S.Y.B.COM. MGT. A/C. Sem. – III AY2020-21

Title: Introduction to Management Accounting
Topics::Introduction to Management Accounting

1 Financial Accounting deals with __________
Detrmination of cost
Determination of price
Determination of profit
Determination of sales

2 Financial accounts records only
Actual figures
Bugeted figures
Standandard figures
differed figurea

3 Management accounting related to _______
Recording of accounting data
recording of costing data
presention of accounting data
presentation od costing data

4 The use of management accounting is _______
Mandatory
Optional
Compulsory
Evaluation

5 Strategic information is is used by
Senior management
Middle Management
Top Management
Shareholder

6 Strategic information required for __________
Monthly Planning
Short range planning
Day to day planning
Long range planning

7 Strategic information is is obtained from ______
Internal sources
External Sources
Internal and ecternal sources
E-Source

8 Tactical information is used by______________

Top Management
Lower Management
Middle Management
Directors

9 Tactical information is ______
Generated Internally
Generated Externally
Generated Both Internally and Externally
Deparments

10 Tactical information is relevant to_________
Short Term Planning
Medium Term Planning
Short Term and Medium Term Planning
Long Term Planning

11 Tactical information is based on___________
Quantitative Measures
Qualitative Measures
Both Quantitative and Qualitative Measures
Performance measures

12 Operational information is used by _____________
Lower Level Management
Middle Level Management
Top Level Management
Lower level and top level management

13 Operational information is obtained from_________
E-sources
External Sources
Both Internal and External Sources
Internal Sources

14 Operational information is___________
Quantitative
Qualitative
Both Quantitative and Qualitative
Analytical

15 Strategic information is needed for ______
Monthly Planning
Short range planning
Day to day planning
Long range planning

16 Strategic information is required by
Middle Managers

Top Managers
Line Managers
All the Workers
17 Tactical information is required by________
Top Managers
All the Workers
Line Managers
Middle Managers
18 Operational information is required by_______
Top Managers
All the Workers
Line Managers
Middle Managers
19 The users of management accounting information are________
Managers
Bankers
Government
Debtors
20 Management accounting reports are prepared_________
Quarterly
Half yearly
Annually
As and when required
21 The focus of management accounting is on a) Internal Reporting_______
External Reporting
Internal Reporting
Tax Planning
Budget planning
22 Management accounting information is generally prepared for________
Creditors
Governments
Managers
Shareholders
23 ________ is devoted to providing information for external users. Management accounting
Financial accounting
Internal accounting
Cost accounting
24 Financial accounting is primarly concerned with providing fincnial reports to all th following EXCEP
creditors such as banks and other financial institutions.
creditors such as suppliers.
shareholders of the company.

management of the firm

25 Management accounting and financial accounting differ in that management accounting information i
following prescribed rules.
using whatever methods the company finds beneficial.
for shareholders.
to summarize the whole company with little detail.

26 The primary objective of management accounting is
To provide shareholders and potential investors with useful information for decision making.
To provide banks and other creditors with information useful in making credit decisions.
To provide management with information useful for planning and control of operations.
To provide the relevant taxation authorities with information about taxable income.

27 Management accounting is the branch of accounting concerned with reporting to
Internal managers.
Shareholders.
Government
Bankers

28 Which of the following does NOT describe management accounting?
Evaluation of segments or products within the firm
Emphasis on the future
Externally focused
Detailed information

29 Management accounting reports are prepared
To meet the needs of decision makers within the firm.
Whenever shareholders request them.
According to guidelines prepared by the shares and Financial Services Authority.
According to financial accounting standards.

30 Which of the following costing activities is associated with the financial accounting system?
Determining the cost of a department
Determining the cost of goods sold for financial statements
Preparing budgets
Determining the cost of a customer

31 Which of the following activities is NOT associated with the financial accounting information systen
Reporting on the cost of quality
Reporting to the shareholders
Preparing reports for the tax authorities
Preparing a statement of cash flows

32 Which of the following cost management tools supports the firm's concentration on the delivery of va
Service industry growth
Global competition
Preparing an earnings report for external reporting

Value-chain analysis

33 Automation of the manufacturing environment is associated with increases in

inventory.

capacity.

processing time.

Sales

34 Accounting_____________

Always has an external orientation.

Always has an internal orientation.

Information assists in planning and controlling.

Terms serve as a model of the organization.

35 Financial control report comes under_____________

Dynamic financial reports

Static financial reports

Extensive Activity report

Rigid financial reports

36 A balance sheet is a form of________

Dynamic financial reports

Static financial reports

Extensive Activity report

Rigid financial reports

37 Analytical reports are based on the ______ comparison of results.

Horizontal

Vertical

Symmetrical

Traditional

38 Monitoring the number of defects produced is an example of the management function of

planning.

control.

decision making.

both a and c.

