



SREENIVASA INSTITUTE of TECHNOLOGY and MANAGEMENT STUDIES
(AUTONOMOUS)

DEPARTMENT OF MANAGEMENT STUDIES
COST AND MANAGEMENT ACCOUNTING

QUESTION BANK

II MBA / I- SEMESTER

REGULATION: R22



COST AND MANAGEMENT ACCOUNTING

COMPILED BY

FACULTY INCHARGE :

G.S. SHOBHA

ASSISTANT PROFESSOR

PROGRAMME :

MBA

22MBA233A COST AND MANAGEMENT ACCOUNTING

Course Educational Objectives (CEOs):

CEO1: To provide knowledge on Cost and management Accounting, Apportionment of Overheads and calculation of Machine Hour Rate.

CEO2: To develop skills for the application of costing for specific industries

CEO3: To give an elaborate view on marginal costing and its importance in managerial decisions

CEO4: To understand the application of break-even analysis to solve various business problems

CEO5: To make the students understand about the various budgets and Evaluation of various variances using variance analysis.

UNIT-I: Introduction to Cost and Management Accounting

Management Accounting vs. Cost Accounting vs. Financial Accounting – Role of Accounting Information in Planning and Control – Cost Concepts and Managerial Use of Classification of Costs – Direct and Indirect Expenses – Allocation and Apportionment of Overheads – Calculation of Machine Hour Rate.

UNIT-II: Costing for Specific Industries

UNIT Costing – Job Costing – Cost sheet – Tender and process costing and their variants – Treatment of Normal Losses and Abnormal Losses – Inter – Process Profits – Costing for By products and Equivalent Production.

UNIT-III: Managerial Costing

Introduction, Application of Marginal Costing in Terms of Cost Control – Profit Planning – Closing Down a Plant – Dropping a product line – Fixation of Selling Price – Make or Buy Decisions – Key or Limiting Factor – Selection of Suitable Product Mix – Desired Level of Profits – Closing Down or Suspending Activities.

UNIT-IV: Break – Even Analysis (BEA)

Concept of cost volume – profit relationship – Mechanics of BEA – Determination of Break Even Point (BEP) – Break Even – Graph – Assumptions of BEP – Importance – Margin of Safety – Angle of Incidence – Application of BEP for various Business Problems.

UNIT-V: Budgetary Control and analysis of Variance

Budget – Budgetary Control – steps in Budgetary Control – Flexible Budget – Different types of Budget, Sales Budget, Cash Budget, Production Budget, Master Budget, Zero Based Budgeting, Analysis of Variance – Standard Cost – Standard Costing – Material Variance – Labor variance – Sales Variance.

Course Outcomes:

On successful completion of the course the student will be able to		POs related to COs
CO1	Understand the concept of cost and Management Accounting, Apportionment of Overheads and calculation of Machine Hour Rate	PO1, PO8, PSO1
CO2	Apply the knowledge on application of costing methods for specific industries.	PO1, PO2, PO5, PO8, PSO1, PSO2
CO3	Demonstrate the importance of marginal costing in managerial decisions in manufacturing enterprises.	PO1, PO2, PO5, PO8, PSO1, PSO2
CO4	Apply the knowledge of break-even analysis to solve the various business problems.	PO1, PO2, PO5, PO8, PSO1, PSO2
CO5	Develop the various budgets and Evaluate the material, labour and sales variances using variance analysis.	PO1, PO2, PO5, PO8, PSO1, PSO2



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Cost and Management Accounting (22MBA233A

