

QUESTION PAPER BOOKLET CODE : **A**

322

Question Paper Booklet No.

--

Roll No. :

--	--	--	--	--	--

Time Allowed : 3 hours

Maximum marks : 100

Total number of questions : 100

Total number of printed pages : 24

Instructions :

1. Candidates should use blue/black ballpoint pen ONLY to fill-in all the required information in OMR Answer Sheet and this Question Paper Booklet.
2. OMR Answer Sheet cannot be taken out from the Examination Hall by the examinees and the same is required to be properly handed over to the Invigilator/Supervisory staff on duty and acknowledgement be obtained for doing so on the Admit Card before leaving the Examination Hall.
3. Candidates are required to correctly fill-in the Question Paper Booklet Code and the Question Paper Booklet No. (as mentioned on the top of this booklet) in the OMR Answer Sheet, as the same will be taken as final for result computation. Institute shall not undertake any responsibility for making correction(s) at later stage.
4. This Question Paper Booklet contains 100 questions. All questions are compulsory and carry ONE mark each. There will be negative marking for wrong answers in the ratio of 1:4, *i.e.*, deduction of 1 mark for every four wrong answers.
5. Seal of this Question Paper Booklet MUST NOT be opened before the specified time of examination.
6. Immediately on opening of Question Paper Booklet, candidates should ensure that it contains 100 questions in total and none of its page is missing/misprinted. In case of any discrepancy, the booklet shall be replaced at once.
7. Each question is followed by four alternative answers marked as A, B, C and D. For answering the questions including those requiring filling-in the blank spaces, candidates shall choose one most appropriate answer to each question and mark the same in the OMR Answer Sheet by darkening the appropriate circle only in the manner as prescribed in the OMR Answer Sheet.
8. Darkening of more than one circle corresponding to any question or overwriting/cutting any answer(s) shall be taken as wrong answer for computation of result. Ticking/marking/writing of answer(s) in the Question Paper Booklet shall not be considered in any circumstance for award of marks. The Institute shall neither entertain any claim nor be liable to respond to any of the query in the aforesaid matter.
9. Rough work, if any, should be done only on the space provided in this Question Paper Booklet.
10. The Copyright of this Question Paper Booklet and Multiple Choice Questions (MCQs) contained therein solely vests with the Institute.

.....
(SIGNATURE OF CANDIDATE)

2/2016/CMA

ANSWERS MARKED IN THE OMR ANSWER SHEET SHALL ONLY BE EXAMINED

P.T.O.

101 / 1

322

:2:

Space for Rough Work

: 3:

1. Which one is not the objective of Cost Accounting Standards —
- (A) To bring uniformity and consistency in the principles and methods
 - (B) To help industry and the Government towards better cost management
 - (C) To control accounting policies of companies so as to protect investors' interest
 - (D) To determine the pollution control costs with reasonable accuracy.

2. Which of the following is/are tool(s) and technique(s) of management accounting —
- (A) Ratio analysis
 - (B) Linear programming
 - (C) Trend analysis
 - (D) All of the above.

3. Match the following :

<i>Statements</i>	<i>Objects</i>
(P) Collection of cost information and recording them under suitable heads	1. Budgeting
(Q) Monitoring idle time, worker's efficiency and labour turnover	2. Cost reduction
(R) Estimation (both quantities and value) before the start of activity	3. Ascertainment of cost
(S) Procedures and techniques used to bring down the estimated cost	4. Cost control

Select the correct answer from the options given below —

- | | | | | |
|-----|-----|-----|-----|-----|
| | (P) | (Q) | (R) | (S) |
| (A) | (3) | (4) | (2) | (1) |
| (B) | (3) | (4) | (1) | (2) |
| (C) | (3) | (1) | (2) | (4) |
| (D) | (4) | (3) | (2) | (1) |

4. *Statement – I*

Sunk cost is one that has already been incurred and cannot be avoided by decisions in the future.

Statement – II

For decision making, it is required that such cost should be incurred.

Select the correct answer from the options given below —

- (A) Both statements are correct
- (B) Both statements are incorrect
- (C) Statement-I is incorrect, but Statement-II is correct
- (D) Statement-I is correct, but Statement-II is incorrect.

5. The prime function of management accounting is to —

- (A) Record business transactions
- (B) Interpret financial data
- (C) Assist the management in performing its functions effectively
- (D) Assist tax authorities.

6. Multiple costing is followed in —

- (A) Biscuit factory
- (B) Steel industry
- (C) Brick making
- (D) Cycle manufacturing.

7. Following information relates to the production department of a factory :

Materials used	:	₹80,000
Direct labour	:	₹60,000
Overheads	:	₹40,000

On an order carried out in the department, materials consumed amounted to ₹16,000. The overheads chargeable to this order on the basis of direct materials will be —

- (A) ₹8,000
- (B) ₹9,000
- (C) ₹8,500
- (D) ₹9,800

8. When the amount of overheads absorbed is less than the amount of overheads incurred, it is called —

- (A) Under-absorption of overheads
- (B) Over-absorption of overheads
- (C) Proper absorption of overheads
- (D) None of the above.