39 ____________ are just income statements, wherein the results of one particular year are compared with

Subsidiary trend reports

Analytical report

Activity reports

Master trend report

40 A firm that issues stocks and bonds to raise funds results in

Decreases Cash

Increases Cash

Increases Equity

Increases Liabilities

41. Balance Sheet is a
   a) Statement of assets and liabilities b) Statement of operationg results
   c) Statement of Working Capital d) None of the above
42. Income statement is a
   a) Statement on working results b) Statement of Sources of Funds
   c) Statement of Cash Flow d) Fund from operation

43. Authorised Capital is
   a) Minimum capital the company can raise
   b) Maximum capiutal that can be raised as per the M/A
   c) Optimum Capital that can be raised
   d) Needed capital
44. Securities Premuum can be used for
   a) Issue of fully paid bonus Shares b) Issue of rights shares
   c) Payment of dividend d) Issue of partly paid bonus shares
45. General reserve is created out of
   a) Profit b) Income
   c) Expenditure d) Dividend received
46. Point out from the following which is not a secured loan
   a) Public Deposits b) Mortgage loan
   c) Bank Overdraft on hypothecation of stock
   d) Debentures issue on floating charge
47. Fixed assets shuld be disclosed in Balance sheet as
   a) Cost b) Market Value
   c) Cost or market value whichever is more d) Cost or market value whichever is less
48. Live Stock is a
   a) Current asset b) Ficitious asset
   c) Fixed assets d) none of the above
49. Patents and copyrights is an
   a) Intangible Asset b) Movable Asset
   c) Intangible fixed asset d) Fictitious Assets
50. Goodwill is an
   a) Intangible Asset b) Fixed Asset
   c) Itangible fixed asset having realizable value d) Ficitious asset
51. Land and Building is a
   a) Fixed tangible movable asset b) Fixed intabgible movable assets
   c) Intangible asset d) Fixed tangible immovable asset
52. Capital Work in progress is disclosed under
   a) Fixed asset b) Current assets
   c) Capital d) Intangible assets

53. Provision for depreciation is
   a) Shown under provision b) Shown under secured Loans
   c) deducted from cost of fiexed assets d) Ignored
54. Underwriting commission is a

a) Tangible asset b) Intabgible asset
c) Fixed asset d) Fictitious asset

55. Stock is a
a) Current asset b) quick asset
c) fixed asset d) fictitious asset

56. Bank Overdraft is not a
a) Quick Liability b) Current Liability
c) Urgent Liability d) Liability

57. Gross Profit is
a) Excess of sales over total cost b) Excess of sales over cost of goods sold
c) Excess of sales over pruchase d) Excess of sales over cost of Materials

58. Operating Profit is
a) Gorss profit plus operating income
b) Gross profit less operating expenses plus operating income
c) Gross profit less Non - operating expenses
d) Gross profit plus operating losses

59. Bills Payable is a
a) Quick liability b) Long term liability
c) Fixed Liability d) Non - current liability

60. Provision for taxation is a charge against
a) Profit b) Income
c) Retained Earning d) None of the above

61. Staff Salary is an
a) Operating Expenditure b) Operating Income
c) Non operating Expenditure d) Capital Expenditure

62. Fixed assets are Rs. 5,00,000 Current assets are Rs. 3,00,000 Current Liabilities are Rs. 1,00,000. There is no investments Capital employed will be
a) Rs. 8,00,000 b) Rs. 7,00,000 c) Rs. 9,00,000 d) Rs. 6,00,000

63. Current Liabilities include creditors Rs. 2,00,000 Bills payable Rs. 1,00,000. Expenses Payable Rs. 50,000. Bank OD Rs. 2,00,000 Quick liabilities will be
a) Rs. 3,00,000 b) Rs. 3,50,000 c) Rs. 2,50,000 d) Rs. 2,00,000

64. Fixed assets include premises Rs. 10,00,000 Machinery Rs. 5,00,000, Furniture Rs. 2,00,000 Vehicles Rs. 3,00,000 Live stock Rs. 1,00,000 Goodwill Rs. 2,00,000 Patents and copyrights Rs. 1,50,000 underwriting commission Rs. 50,000 Fidnd out the fixed, tangible, Immovabel asstes.
a) Rs. 10,00,000 b) Rs. 20,00,000 c) Rs. 3,00,000 d) Rs. 1,50,000

65. Gross profit is Rs. 47,000 administrative expenses Rs. 10,500. Selling expenses Rs. 5000 divdend on investment Rs. 2000, loss on sale of car is Rs. 500, Net operating profit will be.
a) Rs. 31,500 b) Rs. 35,000 c) Rs. 57,000 d) Rs. 33,500

66. Sales are Rs. 5,00,000 G.P. is 20% on cost of sales, The G.P. will be :

a) Rs. 1,00,000 b) Rs. 1,50,000
c) Rs. 83,333 d) Rs. 50,000

67. Sales are Rs. 5,00,000 operating cost is Rs. 2,00,000 profit on sale of machinery is Rs. 10,000 operating profit will be
a) Rs. 3,00,000 b) Rs. 3,10,000 c) Rs. 2,10,000
d) Rs. 3,50,000

68. Share Capital is Rs. 15,00,000 Reserves Rs. 10,00,000 Formation expenses Rs. 10,000. Debentures Rs. 5,00,000. Public Deposits Rs. 3,00,000 Calls in arrears Rs. 10,000. Find out Net worth.
a) Rs. 25,00,000 b) Rs. 24,80,000 c) Rs. 15,10,000 d) Rs. 24,90,000

