixed and variable; relevant and irrelevant; controllable and uncontrollable, etc. are followed.

60.
The portion of fixed overhead volume variance which arises due to the actual output being different from the standard output is known as:
(a) Fixed overhead efficiency variance.
(b) Fixed overhead capacity variance.
(c) Fixed overhead calendar variance.
(d) Fixed overhead rate variance.

61.
A factory operates a standard costing system, where 4000 kg of raw material at the rate of Rs. 6 per kg were used for a product resulting in material price variance of Rs. 6,000 (A) and usage variance of Rs. 3,000 (F). The standard material cost of actual production for the said factory was:
(a) Rs. 21,000
(b) Rs. 24,000
(c) Rs. 27,000
(d) Rs. 30,000

62.
The standard variable overhead cost of a product is Rs. 10, i.e. 5 hours at the rate of Rs. 2 per hour. In a certain month, it took 1800 hours at a cost of Rs. 4,200 to manufacture 400 units. The variable overhead expenditure and efficiency variances respectively are:
(a) Rs. 600 (F) and Rs. 400 (F)
(b) Rs. 600 (A) and Rs. 400 (F)
(c) Rs. 600 (F) and Rs. 400 (A)
(d) Rs. 600 (A) and Rs. 400 (A)

63.
A factory has a capacity utilization ratio of 90% and its activity ratio is 99%. Which one of the following is the efficiency ratio?
(a) 120%
(b) 110%
(c) 100%
(d) 90%

64.
If fixed overhead expenditure variance is favourable, it means the actual fixed overhead cost is:
(a) less than budgeted fixed overhead cost.
(b) more than budgeted fixed overhead cost.
(c) less than standard fixed overhead cost for actual production.
(d) greater than standard fixed overhead cost for actual production.

65.
Consider the following information of a firm:

Standard price per unit of raw material	= Rs. 6.40
Actual quantity of raw materials	= 2000 kg
Standard quantity for actual production	= 2500 kg
Material price variance (favourable)	= Rs. 800

Which one of the following is the actual price per unit of raw materials?
(a) Rs. 6.80
(b) Rs. 6.60
(c) Rs. 6.40
(d) Rs. 6.00

66.
The standard which can be attained under the most favourable conditions is known as:
(a) Attainable or Expected Standard.
(b) Basic Standard.
(c) Normal Standard.
(d) Ideal Standard.

67.
To complete a job, 80 labour hours have been used. The standard rate of wages is Rs. 50 per hour and actual rate is Rs. 55. If the labour efficiency variance is Rs. 500 (adverse), the standard labour hour for the job is:
(a) 60
(b) 70
(c) 80
(d) 90

68.
For manufacturing a product, the standard is specified as: 2 kg of raw materials per unit of the product at the rate of Rs. 5 per kg of raw material. During a particular period, if 1000 units of the product are manufactured, using 1900 kg of raw material at Rs. 6 per kg, the material cost variance will be:
(a) Rs. 500 (Favourable)
(b) Rs. 600 (Adverse)
(c) Rs. 1100 (Adverse)
(d) Rs. 1400 (Adverse)

69.
What does a favourable labour efficiency variance indicate?
(a) Labour rates were higher than the standard rates
(b) Inexperienced labour was used, causing the rate to be lower than standard
(c) More labour was used than standard requirement
(d) Less labour was used than standard requirement

70.
To secure continuity of production, the reorder level is set at:
(a) EOQ.
(b) Safety stock.
(c) Average consumption in average lead time.
(d) Maximum consumption in maximum lead time.

71.
Abnormal material loss due to breakage, theft, fire, flood, abnormal evaporation etc. are charged to:
(a) Direct material cost.
(b) Indirect material cost.
(c) Prime cost.
(d) Costing profit and loss account.

72.
When the price of material is rising, which one of the following methods of valuing stocks gives the highest gross profit?
(a) Simple average method
(b) Weighted average method
(c) LIFO
(d) FIFO

73.
If consumption of raw materials varies from 400 units to 1000 units a week; lead time varies from 4 weeks to 8 weeks; and ordering quantity is 2400 units, then the maximum stock level is:
(a) 10400 units.
(b) 8800 units.
(c) 8000 units.
(d) 6400 units.

74.
Which one of the following is NOT considered as a part of valuation of closing inventory?
(a) Stock of raw materials including stores and spares
(b) Consumption of raw materials
(c) Goods in transit under F.O.B. terms
(d) Stock of finished goods

75.
If the total ordering cost is higher than the total carrying costs, it means ordering quantity:
(a) is greater than EOQ.
(b) is less than EOQ.
(c) is equal to EOQ.
(d) can be either greater than or less than EOQ.