9. A common absorption rate used throughout a factory for all jobs and units of output irrespective of the department in which they were produced is called —

- (A) Machine hour rate
- (B) Department absorption rate
- (C) Overall absorption rate
- (D) Blanket absorption rate.

10. Raj Ltd. furnishes the following information :

Production	:	10,000 units
Sales	:	5,000 units
Selling price	:	₹12 per unit
Variable cost	:	₹6 per unit
Fixed costs	:	₹40,000 per annum

Profit/ loss under marginal costing method will be —

- (A) ₹10,000 (*Profit*)
- (B) ₹10,000 (*Loss*)
- (C) ₹20,000 (*Profit*)
- (D) ₹20,000 (*Loss*).

11. Following information is available :

Input of raw material	:	1,000 units @ ₹25 per unit
Direct material	:	₹7,500
Direct wages	:	₹4,500
Production overheads	:	₹6,000
Actual output transferred to next process	:	900 units
Normal loss	:	5%
Value of scrap	:	₹10 per unit

:5:

The cost of output transferred to next process will be —

- (A) ₹38,700
(B) ₹40,263
(C) ₹38,250
(D) ₹43,500

12. A company reported current year profit of ₹12,00,000 which includes the following :

Profit on sale of equipment	:	₹2,00,000
Share issue expenses	:	₹1,50,000
Dividend income	:	₹80,000
Tax	:	₹90,000
Profit on revaluation of fixed assets	:	₹2,50,000

The amount of funds from operation will be —

- (A) ₹11,90,000
(B) ₹8,20,000
(C) ₹10,70,000
(D) ₹10,50,000
13. A radio manufacturer finds that while it costs ₹6.25 per unit to make a component, the same is available in the market at ₹5.75 each. Continuous supply is also fully assured. The break-up of costs per unit is as follows :

Materials	:	₹2.75
Labour	:	₹1.75
Other variable expenses	:	₹0.50
Depreciation and other fixed costs	:	₹1.25

The best option for the manufacturer will be —

- (A) To make
(B) To buy
(C) To sell
(D) None of the above.

14. Following data is obtained from the cost records of Moon Ltd. :

Year	Sales (₹)	Total Cost (₹)
2015	1,00,000	80,000
2016	1,20,000	90,000

P/V ratio will be —

- (A) 40%
(B) 46%
(C) 52%
(D) 50%.

15. Following information is obtained from a standard cost card :

Labour rate	:	90 paise per hour
Standard hours	:	3 hours per unit

Actual production data :

Units produced	:	250
Labour rate	:	₹1.05 per hour
Hours worked	:	800

The labour cost variance will be —

- (A) ₹175 (A)
(B) ₹165 (A)
(C) ₹190 (A)
(D) ₹165 (F).

16. Standard set for material consumption was 100 kgs. @ ₹2.25 per kg. In a cost period, opening stock was 100 kgs. @ ₹2.25 per kg.; purchases made 500 kgs. @ ₹2.15 per kg; and actual consumption 110 kgs.

The material usage variance will be —

- (A) ₹24.25 (A)
- (B) ₹22.50 (A)
- (C) ₹32.50 (A)
- (D) ₹23.75 (A).

17. Material quantity variance arises due to —

- (A) Frequent breakdown of machines
- (B) Improper inspection and supervision of workers
- (C) Excessive wastage, leakages, shrinkages, *etc.*
- (D) All of the above.

18. Cost of abnormal wastage is charged to —

- (A) Production cost
- (B) Costing profit and loss account
- (C) Partly to the product and partly to costing profit and loss account
- (D) Selling and distribution cost.

19. Following information is given :

	₹
Direct material purchased	6,00,000
Direct material consumed	7,00,000
Direct labour	3,00,000
Direct expenses	2,50,000
Manufacturing overheads	3,00,000

Prime cost will be —

- (A) ₹14,50,000
- (B) ₹11,50,000
- (C) ₹12,50,000
- (D) ₹15,50,000

20. Which of the following is the main cost driver of customer order processing activity —

- (A) Flow of the product from assembly line
- (B) Order value
- (C) Number of problem suppliers
- (D) Number of machine charges.

21. Income from investments is a cash flow from —

- (A) Operating activities
- (B) Investing activities
- (C) Financing activities
- (D) None of the above.

22. Return on investment (ROI) is calculated to measure —

- (A) Long-term solvency of business
- (B) Earning power of net assets of business
- (C) Short-term liquidity position of business
- (D) Goods sold and inventory level of business.