69. Stock Rs. 3,00,000 Debtors Rs. 2,50,000 Cash/Bank Rs. 2,50,000, Bills receivable Rs. 50,000, prepaid expenses Rs. 10,000. Creditors Rs. 2,00,000, Bills payable Rs. 50,000 expenses payable Rs. 5,000 provision for tax Rs. 20,000, unclaimed dividend Rs. 25,000, loan taken Rs. 1,00,000. Find out current assets.
a) Rs. 8,60,000 b) Rs. 3,00,000 c) Rs. 10,60,000 d) Rs. 60,000

70. Natural resources like mines oil wells are
a) wasting assets b) ficitious assets
c) current assets d) intangible assets

71. Th intangible assets which do not have value are
a) Tangible assets b) Intangible assets
c) Fictitious assets d) Current assets

72. The expenditure which is carried forward is
a) Deferred Revenue Expenditure b) Revenue Expenditure
c) Capital Expenditure d) Expired cost

73. Income of the current year received in next year is shown in the balance sheet as
a) Income Receivabel b) Income Receivable in Advance
c) Fixed Asset d) Current liability

74. Reserve which is available for dividend is
a) Capital Reserve b) Revenue Reserve
c) Both of them d) None of them

75. Following is not a liquid asset
a) Debetors b) Bills Receivable
c) Stock d) Cash

76. Follwing is not a quick liability
a) Creditors b) Bills Payable
c) Unclaimed dividend d) Bank ovferdraft

77. Short term investments are shown in vertical Balance sheet under
a) Investments b) Current Assets
c) Current Liabilities d) Ficitious Assets

78. Advances given are shown in the Vertical Balance Sheet under
a) Current Assets b) Current Liabilities
c) Fixed Liabilities d) Loan Funds

79. Loss on sale of machinery is shown
a) Operating Expenditure b) Non-operating Expenditure
c) Cost of Goods sold d) None of the above

80. Depreciation on machinery is shown under
   a) Office Expenses b) Selling Expenses
   c) Finance Expenses d) Cost of goods sold

81. Owed funds indicate
   a) Short term & long term debt b) Current assets
   c) Loans & advances d) Liability

82. Balance of forfeited shares
   a) Increases shareholders fund b) Decreases shareholders fund
   c) Increases loan fund d) Assets

83. Interest accrued on investment is shown as
   a) Investment b) Current Asset
   c) Loans & advances d) Trading

84. Profit on sale of Furnitujre is shwon in vertical income statement under
   a) Operating income b) Non-operating income
   c) Operating expenditujre d) P & L

85. Following information is extracted from the books of Jigna Ltd.

	Rs.
cash	60,000
Creditors	30,000
Bank Loan	1,50,000
Debtors	20,000
Inventory	1,00,000
Outstanding Wages	20,000
Marketable securities	25,000

Working Capital is
a) Rs. 1,55,000 b) Rs. 1,00,000 c) Rs. 3,05,000 d) Rs. 1,20,000

86. Following information is extracted from the books of Monica Ltd.

	Rs.
Sales	50,00,000
Depreciation	6,50,000
Operating Expenses	36,00,000
Non-Operating Income	2,00,000
Increase in Inventory	4,00,000

Net Profit before tax is
a) Rs. 13,50,000 b) Rs. 16,00,000 c) Rs. 38,00,000 d) Rs. 54,00,000

87. Kumar Ltd. furnished the following informatin :

Operating Profit Before tax	45,00,000
Provision fro Tax	16,00,000
Non-Operating Income	4,00,000
Dividend Paid	5,00,000
Transfer to General Reserve	3,00,000

Net profit transferred to balance sheet is

a) Rs. 25,00,000 b) Rs. 30,00,000 c) Rs. 18,00,000 d) Rs. 49,00,000

88. Following information is provided by Sun Ltd. for the year ended 31-3-2016

	Rs.
Share Capital	20,00,000
Reserves	5,00,000
Debentures	4,00,000
Creditors	3,00,000

The sharehoders fund will be

a) Rs. 25,00,000 b) Rs. 20,00,000 c) Rs. 29,00,000 d) Rs. 32,00,000

89. Total applications of fund amounted to Rs. 40,00,000. Loan fund is Rs. 25,00,000 Shareholders fund will be

a) Rs. 20,00,000 b) Rs. 15,00,000 c) Rs. 65,00,000 d) Rs. 10,00,000

90. Soni Ltd. supplied the following informations :

	Rs.
Fixed Assets	40,00,000
Current Assets	15,00,000
Investments	20,00,000
Current Liabilities	10,00,000
Debentures	5,00,000

Total of sources of fund is

a) Rs. 65,00,000 b) Rs. 55,00,000 c) Rs. 70,00,000 d) Rs. 60,00,000

Chapter: Analysis & interpretation of financial statement

(Common, Comparative trend)