76.
The average stock level of the materials to be maintained by a manufacturing firm is determined by:
(a) maximum consumption × maximum re-order period.
(b) average consumption.
(c) ½ (minimum level + maximum level).
(d) normal consumption × maximum re-order period.

77.
A document showing the comprehensive list of materials required for a particular product / job is known as:
(a) Material purchase requisition.
(b) Material transfer note.
(c) Material inspection note.
(d) Bill of material.

78.
Which one of the following is NOT a method of pricing of issue of material for production?
(a) Simple average cost method
(b) Periodic average cost method
(c) Marginal cost method
(d) Weighted average cost method

79.
SR Ltd has been offered a choice to buy a machine out of X and Y. The relevant information regarding these machines are as under:

Machine	X	Y
Selling price (Rs.)	50	50
Variable cost per unit (Rs.)	30	25
Fixed cost per annum (Rs.)	2,00,000	3,00,000
Estimated output per annum (Units)	25000	25000

From the above identify the indifference level of output at which both machines earn equal profit.
(a) 20000 units
(b) 15000 units
(c) 10000 units
(d) 5000 units

80.
Suppose the monthly demand for a product is 2000 units, setup cost per batch is Rs. 120, cost of manufacturing per unit is Rs. 20 and rate of interest is 20% per annum, what is the economic batch quantity in terms of units?
(a) 1000
(b) 1200
(c) 1500
(d) 1800

81.
Given below are the details of a shoe manufacturing company:

Production capacity	:	6500 pairs per month
Opening inventory	:	200 pairs
Expected regular sales	:	6000 pairs per month
Selling price	:	Rs. 500 per pair
Variable production cost	:	Rs. 240 per pair
Variable selling cost	:	Rs. 60 per pair

The company received an order from a store to buy 1000 pairs. This order is over and above the regular sales and is to be supplied within 30 days. For this order, the variable selling costs will come down to Rs. 10 per unit. What should be the minimum price per pair to accept this offer without affecting profits of the company?
(a) Rs. 250
(b) Rs. 310
(c) Rs. 300
(d) Rs. 500

82.
Given below are the details of a shoe manufacturing company:

Production capacity	:	6500 pairs per month
Opening inventory	:	200 pairs
Expected regular sales	:	6000 pairs per month
Selling price	:	Rs. 500 per pair
Variable production cost	:	Rs. 240 per pair
Variable selling cost	:	Rs. 60 per pair

The company received an order from a store to buy 1000 pairs. This order is over and above the regular sales and is to be supplied within 30 days. For this order, the variable selling costs will come down to Rs. 10 per pair. What should be the amount of additional profit if this special offer of 1000 units is at the rate of Rs.400 per pair?
(a) Rs. 1,50,000
(b) Rs. 1,00,000
(c) Rs. 90,000
(d) Rs. 50,000

83.
A truck having a capacity of 5 tonnes of goods normally carries 80% of the load on the outward journey and 40% of the load on inward journey. The distance is 300 km for one side. It takes 2 days to complete the round trip. The truck is on the road for 300 days in a year. Which one of the following is the total tonne-km in a year?
(a) 270000
(b) 300000
(c) 360000
(d) 400000

84.
A company is currently buying a component from a local supplier at Rs. 15 each. It is considering buying and installing a semi-automatic machine for manufacturing this component which would involve an annual fixed cost of Rs. 9,00,000 and a variable cost of Rs. 6 per manufactured component. What would be the annual volume (in units) required to justify the switchover from outside purchase to own manufacture?
(a) 100660
(b) 150000
(c) 100000
(d) 60000

85.
If the monthly output increases within relevant range, then:
(a) per unit fixed cost remains constant and per unit variable cost varies.
(b) per unit variable cost remains constant and per unit fixed cost varies.
(c) both variable cost per unit and fixed cost per unit vary.
(d) both variable cost per unit and fixed cost per unit remain constant.

86.
According to the theory of constraints, optimizing use of a constraint requires manufacturing the product with the:
(a) highest profit per unit.
(b) shortest production time.
(c) highest contribution margin.
(d) highest contribution margin per unit of the constrained resources.