23. The ascertainment of costs after they have been incurred is called —
(A) Marginal costing
(B) Historical costing
(C) Differential costing
(D) None of the above.
24. Which of the following is considered as normal loss of material —
(A) Pilferage
(B) Loss due to flood
(C) Loss due to accident
(D) Loss arising from careless handling of material.
25. The maximum and minimum lead time is 4 weeks and 3 weeks respectively. If the maximum and minimum weekly consumption is 25 units and 20 units respectively, the re-ordering level will be —
(A) 100 Units
(B) 110 Units
(C) 120 Units
(D) 140 Units.
26. The budget which usually takes the form of budgeted profit and loss account and balance sheet is known as —
(A) Cash budget
(B) Master budget
(C) Flexible budget
(D) Sales budget.
27. While preparing cash budget, which of the following items would not be included —
(A) Interest paid to debentureholders
(B) Salaries and wages
(C) Bonus shares issued
(D) Income-tax paid.
28. Interest coverage ratio is obtained by dividing EBIT by —
(A) Interest
(B) Tax
(C) Income
(D) Sales.
29. If price-earnings ratio is 0.05 and earnings per share is ₹8, the market price of share will be —
(A) ₹120
(B) ₹100
(C) ₹160
(D) ₹0.40
30. In a purely competitive market, 10,000 pocket transistors can be manufactured and sold and certain profit is generated. It is estimated that 2,000 pocket transistors need to be manufactured and sold in a monopoly market to earn the same profit. Profit under

both the conditions is targeted at ₹2,00,000. The variable cost per transistor is ₹100 and total fixed costs are ₹37,000. Unit selling price per transistor under monopoly condition will be —

- (A) ₹218.50
- (B) ₹234.50
- (C) ₹267.25
- (D) ₹274.35

31. A technique where standardised principles and methods of cost accounting are employed by a number of different companies is termed as —

- (A) Uniform costing
- (B) Absorption costing
- (C) Standard costing
- (D) ABC costing.

32. A cost centre is —

- (A) A production or service location, function, activity or item of equipment whose costs may be attributed to cost units
- (B) A centre for which an individual budget is drawn-up
- (C) A centre where cost is classified on the basis of variability
- (D) An amount of expenditure attributable to an activity.

33. As on 31st March, 2016, the profit of a company was ₹36,450 as per financial records. The following summary of transactions is given for the same period :

	₹
Obsolescence loss in respect of machinery charged in financial accounts	2,450
Administrative overheads over-recovered in cost accounts	1,650
Closing stock understated in cost accounts	4,600

The amount of profit as per cost accounts will be —

- (A) ₹36,950
- (B) ₹35,950
- (C) ₹32,650
- (D) ₹41,850

34. Sun Ltd. has furnished the following relevant data of financial statements as on 31st March, 2016 :

	₹
Equity share capital (1,00,000 equity shares of ₹10 each)	10,00,000
General reserve	2,00,000
15% Debentures	2,80,000
Current liabilities	8,00,000
Fixed assets	30,00,000
Current assets	18,00,000
Additional information :	
Annual fixed cost excluding interest	₹2,80,000
Variable cost ratio	60%
Total assets turnover ratio	2.5 times
Tax rate	30%

Earnings per share (EPS) will be —

- (A) ₹31.35
- (B) ₹15.80
- (C) ₹20.00
- (D) None of the above.

35. A firm requires 12,800 units of a certain component which it buys @ ₹60 each. The cost of placing an order and following it up is ₹150 and annual storage charges work out to 10% of the cost of items. Number of units to be ordered to get maximum benefit to the firm are —

- (A) 1,000
- (B) 900
- (C) 800
- (D) 320

36. Which of the following are advantages of perpetual inventory system :

- (i) No interruption of production process
- (ii) More wastage of material
- (iii) Detect loss of stock due to theft, shrinkage, fire, etc.
- (iv) Ascertain stock without physical verification

Select the correct answer from the options given below —

- (A) (i), (ii) and (iii)
- (B) (ii), (iii) and (iv)
- (C) (i), (ii) and (iv)
- (D) (i), (iii) and (iv).

37. Following statements are either true (T) or false (F) :

- (P) FIFO method of valuing material issues is suitable in time of rising prices
- (Q) Valuation of closing stock is same under both FIFO and LIFO method
- (R) Bin card makes a record of the quantity and value of materials kept in the stores
- (S) A bill of material gives a complete list of all material required with quantities for a particular job.

Select the correct answer from the options given below —

- | | | | |
|---------|-----|-----|------|
| (P) | (Q) | (R) | (S) |
| (A) (F) | (F) | (T) | (T) |
| (B) (T) | (T) | (F) | (F) |
| (C) (F) | (F) | (F) | (T) |
| (D) (T) | (F) | (T) | (F). |

38. Match the following :

- | | |
|--|---------------|
| (P) Visible or invisible loss that cannot be collected and in certain cases it involves further costs of disposing | 1. Defectives |
| (Q) Residue which is measurable and has a minor value | 2. Spoilage |
| (R) Components so damaged in process and cannot be repaired | 3. Scrap |
| (S) Imperfections may arise because of sub-standard work, can be made perfect by paying some additional expenses | 4. Waste |

Select the correct answer from the options given below —

	(P)	(Q)	(R)	(S)
(A)	(4)	(3)	(2)	(1)
(B)	(3)	(4)	(2)	(1)
(C)	(3)	(2)	(1)	(4)
(D)	(2)	(4)	(3)	(1)

39. The relevant data from financial statements of Ross Ltd. as on 31st March, 2016 is given below :

	₹
Cash	1,50,000
Trade receivables	4,00,000
Investment (<i>short-term</i>)	3,30,000
Stock	25,00,000
Prepaid expenses	50,000
Current liabilities	10,00,000

The quick ratio will be —

- (A) 0.88 : 1
 (B) 0.93 : 1
 (C) 3.43 : 1
 (D) 3.1 : 1
40. A written comprehensive order, with specification, material code and quantity sent to inform the purchase department, of a need for material is called —
- (A) Purchase order
 (B) Bill of material
 (C) Purchase requisition
 (D) Bin card.