91) Comparative Statement Analysis is ---------

a) Dynamic Analysis

b) Horizontal Analysis

c) Vertical Analysis

d) External Analysis

92) The comparative income statement shows the increase or decrease of ---- over the previous year

a) Only sales

b) Only profit

c) Only expenses

d) All the above

93) In common size income statement analysis the --- is a assumed to be hundred all Other figure are expressed as per a % of -------

a) Sales, sales
b) Sales, purchase
c) Sales, net profit
d) Sale, gross profit

94) Total current assets are Rs 30,000 Rs 54,000 Rs 66,000 in 2013, 2014 and 2015 respectively.
If 2013 is base year what is the trend % for 2015 -----
a) 120%
b) 125%
c) 60 %
d) 50%

95) % increase /Decrease / Method of preparation of ---
a) balance sheet
b) Income statement
c) Comparative statement
d) Common size Statement

96) Trend analysis is a technique of analysis -----
a) Growth in performance
b) Change in performance
c) Trend in performance
d) Decrease in performance

97) Cost of goods sold for a company is Ts 30, 00,000 Rs 24, 00,000 and Rs 18, 00,000 For 2015, 2014, and 2013.respectively.if 2013 is the base year the percentage increase In cost of goods sold from 2013 to 2015 is -----
a) 66, 67%
b) 70%
c) 50%
d) 45%

98) Performance over two year can be understand from---
a) Income statement
b) Balance sheet
c) Comparative income statement
d) Common size Statement

99) Performance for the year can be Analysis from----
a) Balance sheet
b) Income Statement
c) Common size Statement
d) Comparative Statement

100) Trend in performance is understood from ------
a) Fundamental Analysis

b) Horizontal Analysis
c) Vertical Analysis
d) Trend Analysis

101) Earliest Year Has to be Considered as base year, the values of which are taken as 100 in –
a) Balance sheet
b) Income Statement
c) Trend Analysis
d) Comparative Statement

102) For Inter Firm Comparison-----
a) Comparative Statement is prepare
b) A common size Statement is prepare
c) Balance sheet is prepare
d) Income statement is prepare

103) Inter form comparison becomes misleading when two different firms follow---
a) Same policies
b) Different policies
c) Same Account System
d) Same procedure

104) Common size statement is a tool of --------
a) Vertical analysis
b) Horizontal analysis
c) Technical analysis
d) Fundamental analysis

105) Common size statement is also known as ---------
a) Percentage Statement
b) 100% Statement
c) Most Common Statement
d) Small size statement

106) in common size income statement the basis is ------
a) Total cost
b) Net Profit
c) Gross profit
d) Sales

107) In common size vertical Balance sheet the basis is------
a) Capital employed
b) Total Assets
c) Total Liabilities
d) Proprietary fund

108) Comparative Statement is a tool of -----
a) Vertical Analysis

b) Horizontal Analysis
c) Structural Analysis
d) Technical Analysis

109) Common size statement cannot make a------
a) Horizontal Analysis
b) Vertical Analysis
c) Combined Analysis
d) Technical Analysis

110) Common size statement cannot find out relationship between----
a) Sales & capital employed
b) Sales & gross profit
c) Expenses & sale
d) Net profit & sales

111) Trend shows --------
a) Direction of the change
b) Composition of the change
c) Upward Change
d) Down ward Change

112) Amit Ltd . Report net sales Rs 900,000 Rs 990,000 and Rs 10, 80,000 in the Year 2013, 2014 and 2015 if 2013 is the base year what is the trend % for 2015----
a) 120%
b) 75%
c) 80%
d) 90%

113) Comparative statement shows -----
a) one year performance
b) Comparative performance
c) Financial performance
d) Profitability Performance

114) Increase /Decrease is method of Preparation of -------
a) Common size statement
b) Comparative statement
c) Income Statement
d) Balance sheet

115) following are Example of vertical Analysis --------
a) Ratio Analysis
b) Cash flow statement
c) Trend percentage
d) (a) & (b)

TOPIC: RATIO ANALYSIS AND INTERPRETATION

116. Net profit ratio indicates

a. Overall profitability

b. profitability

c. Trading efficiency

d. Liquidity

117 . Shareholder's includes

a. Equity share capital

b. Pref. share capital

c. Reserve and surplus

d. All of the above

118. Loan fund does not include one of the following

a. Debenture

b. Loans

c. Provision for taxation

d. Public Deposit ..

