

COURSE: B.COM (PROG.)

SEMESTER: VI

PAPER: MANAGEMENT ACCOUNTING

QUESTION BANK

- 1.What is management accounting? How does management accounting differ from financial accounting?
- 2."Management accounting is the presentation of accounting information in such a way as to assist management in the creation of policy and in the day-to-day operations of an undertaking' Elucidate.
- 3."Management accounting is the best tool for the management to achieve higher profits and operation." Elucidate the statement.
4. What is the difference between relevant cost and irrelevant costs? Explain with examples.
- 5.Examine the importance of relevant costs in decision-making. Why the irrelevant cost should be ignored?
- 6."An item of cost is direct for one business may be indirect for another." Explain with suitable examples.
7. What do you understand by 'cost control' and 'cost reduction?' Which of the two is superior?
- 8.Write a short note on cost management.
9. Define CVP analysis? What are its assumptions and limitations?
10. What is P/V ratio? Explain its uses. How can it be improved?
- 11.Explain the meaning and significance of the following terms in relation to CVP analysis:
 - (a) contribution
 - (b) P/V ratio
 - (c)margin of safety

(d) angle of incidence

11. What is margin of safety? How can an unsatisfactory margin of safety be improved?
12. State briefly the effect of the following on the P/V ratio, break-even point and margin of safety:
 - (a) increase in selling price
 - (b) reduction in variable cost
 - (c) increase in fixed cost
 - (d) increase in quantity of sales
13. Give an example of how a manager can decrease variable costs while increasing the fixed costs.
14. Give an example of how a manager can increase variable costs while decreasing the fixed costs.
15. "CVP analysis is simple but unrealistic for decision-making" Do you agree? Explain.
16. How is composite break-even point computed in case of a multi-product firm? What is the underlying assumption in it?
17. What is cash break-even point? How does it help the managers in a shutdown decision?
18. What is cost-break point? How does it help in selecting a more economical method of production.
19. What is margin of safety and angle of incidence? Show these on break-even chart.
20. What is a break-even chart? State the purposes of constructing such chart?
21. What is profit-volume graph? How is it drawn?
22. Outline the steps involved in the decision making process.
23. What do you mean by relevant cost and irrelevant cost in decision taking? Explain with examples. Explain differential cost. How does it differ from marginal cost?
24. What do you mean by the term opportunity cost? What is its relevance in decision making?

25. Explain the meaning of sunk cost and out of pocket cost. Why these are considered irrelevant costs?
26. Do you agree with the statement— 'variable costs are always relevant and fixed costs are always irrelevant'?
27. 'In business decision making, both qualitative and non-qualitative factors need to be considered' —explain the statement with example.
28. What is key factor? How does it help in the selection of an optimal product mix?
29. What do you mean by cost—benefit analysis? Explain the meaning of the terms 'costs' and 'benefits' in relation to decision making.
30. What are the qualitative factors that one should consider before taking a decision regarding acceptance or rejection of special orders?
31. How the decision regarding 'make or buy' of a component is taken? What non-cost factors are normally considered in taking this decision?
32. What is the criterion for taking a decision regarding elimination of a product line? What the non-cost factors that are normally considered in taking this decision?
33. What is shut down point? How does it help in taking a decision regarding shut down or continue?
34. What are qualitative factors that should be considered before taking a decision about shut down of business?
35. Explain the concept of standard cost, estimated cost, and budgeted cost.
36. Explain briefly the significance of standard costing as a technique of cost control.
37. Explain the points of difference between standard costing and budgetary control.
38. Explain the three objectives of standard costing technique.
39. Explain the advantages and limitations of standard costing.
40. Explain the control ratios:

- (a)Efficiency ratio
- (b)Activity ratio
- (c) Capacity ratio
- (d) Calendar ratio.

41. Write notes on the following:

- a. Material usage variance
- b. Material mix variance
- c. Material price variance.

42. How the standards are set for materials and labour?

43. Explain the meaning, causes, and the persons responsible for the following variances:

- (a) Material usage variance
- (b) Material price variance.

44. Explain the meaning, causes, and the persons responsible for the following variances:

- a. Labour cost variance
- b. Labour rate variance
- c. Labour mix variance
- d. Labour idle time variance.

45. What is fixed production overhead variance? How is it computed?

46. Explain the sales price variance and sales quantity variance.

47. What do you mean by variance reporting? What are the main points of consideration in preparing this report?

48. Proper interpretation of variances from standard is very important for the success of standard costing system as a tool for cost control. Mention some important factor that must be borne in mind while interpreting variances from the standard.
49. Explain the terms 'budget', 'budgeting', and 'budgetary control' is a budgetary control system? What the pre-requisite for the of budgetary control system in an
50. Discuss advantages and limitations of budgetary control system.
51. 'What are the different kinds of budgets on the basis of capacity utilization'
52. Explain the term flexible budget, How a flexible budget is considered superior to a fixed budget"
53. Describe the different types of functional budgets.
54. Differentiate between fixed budget and flexible budget.
55. What a cash budget? What purpose does the cash budget serve for the finance organization?
56. What do you mean by zero base budgeting? What are its advantages and disadvantages?
57. Write a short note on performance budgeting.
58. Define kaizen budgeting.