41. Choose the correct statements from the following :

- (1) All the indirect taxes are added to the purchase price of material
 (2) Trade and cash discounts are deducted from the cost of material
 (3) ABC analysis is a value based system of material control
 (4) In the garment manufacturing, the cost of thread and buttons are indirect material costs.

Select the answer from the options given below —

- (A) (1) and (2)
 (B) (2), (3) and (4)
 (C) (3) and (4)
 (D) (1), (3) and (4).
42. In a factory, the standard output in 8 hours is 220 units. A worker actually produces 242 units in the standard time. Wage rate is ₹8 per hour.
- The total wages paid to the worker under Emerson's plan will be —
- (A) ₹83.20
 (B) ₹76.80
 (C) ₹193.60
 (D) ₹99.20

43. Amaze Ltd. had an opening inventory of 5,000 units costing ₹5 per unit on 1st April, 2016. Following receipts and issues took place in April, 2016 :

- 5th April, 2016 : Purchased 800 units
@ ₹8 per unit
- 12th April, 2016 : Purchased 200 units
@ ₹8 per unit
- 15th April, 2016 : Issued 3,000 units
- 25th April, 2016 : Purchased 1,000 units
@ ₹9 per unit

Cost of inventory as on 30th April, 2016 under weighted average basis will be —

- (A) ₹25,500
(B) ₹27,000
(C) ₹20,000
(D) ₹23,500

44. Which of the following is not replacement cost of labour turnover :

- (1) Cost of recruitment/selection
(2) Cost of providing medical services
(3) Cost of training
(4) Retirement benefits
(5) Decline in quality

Select the answer from the options given below —

- (A) (1) and (2)
(B) (2), (3) and (4)
(C) (3), (4) and (5)
(D) (2) and (4).

45. *Statement – I*

Low time wages do not necessarily mean low cost of production and high wages mean high cost of product.

Statement – II

Time and motion study, which is a function of engineering department, is useless for the determination of wages.

Select the correct answer from the options given below —

- (A) Both statements are correct
(B) Both statements are incorrect
(C) Statement-I is incorrect, but Statement-II is correct
(D) Statement-I is correct, but Statement-II is incorrect.

46. Standard output per day per worker is 40 units. Incentive bonus for efficiency above 80% is ₹50 for every 1% increase up to 90% and above this ₹80 for every 1% increase. Kapil worked for 25 days and produced 910 units.

The amount of incentive paid to him will be —

- (A) ₹580
(B) ₹550
(C) ₹450
(D) ₹530

47. From the books of Raja & Co., following details as on 31st March, 2016 are collected :

	₹	
Equity share capital	:	20,00,000
Retained earnings	:	10,00,000
10% Debentures	:	20,00,000
Current liabilities	:	10,00,000
Profit before interest and tax	:	12,00,000
Interest	:	1,60,000
Tax	:	3,12,000

The rate of return on capital employed will be —

- (A) 30%
- (B) 24%
- (C) 14.56%
- (D) 17.76%.

48. *Assertion (A)*

Activity based costing is not normally used for external reporting purpose.

Reason (R)

Activity based costing does not conform to generally accepted principles.

Select the correct answer from the options given below —

- (A) Both A and R are true and R is the correct explanation of A
- (B) Both A and R are true but R is not the correct explanation of A
- (C) A is true, but R is false
- (D) A is false, but R is true.

49. The net profit margin of Rose Ltd. is 8%, its total assets are ₹6,00,000 and the return on investment is 18%. Total assets turnover will be —

- (A) 2.05
- (B) 3.15
- (C) 2.25
- (D) None of the above.

50. A homogeneous cost pool is one that —

- (A) Does not change over time
- (B) Needs many activity drivers to be allocated to a cost object
- (C) Can be explained with a single activity driver
- (D) Has only one type of material assigned to it.

51. *Statement – I*

Production departments and service departments are equally important for manufacturing industry.

Statement – II

To calculate cost of a product, service department cost should be redistributed among production department on a reasonable basis.

Select the correct answer from the options given below —

- (A) Both statements are correct
- (B) Both statements are incorrect
- (C) Statement-I is incorrect, but Statement- II is correct
- (D) Statement-I is correct, but Statement-II is incorrect.