119 Net profit ratio indicates

a. Overall profitability

b. profitability

c. Trading efficiency

d. Liquidity

120 ROI is a

a. Balance sheet ratio

b. Revenue statement ratio

c. Combined ratio

d. None of the above

121 Operating ratio is

a. Balance sheet ratio

b. Revenue statement ratio

c. combined ratio

d. None of the above

122 Buying polices are judge by

a. Gross profit ratio

b. Net profit ratio

c. ROI

d. P/E ratio

123 Proprietary ratio is a

a. Balance sheet ratio

b. Revenue statement ratio

c. combined ratio

d. None of the above

124. Debt equity ratio is

a. Revenue statement ratio

b. Balance sheet ratio

c. Combined ratio

d. None of the above

125. Stock working capital ratio

a. Revenue statement ratio

b. Balance sheet ratio

c. Combined ratio

d. None of the above

126. administrative expenses ratio

a. Revenue statement ratio

b. Balance sheet ratio

c. Combined ratio

d. None of the above

127. The quick ratio is 2:1 cash received from debtors will

a. Improve

b. Reduce

c. Not change

d. None of the above

128 Return on capital employed is a measure of

a. Overall profitability

b. Trading profitability

c. Operating profitability

d. None of the above

129. Operating cost includes

a. Operating expenses

b. Non operating expenses

c. Cost of goods sold only

d. Both a&b

130 Solvency ratio shows

a. Short term solvency

b. Long term solvency

c. Liquidity

d. profitability

131. Creditors turnover ratio is

a. Balance sheet ratio

b. Revenue statement ratio

c. Combined Ratio

d. None of the above

132 A very high current ratio will

a. Increase profitability

b. Decrease profitability

c. Not affected Profitability

d.None of the above

133. Current ratio shows

a. Short term financial position

b. Financial stability

c. Collection efficiency

d.Higher profitability

134. Liquid ratio which is equal to the following

a.. 2:1

b.1:1

c. 1:3

d.2:5

135. Higher proprietary ratio shows that

a.Small portion of asset is financed by the proprietors

b.Larger portion of asset is financed by the proprietors

c.Longer portion of asset is financed by the loan d.None of the above

136. Loan fund does not include one of the following

a.Debentures

b.Loans

c.Provision for taxation

d.Public deposits

137. Shareholder’s equity does not include

a.Equity capital

b.Reserve & surplus

c.Debentures

d.Preliminary expenses

138.Return on capital employed is also known as:

a.Return on total assets

b.Return on fixed assets

c.Return on investment

d.Return on shareholder’s fund

139. N.P.before interest & tax rupees 500,000.Interest rupees 1,00,000,interest coverage will Be

a.4 times

b.5 times

c.7 times

d.12 times

140. Operating performance is best measured by

a..Operating profit ratio

b.Return on capital

c.Return on fixed assets

d.Return on equity

141. Current ratio is 2.5 working capital is rs.60,000 current asset will be

a.Rs.100,000

b.Rs.1,40,000

c.Rs.50,000

d.Rs.1,25,000

142. Net operating profit ratio is

a.Balance sheet ratio

b.Revenue statement ratio

c.combined ratio

d.None of the above

143. 2:1 is a standard

a.Debt equity ratio

b.Current ratio

c.Liquid ratio

d.None of the above

144. Solvency ratio shows

a.Short term solvency

b. Long term solvency

c.Liquidity

d.Profitability

145. Quick assets are equal to

a.Current assets

b.Current assets less stock

c.Stock

d.None of the above

146. G.P. is a proportion between

a.Gross profit & sale

b. Net profit& Sales

c.Operating profit & sales

d.None of the above

147. Inventory turnover is increased by

a.Higher sales

b.Higher cost of goods sold

c. lower average inventory

d. Both b&c

148. P/E ratio is a proportion between

a.EPS & MP

b.NP & MP

c.EPS & GP

d.None of the above

149. Standard current ratio is

a.1:1

b.2:1

c.3:1

d.5:1

150. Payment to creditors will

a.Improve current ratio

b.Decline current ratio

c.Not change current ratio

d.None of the above

151. High geared capital structure involve

a.High risk

b.Low risk

c.Moderate risk

d.No risk

152. Quick assets are equal to

a.Current assets less current liabilities

b.Current assets less stock

c.Current assets less bank balance

d.None of the above

153. Purchase of good will

a. .Increase gross profit ratio

b.Decrease gross profit ratio

c.Not change gross profit ratio

d.None of the above

154. While calculating proprietary ratio total asset are equal to

a. .Equity capital

b.Fixed assets+Investment+Current assets

c.Fixed asset only

d.None of the above

155. Dividend payout ratio is

a.Balance sheet ratio

b.Revenue statement ratio

c.Combined ratio

d.None of the above

156. Activity ratio include

a.Capital turnover ratio

b.Stock turnover ratio

c.Debtors turnover ratio

d.All of the above

157. Lower debt equity indicates

a.Debt servicing is less burdensome

b.Capacity to raise additional debt

c.Less pressure of creditors

d.All of the above

158. G.P.ratio is 20%,purchase of goods rs.20,000 will

a.Increase G.P

b.Decrease G.P

c.No change G.P

d.None

159. Redemption of debenture for cash will

a.Increase debt equity ratio

b.Decrease debt equity

c.Not change debt equity ratio

d.None of the above

160. Liquidity of a company judged by

a.Current ratio

b.Acid test ratio

c.Stock turnover ratio

d.None of the above

161. Return on equity capital indicates

a.Overall profitability of the company

b.Use of the equity capital

c.Earning power of equity share capital

d.All of the above

162. Debt equity is a

a.Balance sheet ratio

b. Income statement ratio

c.Composite ratio

d.None of the above

163. A low inventory turnover ratio indicates

a.Investment tied up in stock

b.Absolute goods on hand

c.Adverse liquidity

d.All of the above

164.Stock working capital ratio is proportion between

a.Closing stock & working capital

b.Opening stock & wrong capital

c.Sales & working capital

d.Sales & current assets

165. Cost of goods sold is rs.5,40,000.Net sale rs.6,00,000

Sale return rs.10,000.The G.P. ratio is

a.20%

b.15%

c.12%

d.10%

Topic: Working Capital

166. Working Capital is…….

a) Capital required to finance day to day operations
b) Capital to finance fixed assets
c) Capital working in the organisation
d) None of the above