87.
Which one of the following techniques does NOT consider time value of money in assessing a long term investment proposal?
(a) Profitability Index
(b) Internal Rate of Return
(c) Accounting Rate of Return
(d) Net Present Value

88.
The cash inflows used for assessing the desirability of an investment proposal is calculated by:

(a) adding depreciation to operating profit before tax.
(b) deducting depreciation from earnings before depreciation, interest and tax.
(c) adding depreciation to profit before tax.
(d) deducting depreciation from terminal cash flows.

89.
If the cost of capital is less than IRR, then:

(a) NPV < 0.
(b) Discounted payback period = Traditional payback period.
(c) NPV = 0.
(d) NPV > 0.

90.
Which one of the following statements is NOT true?

(a) Payback period is greater than discounted payback period
(b) If IRR is equal to cost of capital, NPV is less than zero
(c) If NPV is equal to zero, discounted payback period is equal to the life of the product
(d) Higher the rate of discounting lower is the NPV

91.
Consider the following data:

Project	NPV (Rs. ’000)	I (Rs. ’000)
A	15	60
B	20	100
C	25	150

Given that NPV = PV – I and PI = PV / I, where PV is the present value of future net cash inflows and I is the initial investment on a project. Based on the data furnished above, which one of the following statements is correct?

(a) Project A is recommended based on PI criterion
(b) Project B is recommended based on NPV criterion
(c) Project C is recommended based on PI criterion
(d) Project A is recommended based on NPV criterion

92.
Data about two projects are given below:

Project	X	Y
NPV (Rs. ’000)	200	300
IRR	15%	10%

As there is conflict between NPV and IRR, one can use:
(a) NPV criterion and select X as NPV is lower.
(b) NPV criterion and select Y as NPV is higher.
(c) IRR criterion and select X as IRR is higher.
(d) IRR criterion and select Y as IRR is lower.

93.
Suppose the IRR of a project is 12.5% and the NPV of the project is zero. Which one of the following statements about the project is correct?
(a) Cost of capital is less than 12.5%
(b) Cost of capital > IRR
(c) Cost of capital is 12.5%
(d) Discounted payback period is less than the life of the project

94.
Under life cycle costing, which one of the following will NOT be considered as the costs of a product?
(a) Operating costs over the life cycle
(b) Penalties for violation of environmental norms
(c) Costs of launching the product
(d) Costs of design, research and development of the product

95.
If the cash inflows are uniform over the life of the asset and life of the asset is fairly long, payback reciprocal may provide an approximate value of:
(a) payback period.
(b) payback profitability.
(c) net present value.
(d) internal rate of return.

96.
Which one of the following is NOT ordinarily related to capital budgeting decisions?
(a) Time value of money
(b) Cost of capital
(c) Employee turnover
(d) Net cash flow

97.
A firm is going to purchase a machine costing Rs. 5,00,000. If it has an expected life of 5 years and the firm expects to generate Rs. 1,50,000 per annum as net cash inflow, the payback period will be:

(a) less than 2 years.
(b) less than 3 years.
(c) more than 3 years but less than 4 years.
(d) more than 4 years but less than 5 years.

98.
The cost of an asset is Rs. 4,00,000. If the profitability index is 1.40, the NPV will be:

(a) Rs. 1,60,000
(b) Rs. 2,86,000
(c) Rs. 4,60,000
(d) Rs. 5,60,000

99.
Which one of the following is the role of the presentation server in a multi-tier ERP architecture?

(a) Database management
(b) Hosting application logic
(c) User interface management
(d) A-B logistic support system

100.
Which one of the following is NOT a business intelligence application?

(a) Data warehouse
(b) Data mining
(c) Supply chain management
(d) Data analysis

101.
Which one of the following ERP implementation costs is NOT considered a hidden implementation cost?

(a) User training cost
(b) Integration and training cost
(c) Data conversion and migration
(d) ERP software cost

102.
Which one of the following is NOT a valid parameter for testing ERP system implementation?

(a) Profile of vendor
(b) Database connection pool size
(c) Data back up support
(d) Data migration support

103.
The PERT gives answer to the following questions EXCEPT:
(a) When will the project be finished?
(b) When is each individual part of the project scheduled to start and finish?
(c) Which parts of the project must be finished on time?
(d) What will be the lowest cost to complete the project?

104.
The Maximal-Flow Problem can be defined as a project network in which:
(a) there is one source mode and one output mode.
(b) there is one source mode and multiple output modes.
(c) there are multiple source modes and one output mode.
(d) there are multiple source modes and multiple output modes.