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Question No.	Questions	PO Attainment
UNIT - 1: INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING		
PART-A (Two Marks Questions)		
1	What is cost?	P01
2	What is cost accounting?	P01
3	Explain the financial accounting.	P01
4	Explain the management accounting.	P01
5	Write short notes on objectives of cost accounting.	P01
6	Write short notes on cost accounting Vs management accounting.	P01
7	Write short notes on cost accounting Vs cost accounting.	P01
8	What is cost centre?	P01
9	Distinguish between direct and indirect costs.	P01
10	Write a note on committed cost Vs discretionary cost.	P01
11	Distinguish between product cost and period costs.	P01
12	Write a note on controllable and non-controllable costs.	P01
13	Distinguish between fixed and variable costs.	P01
14	Distinguish between historical cost and pre-determined costs.	P01
15	Differentiate between normal cost and abnormal costs.	P01
16	Explain the concept of apportionment.	P01, P08
17	What is machine hour rate?	P01
18	What are the elements of cost?	P01
19	What are the various classifications of cost?	P01
20	Distinguish between allocation and apportionment.	P01
PART-B (Ten Marks Questions)		
1	What is cost accounting? Discuss briefly its objectives and advantages.	P01
2	State and explain the main differences between cost accounting and financial accounting.	P01



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22MBA233A

QUESTION BANK

Cost and Management Accounting (10 Marks)

3	"A good system of costing serves as a means of control over expenditure and helps to secure economy in manufacture". Discuss.	P01
4	What are the functions of a cost accountant in an industrial organization?	P01
5	State and explain the main differences between cost accounting and management accounting.	P01
6	What are the various classifications of cost? Explain.	P01
7	List out the different methods of costing and explain their practical application.	P01
8	Distinguish between allocation, apportionment and absorption of overhead.	P01
9	Discuss the procedure involved in the calculation of machine hour rate.	P01
10	What is apportionment? Discuss the various bases for apportionment of costs.	P01

UNIT - 2: COSTING FOR SPECIFIC INDUSTRIES

PART-A (Two Marks Questions)

1	What is unit or output costing?	P01, P02
2	What is a cost sheet?	P01, P02
3	Explain the treatment of cost in cost sheet.	P01, P02
4	Explain the purpose of cost sheet.	P01, P02
5	What is prime cost?	P01, P02
6	What is works cost?	P01, P02
7	What is cost of sales?	P01, P02
8	What is Cost of production?	P01, P02
9	Explain job costing.	P01, P02
10	What are the main features of job costing?	P01, P02
11	What are the advantages of job costing?	P01, P02
12	What is job cost sheet?	P01, P02
13	What do you mean by normal loss?	P01, P02
14	What is process costing?	P01, P02
15	Explain the accounting treatment of abnormal loss.	P01, P02
16	Explain the accounting treatment of abnormal gain,	P01, P02
17	What is equivalent production?	P01, P02
18	What is meant by inter-process profits?	P01, P02
19	Describe the features of process costing.	P01, P02
20	What is work-in-process?	P01, P02

PART-B (Ten Marks Questions)

1	What is output costing? In what industries it is used?	P01, P02
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22MBA233A

QUESTION BANK

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2	What is a cost sheet? Explain the purposes served by it.	P01, P02
3	Write a note on job costing and the industries which adopt job costing.	P01, P02
4	What are the main features of job costing? Give a proforma cost sheet under such a system.	P01, P02
5	What is a job cost sheet? What kind of data generally appear on job cost sheet?	P01, P02
6	Explain job costing. What are its advantages?	P01, P02
7	What are the basic differences between job order and process cost system?	P01, P02
8	Describe the general features of process costing. In what type of industries is process costing generally adopted?	P01, P02, P05
9	What do you mean by abnormal gain? How will you treat the same in process costing?	P01, P02
10	What is equivalent production? How is it computed?	P01, P02, P08

UNIT - 3: MARGINAL COSTING

PART-A (Two Marks Questions)

1	Explain the concept of marginal costing?	P01
2	Discuss the limitations of marginal costing.	P01
3	Write a note on advantages of marginal costing.	P01, P02
4	Distinguish between product cost and period cost.	P01, P02
5	What are the characteristics of marginal costing?	P01, P02
6	Distinguish between absorption and marginal costing.	P01, P02
7	Write a note on disadvantages of marginal costing.	P01, P02
8	Explain the concept of make or buy decision.	P01, P02
9	What is key or limiting factor?	P01, P02
10	How can you fix the selling price under marginal costing?	P01, P02