167. Working Capital is…….

a) Excess of fixed assets over current assets
b) Excess of current assets over current liabilities
c) Excess of share capital over loans
d) None of the above

168. Gross Working Capital is equal to …….

a) gross fixed assets
b) gross current liabilities
c) gross current assets
d) None of the above

169. Net working Capital is equal to ………….

a) CA less FA
b) CL less CA
c) CA less CL
d) None of the above

170. Negative working Capital is equal to…….

a) CA less CL
b) CA less FA
c) CL less CA
d) None of the above

171. Cash working Capital is equal to …….

a) Cash and balance

b) cash and bank balance plus stock

c) liquid assets

d) cash cost of working capital

172. Permanent working Capital is…….

a) Minimum working capital required at all the time

b) seasonal in nature

c) permanently blocked up in stock

d) None of the above

173. Seasonal working Capital is…….

a) permanently required

b) Fluctuating in nature

c) required to meet seasonal needs of the organisation

d) None of the above

174. Manufacturing organisation requires…….

a) larger working capital

b) smaller working capital

c) moderate working capital

d) None of the above

175. Service organisation requires…….

a) larger working capital

b) smaller working capital

c) minimum working capital

d) None of the above

176. Longer the process period…….

a) lesser will be the working capital

b) larger will be the working capital

c) minimum will be the working capital

d) moderate will be the working capital

177. The organisation which allows longer period of credit to debtors requires…….

a) More working capital

b) lesser working capital

c) no working capital

d) moderate working capital

178. Sale of goods on cash basis…….

a) reduces working capital requirement

b) increases working capital requirement

c) nullifies working capital requirement

d) None of the above

179. Longer period of credit allowed by creditors…….

a) increases working capital requirement

b) decreases working capital requirement

c) maximises working capital requirement

d) None of the above

180. Shortage of working Capital may result in..........…….

a) poor credit worthiness

b) higher trade discount

c) higher cash discount

d) None of the above

181. Operating cycle period can be reduced by……...........

a) Increasing the period of the credit allowed by creditors

b) decreasing the raw material storage period

c) decreasing the processing period

d) None of the above

182. Excessive investment in current assets results in.....…….

a) High Profitability

b) Low Profitability

c) High liquidity

d) Low Profitability and High liquidity

183. Inadequate investment in current assets results in.....……

a) Low liquidity

b) High profitability

c) Low solvency

d) Low liquidity and High profitability

184. High investment in inventory affects adversely.......……

a) Liquidity

b) Long term solvency

c) credit worthiness

d) None of the above

185. Higher cash/bank balance…….

a) decreases profitability

b) increases profitability

c) increases operating efficiency

d) None of the above

186. Working Capital finance is raised from......……

a) Bank overdraft

b) Cash credit

c) Bill finance

d) All of the above

187. Cash working Capital includes......……

a) Fixed Assets less depreciation

b) Inventory at cost less depreciation

c) Inventory at cost plus depreciation

d) None of the above

188. Gross working capital is equal to...............……

a) Fixed assets

b) current assets

c) Current liabilities

d) None of the above

189. Net working Capital is…….

a) Excess of fixed assets over depreciation

b) Excess of current assets over current liabilities

c) Fixed assets less current liabilities

d) None of the above

190. ....working Capital increases ROI

a) Adequate

b) Surplus

c) Shortage of

d) None of the above

191. Shortage of working Capital results in …….

a) Poor credit rating

b) More cash discount

c) Less trade discount

d) None of the above

192. The following is not a current liability.

a) Creditors

b) Bank loan

c) Unclaimed dividend

d) Outstanding wages

193. The following will increases the net operating cycle.

a) Increase in the period of storage of material

b) Decrease in collection period

c) Increase in payment period

d) None of the above

194. The minimum amount of working capital required to operate at the lowest level of activity is…….

a) Permanent working capital

b) Net working capital

c) Gross working capital

d) None of the above

195. Permanent working capital is also known as............

a) Net working capital

b) Gross working capital

c) Core working capital

d) None of the above

196. Negative working Capital means…….

a) Excess of current assets over current liabilities

b) Excess of current liabilities over current assets

c) Excess of Fixed assets over current assets

d) None of the above

197. Balance sheet working Capital is calculated on the basis of…….

a) Book values of CA & CL as per Balance sheet

b) Market values of CA & CL

c) Fair values of CA & CL

d) None of the above

198. For estimation of working Capital debtors are valued at…….

a) Cost

b) Market value

c) Cost or at Market value depending upon the policy of the organisation

d) Fair value

199. Margin of safety is provided to....……

a) cover possible variations in estimation

b) have safety in management of working capital

c) ensure safety in management of working capital

d) both a) & c)