105.
Which one of the following is a major limitation of GANTT charts in a project management?
(a) Visual portrayal is not given
(b) Major activities involved are not indicated
(c) Work breakdown structure is relied upon
(d) Timing of activities is not shown

106.
CPM was developed by:
(a) Navy Special Projects Office, USA
(b) A K Erlang
(c) J E Kelly and M R Walker
(d) F L Hitchcock

107.
In PERT / CPM, ‘Forward Pass’ is a process moving from:
(a) left to right in a network to define all the earliest start and finish time.
(b) right to left in a network to define all the earliest start and finish time.
(c) left to right in a network to define all the latest start and finish time.
(d) right to left in a network to define all the latest start and finish time.

108.
According to CAS - 21, quality control cost shall NOT include:
(a) cost of resources consumed in quality control activities.
(b) cost of resources from outside for quality control activities.
(c) appraisal cost.
(d) finance cost, incurred in connection with self generated or procured resources.

109.
For ascertainment of cost of any cost object, any subsidy, grant or incentive received or receivable with respect to production or operation overhead:

(a) shall be added to cost.
(b) shall be reduced from cost.
(c) shall be ignored.
(d) may be reduced or added on a case to case basis.

110.
According to CAS – 11, which one of the following will NOT form part of the administrative overheads?

(a) Depreciation on the cost of software
(b) Legal expenses
(c) Fines, penalties, damages and similar levies paid to statutory authorities / third parties
(d) Cost of administrative services procured from outside

111.
According to CAS – 6, the forex component of imported material cost shall be converted at the rate on the date of:

(a) receipt of imported material.
(b) transaction.
(c) issue of material.
(d) production of final product.

112.
A consignment of chemical 'A' was received. The invoice gave the following details:

Purchase Value	:	4 tonnes @ Rs.5 per kg
Sales Tax	:	Rs. 1,800
Freight	:	Rs. 1,600

A shortage of 1 quintal was noticed during transit and it was considered normal. As per generally accepted cost accounting principles for material cost, what rate would you adopt for pricing issues assuming a provision of 20% towards further deterioration?

(a) Rs. 7.50
(b) Rs. 7.00
(c) Rs. 6.50
(d) Rs. 6.00

113.
According to CAS – 2, what is the term used for the maximum productive capacity as per the manufacturer's specification of machines / equipment?

(a) Licenced capacity
(b) Installed capacity
(c) Normal capacity
(d) Actual capacity

114.
A factory has the capacity to produce either 8000 units of product X or 7000 units of product Y or 10000 units of product Z. Only one product can be produced in a particular period. The contribution per unit of X, Y and Z are Rs. 25, Rs. 22 and Rs. 16 respectively. As per CAS – 1, the opportunity cost of producing X would be:

(a) Rs. 1,60,000
(b) Rs. 1,54,000
(c) Rs. 3,14,000
(d) Rs. 2,00,000

115.
A firm is currently manufacturing a product which is selling at Rs. 400 per unit at a profit of 25% on cost. However, the market survey indicates that the selling price has to be reduced to Rs. 380 due to increased competition. If the firm wants to earn the same amount of profit per unit, what will be the target cost per unit based on the selling price of Rs. 380 per unit?

(a) Rs. 300
(b) Rs. 304
(c) Rs. 320
(d) Rs. 350

116.
If the manufacturing cycle efficiency is 0.7 and the total manufacturing time is 56 minutes, then the value added manufacturing time (in hours) is:

(a) 40.2
(b) 56.7
(c) 39.2
(d) 55.3

117.
'Balanced Scorecard', a comprehensive measure of business performance, was developed by:

(a) Kaplan and Cooper.
(b) Kaplan and Norton.
(c) Horngren and Foster.
(d) Norton and Horngren.

118.
Multiple cost drivers are used in:

(a) Volume-based traditional costing system.
(b) Activity-based costing system.
(c) Target costing system.
(d) Life cycle costing system.

119.
Total quality costs mean:

(a) Costs of conformance to quality.
(b) Costs of failure.
(c) Total costs of prevention of failure and cost of failure.
(d) Total costs of conformance and cost of non- conformance.

120.
Activity Based Costing (ABC) system is the most appropriate in a firm where:

(a) only a single product is manufactured and insignificant amount of overhead is incurred.
(b) multiple products are manufactured and amount of overhead is insignificant.
(c) only a single product is manufactured but very high amount of overhead is incurred.
(d) multiple products are manufactured and amount of overhead is also very high.