52. Match the following service department cost with basis of apportionment :

- | | |
|---|-------------------------------|
| (P) Employment/
personnel department | 1. Floor area |
| (Q) Store keeping
department | 2. No. of requisitions |
| (R) Power house | 3. Rate of labour
turnover |
| (S) Payroll or time
department | 4. Direct labour
hours |
| | 5. Hours worked |

Select the correct answer from the options given below —

- | | | | | |
|-----|-----|-----|-----|-----|
| | (P) | (Q) | (R) | (S) |
| (A) | (1) | (3) | (2) | (4) |
| (B) | (2) | (4) | (1) | (5) |
| (C) | (4) | (5) | (3) | (1) |
| (D) | (3) | (2) | (1) | (4) |

53. Relevant data regarding number of workers on roll is given below for June, 2016 :

At the beginning of the month 750

At the end of the month 850

During June, 2016, 10 workers left, 30 workers were discharged and 100 workers were recruited. Of these, 15 workers were recruited in the vacancies of those leaving, while the rest were engaged for an expansion scheme.

The labour turnover rate according to replacement method for June, 2016 is —

- (A) 18.67%
(B) 16.47%
(C) 17.50%
(D) 17.33%.

54. Which of the following is not a method of overheads absorption —

- (A) Percentage of direct material cost
(B) Machine hour rate
(C) Repeated distribution method
(D) Labour hour rate.

55. A company produces three joint products A, B and C. The company has chosen 'physical quantity method'. Up to the point of split off, the total production of A, B and C is 80,000 kgs. The quantity of A, B and C produced is 25,000 kgs., 35,000 kgs. and 20,000 kgs. respectively. Total joint cost is ₹5,00,000.

Joint cost allocated to product 'A' is —

- (A) ₹1,25,000
(B) ₹2,18,750
(C) ₹1,56,250
(D) ₹1,66,666

56. Following information has been collected from cost records of Bright Ltd. :

Direct material : ₹5,00,000

Direct labour : ₹3,00,000

Factory overheads : 20% of factory cost

The amount of factory overheads will be —

- (A) ₹1,60,000
(B) ₹2,00,000
(C) ₹1,80,000
(D) ₹1,96,000

57. In a factory, research and development expenditure is budgeted to ₹9,00,000. This is the normal expenditure on research activities. Due to some reasons, research is unsuccessful. The research and development expenditure will be —

- (A) Treated as deferred expenditure
- (B) Written-off to costing profit and loss account
- (C) Treated as direct product cost
- (D) Treated as factory overheads.

58. A company produces a single product for which following data is available :

Average production
per week : 200 units

Usage per unit : 10 Kgs.

Re-order level : 8,000 Kgs.

Delivery time required : 2 weeks

The minimum level of stock required will be —

- (A) 3,000 Kgs.
- (B) 5,000 Kgs.
- (C) 4,000 Kgs.
- (D) 2,500 Kgs.

59. Following information is related to Product-A :

In 2015, variable cost was ₹200 per unit and fixed cost ₹40 per unit. Production was 1,20,000 units. It is expected that production in 2016 will increase to 1,60,000 units. The variable cost will increase by 25% and fixed cost by 10% in 2016.

The amount of fixed cost in 2016 will be —

- (A) ₹52,80,000
- (B) ₹70,40,000
- (C) ₹64,00,000
- (D) ₹48,00,000

60. Match the following :

- | | |
|--|--------------------------------|
| (P) Certain percentage of profit over total cost of work | 1. Escalation clause |
| (Q) Safeguard against any likely changes in the price of material and labour | 2. Cost <i>plus</i> contract |
| (R) Entrusted to other contractor for specialised work | 3. Job costing |
| (S) Cost first allocated to cost centres and then to individual work | 4. Sub contract |
| | 5. Contract near to completion |

Select the correct answer from the options given below —

- | | | | | |
|-----|-----|-----|-----|-----|
| | (P) | (Q) | (R) | (S) |
| (A) | (1) | (3) | (2) | (4) |
| (B) | (2) | (4) | (1) | (5) |
| (C) | (4) | (5) | (3) | (1) |
| (D) | (2) | (1) | (4) | (3) |

61. Assertion (A)

Cash is withheld by the contractee under the terms of the contract when payment of the value of work certified is being made.

Reason (R)

Retention money is treated as safeguard against any damage or bad quality work in the contract and released after certain time period of completion of the contract.

Select the correct answer from the options given below —

- (A) Both A and R are true and R is the correct explanation of A
- (B) Both A and R are true but R is not the correct explanation of A
- (C) A is true, but R is false
- (D) A is false, but R is true.

62. Following information is given for a contract :

	₹
Estimated profit on completion of contract	2,20,000
Contract price	10,00,000
Cash received being 80% of work certified	6,40,000

The amount of profit to be credited to statement of profit and loss will be —

- (A) ₹1,28,000
- (B) ₹1,40,800
- (C) ₹1,76,000
- (D) None of the above.

63. Choose the correct statements from the following :

- (1) Most of the items of costs are direct in contract costing than in job costing
- (2) Foreseeable losses estimated for a contract should be written-off immediately
- (3) A debit balance on the contractee account is shown as current liability in the balance sheet
- (4) Final contract price to be paid is certain in cost *plus* contract.