200. Total current assets is equal to …….

a) Total working Capital

b) Networking Capital

c) Gross working Capital

d) None of the above

201. Working Capital is a statement of…….

a) Assets and liabilities

b) Current assets and current liabilities

c) Quick assets and quick liabilities

d) None of the above

202. Working Capital is the capital required to finance…….

a) Day to day operations

b) Purchase of fixed assets

c) Settlement of long term liabilities

d) None of the above

203. Debtors Turnover ratio indicates the …….

a) speed of collection of debt

a) speed of payment of dues

b) movement of stock

c) None of the above

204. Creditors Turnover ratio indicates the …….

b) speed of collection of debt

d) speed of payment of short-term dues

e) movement of stock

f) None of the above

205. Material in stock75 days, Finished goods in stock 54 days, Collection period 72 days & Payment period 60 days. The operating cycle is....

a) 146 days

b) 141 days

c) 165 days

d) 190 days

206. Material storage period 85 days, FG storage period 10 days, Processing period 15 days, Collection period 30 days & Payment period 24 days. The operating cycle is....

a) 116 days

b) 124 days

c) 90 days

d) 156 days

207. Purchases of Raw Materials Rs.96,000. Closing creditors Rs.16,000& No. of days in year 360 days. Credit period allowed by creditors is........

a) 80 days

b) 75 days

c) 60 days

d) 73 days

208. Sales Rs.1,60,000, Closing Debtors Rs.32,000No. of days in year 360 days. Credit period allowed to debtors is ....

a) 75 days

b) 72 days

c) 79 days

d) 84 days

209. Cost of goods sold Rs.1,40,000. Closing stock of Finished goodsRs.21,000& No. of days in year 360 days. Finished goods holding period is........

a) 39 days

b) 46 days

c) 50 days

d) 54 days

210. Purchases of Raw MaterialsRs.96,000.Closing stock of Raw Materials Rs.20,000& No. of days in year 360 days. Raw material stock holding period is..............

a) 80 days

b) 75 days

c) 60 days

d) 73 days

Topic: Capital Budgeting

211) Capital Budgeting is a part of ___________

a) Investment Decision b) Working Capital Decision

c) HR Decision d) Marketing Decision

212) Long term decisions are called as ____________

a) Capital Budgeting decision b) Working Capital Decision

c) Future Decision d) Marketing Decision

213) Capital Budgeting Deals with__________

a) Long term decision
b) Short term Decision
c) Accounting Decisions
d) HR Decisions

214) which of the following technique is not used for capital budgeting?

a) Payback period
b) Net Present Value
c) Net Asset Method
d) Profitability Index

215) which of the following is not a capital budgeting decision?

a) Expansion Program
b) Modernization Program
c) Replacement of an Asset
d) Stock turnover

216) Capital budgeting Decisions are based on __________

a) Incremental Debtors
b) Incremental Cash Flows
c) Incremental Assets
d) Incremental Capital

217) Depreciation is incorporated in cash flows because it_________

a) is unavoidable cost
b) is a cash flow
c) Reduces tax liability
d) involves an outflow

218) A proposal is not a capital budgeting proposal if it ______

a) Related to fixed asset
b) Brings long term benefits
c) Brings short term benefits only
d) has very large investment

219) which of the following statements is true about mutually exclusive projects?

a) They are not in direct competition with each other.
b) They are in direct competition with each other.
c) They are not evaluated based on shareholder wealth.
d) They are never evaluated

220) what is the net present value?

a) The future value of a project's cash flows plus its initial cost
b) The present value of a project's cash flows plus its initial cost
c) The future value of a project's cash flows minus its initial cost
d) The present value of a project's cash flows minus its initial Cost

221) Why are projects with negative net present values (NPVs) unacceptable to a firm?

a) Returns lower than the cost of capital result in firm failure.
b) Returns with negative NPVs cause an equal profit ratio.

c) Returns with negative NPVs are acceptable to a firm.

d) Returns lower than the cost of capital result in higher profit ratios

222) Projects with __________ are preferred

a) Lower payback period
b) Normal payback period
c) Higher payback period
d) Average pay back period

223) The Payback period is ____________

a) The time required to recover the original investment
b) The time required to depreciate asset
c) The time required to pay to creditors
d) The time required to pay debenture holders

224) For Capital budgeting Decision _______

a) Depreciation is to be considered
b) Depreciation is to be ignored
c) Depreciation is to be calculated at 30%
d) Depreciation is to calculated at 50%

225) ARR method _________

a) Takes in to account time value of money
b) Does not take in to account time value of money
c) Most modern capital expenditure decision
d) Not suitable for capital budgeting decision

226) Initial Cash outflows = ________

a) Cost of Asset + Installation expenses less salvage less working capital
b) Cost of Asset + Installation expenses + salvage + working capital
c) Cost of Asset + Installation expenses + working capital
d) Cost of Asset less Installation expenses less salvage less working capital

227) In case a project having equal annual inflows, the payback period can be calculated as ___

a) Cost of Investment ÷ total cash inflows
b) Cost of Investment ÷ No. of years of useful life of machinery
c) Cost of Investment ÷ Annul cash inflows
d) Total cash inflows less cost of investment

