Management Accounting Course for PGCBM			
End Term Examination			
Weightage	**25%**	**Duration**	**60 minutes**

Name ______________________ **Roll No**. __________________

INSTRUCTIONS

1. **It is Closed Book Examination**
2. **Answer all questions.**
3. **Students cannot use laptop.**
4. **Students cannot bring their mobiles inside exam room.**

You are not allowed to borrow book, paper, calculators, etc.

Anyone who resorts to unfair practices, as judged by the examiner, the minimum penalty will be zero in this segment of evaluation, while the maximum penalty could be expulsion from the institute. There will be no further warnings.

[Each Correct Answer: + ½ mark; Each Wrong Answer & Each No Attempt: – ¼ mark]

1) Accounting is a:
   a. Language of business.
   b. Used by investors, government, and non-profit organizations.
   c. Both (a) and (b).
   d. All of the above.
   e. No choice
   f. No choice

2) Financial Accounting information is:
   a. A summary of historical events
   b. The result obtained from inexact and appropriate measures.
   c. Enhanced by management's explanation.
   d. None of the above.
   e. No choice
   f. No choice

3) Management accounting information is irrelevant to the:
   a. Competitors.
   b. Chief Executive Officer.
   c. Chief Financial Officer.
   d. Creditor.
   e. No choice
   f. No choice

4) Which of the following you do not agree to:

a. The auditor is the chief accounting officer of a firm.
b. Book keeping involves measuring and recording business transactions.
c. Gains or losses in a series of transaction(s) is an event.
d. SEBI is the capital market regulatory authority prescribing its own compliance guidelines to firms under its jurisdiction.
e. No choice
f. No choice

5) Which of the following is an analytical aspect of the accounting profession:
a. Designing systems that provide information to decision makers.
b. Forecasting the probable results of the future operations.
c. Evaluating an organization's operational efficiency.
d. All of the above.
e. No choice
f. No choice

6) Depreciation is related to
a. Evaluating the efficiency of an asset.
b. Valuing the asset.
c. Distributing the cost of the asset over its useful life.
d. None of the above.
e. No choice
f. No choice

7) In case of depletion method, the amount of depreciation
a. Decreases every year.
b. Increases every year.
c. Remains the same every year.
d. Can't say.
e. No choice
f. No choice

8) Depletion method of depreciation is most apt for
a. Service Industry.
b. Natural Resources.
c. Good Will.
d. All of the above.
e. None of the above.
f. No choice

9) LIFO method of inventory valuation on cost basis is suitable for items that are
a. Perishable.
b. Expensive.
c. Non perishable.
d. None of the above.
e. No choice
f. No choice

10) An inventory is valued at lower of cost or 'net realisable value' because of the principle of

a. Consistency.
b. Going concern.
c. Realisation.
d. All of the above.
e. None of the above.
f. No choice

11) A person drawing a bill of exchange is known as the
   a. Writer.
   b. Drawer.
   c. Payee.
   d. None of the above.
   e. No choice
   f. No choice

12) Inventory accounts should be classified under which section of a balance sheet?
   a. Investments.
   b. Fixed Assets.
   c. Other Assets.
   d. None of the above.
   e. No choice
   f. No choice

13) Jo Jo Company wants to know the effect of the different inventory methods on its financial statements. Given below is information the about beginning inventory and purchases for the current year.

January 2 - Beginning Inventory 500 units at Rs 3.00
April 7 - Purchased 1,100 units at Rs 3.20
June 30 - Purchased 400 units at Rs 4.00
December 7 - Purchased 1,600 units at Rs 4.40

Sales during the year were 2,700 units at Rs 5.00. If Jo Jo used the first-in, first-out method, ending inventory would be:
   a. Rs 2,780.
   b. Rs 3,960.
   c. Rs 9,700.
   d. None of the above.
   e. No choice
   f. No choice

14) Continuing our discussion on the previous question. if the sales of Jo Jo Company during the year were 2,700 units at Rs 5.00 and if Jo Jo used the periodic LIFO method, cost of goods sold would be:
   a. Rs 2,780.
   b. Rs 3,960.
   c. Rs 9,700.
   d. None of the above.
   e. No choice
   f. No choice

15) [Continue from Questions 8,9 and 10] If Jo Jo Company wants to know the effect of the different inventory methods on its financial statements and Jo Jo were to use the weighted average method, then the gross profit would be:
   a. Rs 3,255.
   b. Rs 3,415.
   c. Rs 10,245.
   d. Rs 13,500.
   e. None of the above.
   f. No choice

16) An inventory pricing procedure in which the oldest costs incurred rarely have an effect on the ending inventory valuation is:
   a. FIFO.
   b. LIFO.
   c. Weighted-average.
   d. Can't say.
   e. No choice
   f. No choice