Select the answer from the options given below —

- (A) (2) and (4)
- (B) (3) and (4)
- (C) (1) and (2)
- (D) (1), (2) and (3)

64. Which of the following is not a part of job order cost sheet —

- (A) Direct material
- (B) Direct labour
- (C) Actual factory overheads
- (D) Applied factory overheads.

65. A hotel has 200 rooms accommodation. The normal occupancy in summer is 90% and winter 40%. The period of summer and winter is taken 8 months and 4 months respectively. Assume 30 days in each month.

The total rooms occupancy in a year will be —

- (A) 1,760
- (B) 52,800
- (C) 7,800
- (D) 72,000

66. For a factory, following information is given :

8,400 kgs. material @ ₹12.50 per kg. were actually consumed resulting in a price variance of ₹4,800 (A) and usage variance of ₹3,600 (F).

The standard material cost of actual production will be —

- (A) ₹1,03,800
- (B) ₹1,06,200
- (C) ₹1,05,000
- (D) None of the above.

67. Budgeted standard hours of a factory are 15,000. The capacity utilisation ratio for May, 2016 is 85% and efficiency ratio for the month is 120%. The standard hours for actual production in the month will be —

- (A) 12,750
- (B) 18,000
- (C) 15,300
- (D) 18,000

68. Which of the following statement(s) is/are not correct with reference to labour idle time variance :

- (1) Idle time variance is the portion of labour cost variance which arises due to abnormal idle time of workers specified
- (2) Idle time variance may be favourable or adverse

(3) Idle time variance is calculated as abnormal idle time X actual rate per hour

(4) Idle time variance arises due to machine break-down, power failure, etc.

Select the answer from the options given below —

- (A) (2) and (3)
- (B) (2) only
- (C) (1) and (2)
- (D) (2), (3) and (4)

69. The standard rate of payment is ₹10 per direct labour hour. The actual direct labour cost is ₹39,200 for 4,000 direct labour hours worked. The direct labour price (rate) variance will be —

- (A) ₹800 (A)
- (B) ₹680 (A)
- (C) ₹680 (F)
- (D) ₹800 (F).

70. Assertion (A)

Material yield variance is that portion of direct material usage variance which is due to the difference between standard yield and actual yield obtained.

Reason (R)

Yield variance arises due to wastage of material during the process and standard material yield is determined by subtracting the standard wastage from standard quantity of material.

Select the correct answer from the options given below —

- (A) Both A and R are true and R is the correct explanation of A
- (B) Both A and R are true but R is not the correct explanation of A
- (C) A is true, but R is false
- (D) A is false, but R is true.

71. The total cost variance is ₹5,000 (F). The material variance is ₹2,000 (F). The total labour variance is twice the total overheads variance.

The total overheads variance is —

- (A) ₹500 (F)
- (B) ₹1,000 (F)
- (C) ₹1,500 (F)
- (D) ₹2,000 (F).

72. Following information is given for a product of a manufacturing company :

Material ₹18 per unit; other variable cost ₹22 per unit; and fixed expenses ₹18 per unit. Selling price is ₹75 per unit. Company is presently producing 80,000 units at 80% capacity. The company received an offer for 20,000 units from a foreign customer.

The minimum price to be accepted from foreign customer, if the company wants to earn 20% on foreign sales will be —

- (A) ₹50
- (B) ₹58
- (C) ₹72.50
- (D) ₹69.60

73. Satluj Transport Co. is running six buses between two towns which are 60 Kms. apart. Seating capacity of each bus is 50 passengers. Actual passengers carried by each bus were 80% of seating capacity. All buses run on all days of month (30 days). Each bus makes two round trips per day.

Passenger Kms. per month are —

- (A) 8,64,000
- (B) 4,32,000
- (C) 5,40,000
- (D) 17,28,000

74. Margin of safety in a company can be improved by :

- (1) Reducing the fixed cost and variable cost
- (2) Increasing sales volume and price of sales
- (3) Increasing stock of material in the expectation of price rise
- (4) Expanding business to fulfill the demand of market
- (5) Changing the product mix to increase contribution.

Select the correct answer from the options given below —

- (A) (1), (2) and (3)
- (B) (1), (2) and (5)
- (C) (1), (3) and (4)
- (D) (2), (3) and (5)

75. Ram Casting furnished following information for production of 4,800 units :

Standard materials : 10 Kgs. per unit
@ ₹10 per Kg.

Actual material used : 50,000 Kgs.
costing ₹5,25,000

Material cost variance will be —

- (A) ₹45,000 (A)
- (B) ₹25,000 (F)
- (C) ₹30,000 (A)
- (D) ₹45,000 (F).

76. *Statement – I*

When there are no inventories, profit figure under marginal costing and absorption costing is identical.

Statement – II

Inventories are valued at cost of production in absorption and marginal costing systems.

Select the correct answer from the options given below —

- (A) Both statements are correct
- (B) Both statements are incorrect
- (C) Statement-I is incorrect, but Statement-II is correct
- (D) Statement-I is correct, but Statement-II is incorrect.