228) The average profit for computing the average rate of returns from new machine = ____

a) Cumulative cash inflows ÷ No. of years of useful life of machine
b) Cumulative net profit after tax ÷ cost of investment

c) Cumulative net profit after tax ÷ No. of years of useful life of machine

d) Cumulative net profit after tax ÷ Payback period

229) Net present value of Machine = __________

a) PV of Cash inflows less cost of investment

b) PV of Cash inflows ÷ Cost of Investment

c) PV of Net profit after tax less cost of investment

d) PV of Net profit after tax less average cost of investment

230) Profitability Index = __________

a) PV of Cash inflows less cost of investment

b) PV of Cash inflows ÷ Cost of Investment

c) PV of Cash inflows ÷ PV of Cash outflows

d) PV of Net profit after tax less cost of investment

231) The expenditure incurred on fixed assets are expected to give return over ________

a) One year b) Two Year c) A number of years d) Five Year

232) The method which shows number of years required by a project to recover the initial investment is called ___________

a) Payback period b) Investment Period c) Profit Period d) liquidity period

233) If the annual cash inflows are not constant, the payback period is calculated by taking _____

a) Average cash inflow b) Minimum Cash inflow

c) Cumulative cash inflow d) Only cash outflow

234) In payback period method, the project which _______ is recommended for investment.

a) Takes short Payback period

b) Takes very long payback period

c) Yields highest rate of return

d) is having longer life

235) In _____ the project which yields the highest rate of return is selected.

a) Net Present Value method b) Payback period method

c) Accounting rate of return method d) Discounted payback period

236) Under accounting rate of return method _________ is taken in to account.

a) Profit after depreciation and tax b) Profit after tax but before depreciation

c) Profit before tax but after depreciation d) Cash inflows

237) Accounting rate of Return = Average profit after tax ÷ ______ ×100

a) Average capital invested		b) Average cash inflow

c) Cumulative cash inflow		d) Net present value

238) Payback Period = Cash outflow ÷ ________

a) Annual cash inflow		b) Average cash inflow

c) Cumulative cash inflow		d) Net present value

239) As per profitability index method project is accepted when profitability Index is _____

a) Equal to or more than1		b) Only more than 1

c) Less than 1		d) only equal to 1

240) In capital budgeting decision cost and benefit of a project is measured in terms of _______

a) Accounting Profit	b) Cash inflow	c) Book Profit	d) Cash outflow

241) Profitability index is the proportion between_________

a) Present value of Cash inflow and present value of cash outflow

b) Present value of Cash inflow and total cash outflow

c) Cash inflow and total cash outflow

d) Cash inflow and average cash outflow

242) In determination of cash outflow ________

a) Increase in working capital is added

b) Increase in working capital is deducted

c) Increase in working capital is ignored

d) Deduction or Addition of increase in working capital is depend on the decision of management.

243) The method which uses accrual accounting is______

a) Payback	b) ARR	c) NPV	d) IRR

244) M. Ltd; is considering acquiring a plant. The purchase price is Rs. 12,36,100. The company believes that the net cash inflow of Rs. 3,09,025 will be generated every year. The plant will have to be replaced in eight years. The payback period is ____

a) 4 years	b) 3 years	c) 6 years `	d) 2 years

245) The difference between the present value of cash inflows and the present value of cash outflows associated with a project is known as_____

a) Average capital cost		b) Discounted capital cost

c) Net capital cost d) Net present value of the project

246) Acceptance of one proposal excludes the acceptance of another proposal is a______

a) Diversification decision b) Mutually Exclusive decision

c) Expansion Decision d) Modernization decision

247) Release of working capital at the end of the life of the project is treated as ______

a) Cash inflow b) Cash outflow

c) Change in working capital d) not considered

248) Salvage value of the machine at the end of useful life of machine increases __

a) Cash inflow in the last year b) Cash outflow in the last year

c) Not considered d) Both Cash inflow and Outflow

249) An engineering project involves an initial investment of Rs. 2,00,000 and will give an annual cash inflow Rs. 40,000 for 8 years. Find out payback period.

a) 5 years b) 6 years c) 8 years d) 4 years

250) The term average annual profit refers to _____

a) Average profit before depreciation and tax

b) Average profit after depreciation but before tax

c) Average profit after depreciation and tax till payback period

d) Average profit after depreciation and tax over the life of the project

251) Subsidy from Government is treated as _______

a) Cash inflow of the respective year b) Cash outflow of the respective year

c) Loss of the respective year d) Not considered

252) Which of the following statement is correct?

a) Capital Budgeting decision need not be taken carefully

b) Long term decision can be easily reversed

c) Capital budgeting decisions are very easy to take

d) Long term decision involve heavy risk

253) If present value of cash outflow is equal to present value of cash inflow, the net present value will be ___________

a) Positive b) Negative c) Zero d) infinite

254) Which of the following technique does not take in to account the time value of money?

a) Internal rate of return b) Simple cash payback method

c) Net present value method d) Discounted cash payback method

255) The current worth of a some money to be received at future date is called ________

a) Real Value b) Future value c) Present Value d) Salvage value