17) Bharat Company recently experienced a fire which destroyed its entire inventory. The following data has been reconstructed from the partial accounting information, and pertain to the year up to the date of the fire.
Beginning inventory - Rs 20,000
Net purchases - Rs 45,000
Sales - Rs 80,000
Gross profit rate - 40%

Using the gross profit method, estimate the amount of inventory which was destroyed in the fire.
   a. Rs 17,000.
   b. Rs 33,000.
   c. Rs 48,000.
   d. Rs 65,000.
   e. No choice
   f. No choice

18) Bheesma Department Store's beginning inventory cost was Rs 1,40,000 and it was retailed for Rs 2,80,000. Purchases for the period amounted to Rs 3,90,000 and were priced to sell at twice that amount. Sales for the period, all at normal retail, were Rs 6,00,000. How much is the cost of Bheesma's estimated ending inventory?
   a. Rs 115,000.
   b. Rs 150,000.
   c. Rs 230,000.
   d. Rs 300,000.
   e. No choice
   f. No choice

19) An error in determining the year-end inventory will cause a misstatement of:
   a. cost of goods sold.
   b. gross profit.

c. net income.
d. all of the above.
e. none of the above.
f. No choice

20) In 2019, an equipment owner sold a front end loader for Rs 75,000. The loader had a initial book value of Rs 1,00,000 and accumulated depreciation of Rs 70,000. What is the accounting gain/loss on the sale of the loader?
a. Rs 25,000.
b. Rs 30,000.
c. Rs 75,000.
d. Rs 45,000.
e. No choice
f. No choice

21) What is the purpose of providing depreciation for fixed assets in accounts?
a. To manipulate the profit.
b. To allocate the cost of fixed assets to the periods expected to benefit from their use.
c. To build up funds to replace fixed assets as they become fully depreciated.
d. To record the losses due to decreases in market values.
e. No choice
f. No choice

22) Monaco Ltd. purchased a motor vehicle for Rs 3,00,000 on April 1, 2013. The residual value of the motor vehicle is Rs 30,000 and its estimated life is six years. What is the net book value of the motor vehicle at the end of March 31, 2015, after recording depreciation for the year using the straight-line method?
a. Rs 210,000.
b. Rs 180,000.
c. Rs 165,000.
d. Rs 135,000.
e. No choice
f. No choice

23) Financial ratios help to identify some of the financial strengths and weaknesses of a company. What are the two ways that the ratios provide for making meaningful comparisons of a firm's financial data?
a. The current ratio and the acid-test ratio.
b. How long it takes to collect the firm's receivables and how long it takes to pay its accounts payables.
c. The return on assets versus the return on equity.
d. Examining ratios across time to identify trends and comparing the firm's ratios with those of other firms.
e. No choice
f. No choice

24) The taxable income for a company is based on:
a. Gross income less dividends.
b. Gross income less the cost of producing the product.
c. Gross income less tax-deductible expenses.
d. Gross income less depreciation expenses.

e. No choice
f. No choice

25) Which of the following is NOT one of the questions used as a map in analysing financial ratios?
a. How liquid is the firm?
b. Is management generating adequate operating profits on the firm's assets?
c. How much should the firm invest in new equipment next year?
d. How is the firm financing its assets?
e. Are the owners (stockholders) receiving an adequate return on their investment?
f. No choice
g. No choice

26) The short-term solvency ratios examine how quickly a firm's assets can be converted into cash. The quick ratio is computed by what formula?
a. Current assets/Current liabilities.
b. (Current assets – Cash)/Current liabilities.
c. (Current assets – Inventories)/Current liabilities.
d. (Current assets – accounts receivable)/(Current liabilities – cash).
e. No choice
f. No choice

27) Which of the following is NOT included in the calculation of the quick ratio?
a. Accounts receivable
b. Fixed assets
c. Accounts payable
d. Cash
e. No choice
f. No choice

28) Which of the following is not affected by how a firm is financed, whether with debt or equity?
a. Balance sheet.
b. Income statement.
c. Operating income.
d. Net income.
e. No choice
f. No choice

29) Which financial statement measures the amount of profits generated by a firm over a given period of time?
a. Statement of cash flow.
b. Balance sheet.
c. Income statement, or profit and loss statement.
d. Operating income statement.
e. No choice
f. No choice

30) The debt ratio indicates how much debt is used to finance a firm's assets and provides an indication of how a firm is financed. What is the formula for calculating the debt ratio?
a. Long-term debt/Total assets.

b. Total debt/Total assets.
c. Total debt/Shareholders' equity.
d. None of the above.
e. No choice
f. No choice

31) The DuPont analysis is an approach to evaluate a firm's profitability and return on equity. What is the correct formula for calculating the DuPont equation?
a. Return on equity = Net profit margin x Asset utilisation ratio x Equity Multiplier.
b. Return on equity = Net profit margin x (1 <-> Total debt) Total assets.
c. Return on equity = Operating profit margin X Total asset turnover.
d. None of the above.
e. No choice
f. No choice

