

101 – Managerial Accounting

1. Which form of business organization is characterized by limited liability for its owners?

- a. Sole Proprietorship
- b. Partnership
- c. Corporation
- d. Limited Liability Company (LLC)

Answer: c. Corporation

2. What does the fundamental accounting equation represent?

- a. Assets = Liabilities
- b. Assets + Liabilities = Owner's Equity
- c. Assets + Owner's Equity = Liabilities
- d. Liabilities = Owner's Equity

Answer: b. Assets + Liabilities = Owner's Equity

3. Revenue Expenditure is incurred for:

- a. Acquiring fixed assets
- b. Day-to-day operating activities
- c. Long-term investments
- d. Paying off long-term debts

Answer: b. Day-to-day operating activities

4. Who are the primary users of accounting information?

- a. Government agencies
- b. Investors and creditors
- c. Employees
- d. All of the above

Answer: d. All of the above

6. Which accounting concept assumes that a business will continue its operations indefinitely?

- a. Going Concern Concept
- b. Matching Concept
- c. Consistency Concept
- d. Prudence Concept

Answer: a. Going Concern Concept

7. What is the purpose of a Trial Balance?

- a. To identify errors in accounting records
- b. To prepare financial statements
- c. To ensure compliance with accounting principles
- d. All of the above

Answer: d. All of the above

8. What is the main objective of financial statements?

- a. To provide information about the economic resources of a business
- b. To assist in decision-making by external users
- c. To show the financial performance of a business
- d. All of the above

Answer: d. All of the above

9. Which financial statement shows the financial position of a business at a specific point in time?

- a. Income Statement
- b. Balance Sheet
- c. Cash Flow Statement

d. Statement of Changes in Equity

Answer: b. Balance Sheet

10. What is the purpose of preparing final accounts for a sole proprietary firm?

- a. To determine the tax liability
- b. To calculate the owner's equity
- c. To assess the profitability of the business
- d. All of the above

Answer: d. All of the above

11. Which of the following is an example of a revenue account in the final accounts?

- a. Buildings
- b. Sales
- c. Capital
- d. Long-term debt

Answer: b. Sales

12. In final accounts, the excess of revenue over expenses is known as:

- a. Profit
- b. Loss
- c. Dividend
- d. Capital

Answer: a. Profit

13. What is the purpose of the Statement of Changes in Equity?

- a. To show the changes in the owner's personal assets
- b. To explain the reasons for changes in equity during a period

- c. To reconcile differences between the income statement and balance sheet
- d. To list all the transactions during a specific period

Answer: b. To explain the reasons for changes in equity during a period

14. Which of the following is an example of a fixed cost?

- a. Direct materials
- b. Rent for factory premises
- c. Cost of raw materials
- d. Direct labor

Answer: b. Rent for factory premises

15. What is the primary objective of cost accounting?

- a. To maximize profits
- b. To control costs
- c. To provide information for decision-making
- d. All of the above

Answer: c. To provide information for decision-making

16. What is a cost centre?

- a. A department or segment of a business to which costs can be attributed
- b. The total cost incurred by a business
- c. The cost of producing one unit of a product
- d. The total cost of all fixed assets

Answer: a. A department or segment of a business to which costs can be attributed

17. Which of the following is a variable cost?

- a. Depreciation

- b. Direct labor
- c. Rent
- d. Salaries of top management

Answer: b. Direct labor

18. Differential cost is also known as:

- a. Incremental cost
- b. Sunk cost
- c. Opportunity cost
- d. Fixed cost

Answer: a. Incremental cost

19. What is a sunk cost?

- a. A cost that can be changed by current decisions
- b. A cost that has already been incurred and cannot be recovered
- c. A cost that varies with the level of production
- d. A future cost that can be anticipated with reasonable accuracy

Answer: b. A cost that has already been incurred and cannot be recovered

20. What is the opportunity cost?

- a. The cost of the next best alternative forgone
- b. The cost of producing an additional unit
- c. The cost incurred to repair a machine
- d. The cost of raw materials

Answer: a. The cost of the next best alternative forgone

21. Which of the following is considered a prime cost?

- a. Direct materials
- b. Direct labor

- c. Factory rent
- d. Administrative salaries

Answer: a. Direct materials

22. What does a Cost Sheet primarily focus on?

- a. Fixed costs
- b. Variable costs
- c. Total costs
- d. All of the above

Answer: d. All of the above