PART-B (Ten Marks Questions)

1	What do you mean by marginal costing? Discuss its usefulness and limitations.	P01, P02
2	Distinguish between marginal costing and absorption costing.	P01, P02
3	Explain the concept of marginal costing. Describe the characteristics and limitations of marginal costing.	P01, P02
4	Define marginal costing. Explain its managerial uses.	P01, P02
5	Explain the procedure of profit planning under marginal costing.	P01, P02, P05, P08

UNIT - 4: BREAK-EVEN ANALYSIS (BEA)

PART-A (Two Marks Questions)

1	What do understand by contribution?	P01, P02
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22MBA233A

QUESTION BANK

Cost and Management Accounting

2	What is cost-volume-profit analysis?	P01, P02
3	Explain the concept of break even analysis.	P01, P02
4	What is break even point?	P01, P02
5	What is P/V ratio?	P01, P02
6	What do understand by break even chart?	P01, P02
7	Write assumptions under break even analysis.	P01, P02
8	What is marginal cost?	P01, P02
9	Explain the concept of margin of safety.	P01, P02
10	What are the advantages of break even analysis?	P01, P02

PART-B (Ten Marks Questions)

1	What do you understand by contribution? How is it related to profit?	P01, P02
2	Explain the significance and objective of a break even chart and state the factors which would cause the break even point to change.	P01, P02
3	What are the uses of CVP analysis? Discuss the various ways of presenting relationship.	P01, P02, P05, P08
4	What do you understand by break even analysis? Explain its uses.	P01, P02, P08
5	Discuss the assumptions of break even analysis.	P01, P02

UNIT - 5: BUDGETARY CONTROL AND ANALYSIS OF VARIANCE

PART-A (Two Marks Questions)

1	What is budgetary control?	P01, P02
2	What are the objectives of budgetary control?	P01, P02
3	Write a note on advantages of budgetary control.	P01, P02
4	What are the limitations of budgetary control?	P01, P02
5	What are the important essentials of effective budgeting?	P01, P02
6	List out the various types of budgets.	P01, P02
7	How can you prepare production budget?	P01, P02
8	What is cash budget?	P01, P02
9	What is production cost budget?	P01, P02
10	What is purchases budget?	P01, P02
11	Explain the concept of flexible budget?	P01, P02
12	What is master budget?	P01, P02
13	What is raw materials budget?	P01, P02
14	Explain the concept of zero based budget.	P01, P02
15	Explain the concept of standard labour.	P01, P02
16	What is variance analysis?	P01, P02
17	Explain the concept of materials variance.	P01, P02
18	Write a note on sales variance.	P01, P02



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19	Explain the concept of labour variance.	P01, P02
20	Define standard costing.	P01, P02
PART-B (Ten Marks Questions)		
1	Define standard costing. In what type of industries is standard costing employed?	P01, P02
2	Discuss the advantages and limitations of standard costing.	P01, P02
3	Distinguish between standard costing and budgetary control.	P01, P02
4	What is the significance of the term variance? Define and explain what do you understand by the following:(a)Material Variances (b) Labour Variances (c) Sales Variances	P01, P02
5	Define budget and budgetary control. State the advantages of budgetary control in an organisation.	P01, P02
6	Define budgetary control. State its objectives. Explain the process by which the various budgets are prepared.	P01, P02, P08
7	What do you think are the essentials of an effective budgetary control system?	P01, P02, P05, P08
8	What is flexible budget? How is it prepared?	P01, P02
9	What is master budget? How is it prepared?	P01, P02
10	What is zero base budgeting? What are the advantages of zero base approach over traditional approach?	P01, P02

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