77. *Assertion (A)*

The whole budget involving all functions such as sales budget, material budget and production budget will have to be built after assessing the key factor.

Reason (R)

The budget key factor will limit the activities of an undertaking which is taken into account in preparing budget.

Select the correct answer from the options given below —

- (A) Both A and R are true and R is the correct explanation of A
- (B) Both A and R are true but R is not the correct explanation of A
- (C) A is true, but R is false
- (D) A is false, but R is true.

78. A company has annual sales of ₹150 lakh entirely on credit. It keeps an average inventory sufficient to meet sales demand for half a month and gives its customers one month credit. Its average current liabilities are ₹10 lakh. The company must maintain cash and bank balance to have current ratio of 2.

The amount of cash balance will be —

- (A) ₹1,25,000
- (B) ₹3,00,000
- (C) ₹13,75,000
- (D) ₹7,50,000

79. Budgeted sales of Product-X for March, 2016 are 25,500 units. At the end of production process, 10% of net production units are scrapped as defective. Opening stock of Product-X for March is budgeted to be 15,000 units and closing stock will be 12,000 units. All stock of finished goods must have successfully passed the quality control check.
- The production budget of Product-X for March, 2016 is —
- (A) 25,000 Units
(B) 25,500 Units
(C) 25,950 Units
(D) 20,250 Units.
80. Which of the following is not a limitation of financial statements —
- (A) Financial statements are essentially interim reports and therefore, cannot be final because the final gain or loss can be computed only at the termination of the business
(B) The values ascribed to the assets presented in the statements depend upon the standards of the person dealing with them
(C) Financial statements fail to bring out the significance of non-financial factors
(D) Financial statements serve as a useful guide for the stakeholders of the company.
81. *Assertion (A)*
Accountants do not take into consideration the price level changes while valuing various assets in different period.
Reason (R)
It is difficult to determine the value of assets, as value of assets changes with change in time.
Select the correct answer from the options given below —
- (A) Both A and R are true and R is the correct explanation of A
(B) Both A and R are true but R is not the correct explanation of A
(C) A is true, but R is false
(D) A is false, but R is true.
82. In the management information system (MIS), top level management uses —
- (A) Operational information
(B) Tactical information
(C) Transactional information
(D) Strategic information.
83. A cash flow statement is based upon _____ while fund flow statement recognises _____.
- (A) Cash basis of accounting; accrual basis of accounting
(B) Accrual basis of accounting; conventional basis of accounting
(C) Mercantile basis of accounting; cash basis of accounting
(D) Cash basis of accounting; cash basis of accounting.

84. Gross profit ratio for a firm was 20% in the year 2015 and 2016 but the net profit ratio was 15% in the year 2015 and 12% in the year 2016. The reason for such behaviour could be —

- (A) Increase in manufacturing expenses
 (B) Increase in indirect expenses
 (C) Increase in cost of goods sold
 (D) Decrease in sales.

85. The capital of Juhi Ltd. is as follows :

10% Preference shares
 of ₹10 each : ₹5,00,000
 Equity shares of
 ₹100 each : ₹7,00,000

Other information :

Profit (after tax @ 50%) : ₹1,55,000
 Depreciation : ₹60,000
 P/E ratio : 12 times

The market price of equity share will be —

- (A) ₹265.71
 (B) ₹162.86
 (C) ₹180
 (D) ₹156

86. Match the following :

List – I

List – II

- (P) The standard ratio 2:1 is considered satisfactory
 (Q) It measures profitability of the firm in terms of assets employed
- (1) Return on assets
 (2) Current ratio

- (R) Ratio which measures long-term solvency of a firm
 (S) Ratio which indicates how much of the business is funded by borrowings
- (3) Gearing ratio
 (4) Debt-equity ratio

Select the correct answer from the options given below —

- | | | | | |
|-----|-----|-----|-----|-----|
| | (P) | (Q) | (R) | (S) |
| (A) | (2) | (3) | (1) | (4) |
| (B) | (3) | (2) | (1) | (4) |
| (C) | (2) | (1) | (3) | (4) |
| (D) | (2) | (1) | (4) | (3) |

87. Following information is given :

Total sales : ₹24,00,000

Inventory turnover : 4.80 times on basis of cost ratio of goods sold

Gross profit ratio : 25% on cost of goods sold

Closing inventory is ₹60,000 more than opening inventory.

The amount of opening stock and purchases respectively will be —

- (A) ₹3,70,000 and ₹19,80,000
 (B) ₹3,45,000 and ₹18,60,000
 (C) ₹3,75,000 and ₹19,20,000
 (D) None of the above.

88. Statement – I

Working capital is a short-term capital which is financed from long-term sources.

Statement – II

Working capital turnover measures the relationship of working capital with sales.

Select the correct answer from the options given below —

- (A) Both statements are correct
- (B) Both statements are incorrect
- (C) Statement-I is incorrect, but Statement-II is correct
- (D) Statement-I is correct, but Statement-II is incorrect.