32) Which of the following would increase cash flows from financing? An increase in:
a. Dividends.
b. Short-term notes.
c. Interest expense.
d. Operating income.
e. No choice
f. No choice

33) Which of the following is a hybrid security?
a. Common equity shares.
b. Secured Loan.
c. Unsecured Loan.
d. Convertible Debentures.
e. None of the above.
f. No choice

34) Registered debentures have the characteristic of
a. Priority in repayment.
b. Convertibility into equity shares.
c. Convertibility into preference shares.
d. Transferability upon execution of proper transfer deed.
e. No choice
f. No choice

35) Preference shares have preference over equity shares with regards to
a. Payment of dividend.
b. Repayment of capital.
c. Both of the above.
d. None of the above.
e. No choice
f. No choice

36) Which of the following statements is TRUE?
a. Companies can only issue ordinary shares.

b. Companies can only issue preference shares.
c. The holders of the shares in a company have a limited liability.
d. The holders of shares in a company are liable for all debts of the company.
e. None of the above.
f. No choice

37) Shares are issued at a premium to ensure:
   a. That the company can buy more assets.
   b. Equity between old and new shareholders.
   c. Shares trade on the stock market at a higher price.
   d. Existing shareholders cannot afford to buy them.
   e. No choice
   f. No choice

38) The capital and reserves of a company represent:
   a. Profits for the year.
   b. Net assets.
   c. Unrealised profits.
   d. Fixed assets less long-term liabilities.
   e. No choice
   f. No choice

39) Reserves of a company:
   a. are funds which can be distributed to shareholders in the form of dividends.
   b. are cash in the bank available for the company to spend.
   c. are funds set aside for the purchase of new assets.
   d. consist of capital and revenue reserves.
   e. No choice
   f. No choice

40) Corporations share their wealth with stockholders through dividends. To pay a dividend, the corporation:
   a. must have enough cash to pay the dividend.
   b. must have enough retained earnings to declare the dividend and it must have enough cash to pay the dividend.
   c. must have enough retained earnings to declare the dividend.
   d. must have sufficient paid-in capital to declare the dividend.
   e. No choice
   f. No choice

41) Which of the following is a disadvantage of operating a business as a company?
   a. No mutual agency of shareholders.
   b. Government regulation.
   c. Ability to raise substantial amounts of capital.
   d. Continuous life.
   e. No choice
   f. No choice

42) The need to provide for accruals and prepayments in the financial accounting system arises from the:
   a. Duality concept.

b. Prudence concept.
c. Matching concept.
d. Going concern concept.
e. No choice
f. No choice

43) Which of the following is NOT true?
a. An accrual is a liability; a prepayment is an asset.
b. An accrual is a current liability; a prepayment is a current asset.
c. An accrual is a liability; a prepayment is a fixed asset.
d. An accrual is an amount owing at the end of a period; a prepayment is an amount paid in advance.
e. No choice
f. No choice

44) An accrual is:
a. An expense relating to the current year but not paid in the current year.
b. An expense relating to next year and already paid in the current year.
c. An expense relating to the current year and paid within the current year.
d. None of the above.
e. No choice
f. No choice

45) A balance sheet is best described as:
a. a summary of what happened last year.
b. a summary of all assets, expenses, liabilities and revenues.
c. a listing of money received and paid during the past year.
d. a summary of the position of an organisation.
e. No choice
f. No choice

46) An asset is:
a. an expense that will recur in more than one year.
b. something that will last for more than one year.
c. something giving control of future benefits.
d. the obligation to transfer benefits as a result of past transactions.
e. No choice
f. No choice

47) The balance sheet equation is:
a. A - C = L.
b. L + C = A.
c. A - L = C.
d. None of the above.
e. No choice
f. No choice

48) If sales are Rs 80,000, cost of sales is Rs 55,000, selling expenses are Rs 20,000 and administration expenses are Rs 16,000, the net result will be:

a. a profit of Rs 21,000.
b. a profit of Rs 11,000.
c. a loss of Rs 21,000.
d. a loss of Rs 11,000.
e. No choice
f. No choice

49) The prudence idea states that, where uncertainty results in a choice of accounting treatments, we can obtain the most reliable accounting by choosing the one that:
a. results in the lowest profit or valuation.
b. best matches costs and benefits in the profit and loss account.
c. values assets at what they originally cost.
d. most objectively measures the item in money terms.
e. No choice
f. No choice

50) Given fixed assets of Rs 40,000, current assets of Rs 12,000, current liabilities of Rs 5,000 and a long-term loan of Rs 10,000, owners' equity will be:
a. Rs 57,000.
b. Rs 47,000.
c. Rs 67,000.
d. Rs 37,000.
e. No choice
f. No choice