## **Module 5. Management Accounting**

## **QUESTION BANK**

## **Objective Questions on Management Accounting**

1. Define management accounting.
2. What are the key differences between financial accounting and management accounting?
3. Explain the concept of standard costing and its benefits.
4. What is a flexible budget? How is it different from a static budget?
5. Describe the concept of variance analysis and its importance in cost control.
6. What is the contribution margin? How is it calculated?
7. What is the break-even point? How can it be calculated?
8. Explain the concept of capital budgeting and its techniques.

## **Subjective Questions on Management Accounting**

1. Discuss the ethical considerations in management accounting.
2. How can management accounting information be used to improve decision-making in a service industry?
3. Evaluate the role of technology in modern management accounting practices.
4. Discuss the role of management accounting in strategic planning.
5. Compare and contrast the advantages and disadvantages of different costing methods (e.g., absorption costing, variable costing).
6. Analyze the impact of inflation on management accounting decisions.

## **Objective Questions on Tools and Techniques of Management Accounting**

### **True or False Statements:**

1. Cost-volume-profit analysis is a tool used to determine the break-even point of a business.
2. Variance analysis is a technique used to compare actual results with budgeted or standard performance.
3. The payback period method considers the time value of money.
4. Activity-based costing (ABC) allocates overhead costs based on the activities that consume those costs.
5. The discounted cash flow method is used to determine the net present value of future cash flows.

### **Multiple Choice Questions:**

1. Which of the following is a technique used to evaluate the profitability of different products or divisions?  
   * A. Variance analysis
   * B. Cost-volume-profit analysis
   * C. Activity-based costing
   * D. Contribution margin analysis
2. What is the term for the difference between the actual cost and the standard cost of a product or service?  
   * A. Variance
   * B. Margin
   * C. Markup
   * D. Overhead
3. Which of the following is a non-financial performance measure?  
   * A. Return on investment (ROI)
   * B. Profit margin
   * C. Market share
   * D. Net present value (NPV)
4. What is the term for the rate at which a company must sell its products or services to cover its total costs?  
   * A. Break-even point
   * B. Contribution margin
   * C. Margin of safety
   * D. Fixed cost

## **Subjective Questions on Tools and Techniques of Management Accounting**

### **Short Answer Questions:**

1. Explain the concept of cost-volume-profit analysis and its uses in management decision-making.
2. What is variance analysis? Discuss its importance in controlling costs and improving performance.
3. Describe the steps involved in performing a payback period analysis.
4. What are the key differences between traditional costing and activity-based costing?
5. Explain the concept of discounted cash flow and its application in capital budgeting decisions.

### **Essay Questions:**

1. Discuss the various tools and techniques used in management accounting to evaluate the performance of a business.
2. Analyse the advantages and disadvantages of different capital budgeting techniques.
3. Explain how activity-based costing can provide more accurate product costs than traditional costing methods.
4. Discuss the role of management accounting in strategic decision-making.