89. Consider the following statements :

- (1) Depreciation reduces tax liability, hence it is a source of funds.
- (2) Decrease in current liabilities during the year results in an increase in working capital.
- (3) The term cash equivalents includes short-term marketable investments.
- (4) Conversion of debentures into equity shares appears in funds flow statement.
- (5) Only non-cash expenses are added to net profit to find out funds from operation.

Select the incorrect statements from the options given below —

- (A) (1), (3), (4) and (5)
- (B) (1), (2), (4) and (5)
- (C) (1), (4) and (5)
- (D) (2), (3) and (4)

- 90.** Preference share capital of ₹5,00,000 was redeemed at a premium of 10%, partly out of proceeds of issue of 20,000 equity shares of ₹10 each issued at 10% premium and partly out of profits otherwise available for dividends.

Choose the correct effect on different activities of cash flow statement from the options given below :

- (A) In financing activities, cash outflow ₹5,50,000 and cash inflow ₹2,20,000.
- (B) In financing activities, cash outflow ₹5,50,000 and in investing activities, cash inflow ₹2,20,000
- (C) Net ₹3,30,000 will be outflow in operating activities
- (D) In investing activities cash outflow of ₹5,50,000 and in financing activities cash inflow of ₹2,20,000.

91. Assertion (A)

In integrated accounting system, there is no need of reconciliation of cost accounting profit and financial accounting profit.

Reason (R)

Only one set of books provide information for the ascertainment of cost as well as preparation of a balance sheet as per legal requirement.

Select the correct answer from the options given below —

- (A) Both A and R are true and R is the correct explanation of A
- (B) Both A and R are true but R is not the correct explanation of A
- (C) A is true, but R is false
- (D) A is false, but R is true.

92. Following data are given for the month of June, 2016 :

	<i>Budgeted</i>	<i>Actual</i>
Variable overheads for the month (₹)	10,000	9,000
Output for the month (<i>units</i>)	5,000	4,000
Hours for the month	1,000	820

The variable overheads efficiency variance will be —

- (A) ₹2,000 (A)
- (B) ₹200 (F)
- (C) ₹400 (A)
- (D) ₹200 (A).

93. A company has a normal capacity of 120 machines, working 8 hours per day for 25 days in a month. The fixed overheads are budgeted at ₹1,44,000 per month. The standard time required to manufacture one unit of product is 4 hours. In April, 2016, the company worked 24 days of 840 machine hours per day and produced 5,305 units of output. The actual fixed overheads were ₹1,42,000.

The efficiency variance will be —

- (A) ₹6,360 (F)
- (B) ₹6,360 (A)
- (C) ₹6,460 (F)
- (D) ₹6,460 (A).

94. Following information is given :

Materials purchased	: 3,000 kgs.
Value of materials purchased	: ₹9,000
Standard quantity	: 25 Kgs. for one finished unit
Standard price	: ₹2 per kg.
Closing stock of materials	: 500 kgs.
Finished goods produced	: 80 units

Material cost variance will be —

- (A) ₹3,500 (A)
- (B) ₹3,500 (F)
- (C) ₹3,650 (F)
- (D) ₹3,650 (A).

95. The P/V ratio of Akhil & Co. is 50% and margin of safety is 40%. The company sold 500 units for ₹5,00,000.
The break-even point sales will be —
(A) ₹2,50,000
(B) ₹3,00,000
(C) ₹3,50,000
(D) ₹4,00,000
96. The price of material actually used rose by 5%. It was, however, anticipated and was included in setting the standard material cost. This price rise would result in —
(A) Unfavourable material price variance
(B) Favourable material price variance
(C) Favourable material usage variance
(D) No variance.
97. Which of the following is an irrelevant cost —
(A) Sunk cost
(B) Replacement cost
(C) Opportunity cost
(D) All of the above.
98. Administrative overheads are absorbed on the basis of —
(A) Direct materials
(B) Direct wages
(C) Prime cost
(D) Works cost.
99. Match the following :
- | <i>List – I</i> | <i>List – II</i> |
|------------------------|-----------------------|
| (P) Advertising | (1) Operating costing |
| (Q) Sugar company | (2) Job costing |
| (R) Readymade garments | (3) Process costing |
| (S) Transport | (4) Batch costing |
- Select the correct answer from the options given below —
- | | | | |
|---------|-----|-----|-----|
| (P) | (Q) | (R) | (S) |
| (A) (2) | (3) | (4) | (1) |
| (B) (4) | (3) | (2) | (1) |
| (C) (1) | (2) | (3) | (4) |
| (D) (3) | (4) | (2) | (1) |
100. Following information is available :
- | | | |
|--------------------------------|---|-----------|
| Owners' equity | : | ₹1,00,000 |
| Current debt to total debt | : | 0.40 |
| Total debt to owners' equity | : | 0.60 |
| Fixed assets to owners' equity | : | 0.60 |
| Total assets turnover | : | 2 times |
| Inventory turnover | : | 8 times |
- Fixed assets will be —
(A) ₹70,000
(B) ₹60,000
(C) ₹65,000
(D) ₹72,000

322

:24:

Space for Rough Work