

# Question Paper

## Management Control and Information Systems-II (MB282): July 2008

- Answer all 86 questions.
- Marks are indicated against each question.

Total Marks : 100

1. Which of the following statements is **not true** regarding financial audit? [<Answer>](#)
- (a) Financial audit relies primarily on standards, set externally by professional standards groups
  - (b) Standards used in financial audit are essentially the same from audit to audit
  - (c) Financial audit's focus is on exceeding standards, set internally or by industry competitors
  - (d) Financial audit procedures are formalized and consistent from company to company
  - (e) Financial audit focuses on measures that affect only financial performance. ( 1 mark) [<Answer>](#)
2. Which of the following denotes target cost? [<Answer>](#)
- (a) Expected market price – Desired profit margin
  - (b) Standard selling price – Standard profit margin
  - (c) Standard selling price – Target profit margin
  - (d) Desired selling price – Desired profit margin
  - (e) Market price – Return on Investment (ROI). ( 1 mark) [<Answer>](#)
3. Which of the following may work as improvement trigger point(s)? [<Answer>](#)
- I. Regulatory changes.
  - II. Emergence of new competitor.
  - III. Significant changes in customer preferences.
  - IV. New leadership.
- (a) Only (I) above
  - (b) Only (II) above
  - (c) Both (I) and (II) above
  - (d) Both (II) and (III) above
  - (e) All (I), (II), (III) and (IV) above. ( 1 mark) [<Answer>](#)
4. Which of the following statements is **false** with respect to 'Continuous Process Improvement'?
- (a) Continuous Process Improvement is the philosophy of doing business in such a way that every member of the organization is encouraged to continuously strive to serve the customer more efficiently
  - (b) Continuous modification is done in all the processes, procedures and task content to achieve complete customer satisfaction as well as to reduce costs
  - (c) Efforts are also made to increase product quality while maintaining the schedules
  - (d) Innovation and continuous process improvement use the same approach to gain market share
  - (e) There are three methods of continuous process improvement, namely: target costing, benchmarking and benchtrending and process quality teaming. ( 1 mark) [<Answer>](#)
5. Which of the following is/are the advantage(s) of focus groups? [<Answer>](#)
- I. Allow for collection of more data than interviews, in a shorter period of time.
  - II. Group interaction may stimulate new insights.
  - III. Provide consistency in data gathering.
  - IV. Provide more flexibility than surveys.
- (a) Only (I) above
  - (b) Both (I) and (II) above
  - (c) Both (I) and (IV) above
  - (d) (I), (II) and (III) above
  - (e) All (I), (II), (III) and (IV) above. ( 1 mark) [<Answer>](#)
6. Which of the following is/are **not** the critical indicator(s) in case of a dairy plant? [<Answer>](#)
- I. Capacity utilization.
  - II. Transport cost per liter of milk procured.
  - III. Average daily procurement.
  - IV. Number of suppliers of milk. ( 1 mark)

- (a) Only (I) above
- (b) Only (IV) above
- (c) Both (I) and (II) above
- (d) Both (II) and (III) above
- (e) All (I), (II), (III) and (IV) above.

7. Which of the following statements is **false** regarding phantom stock plans?

[<Answer>](#)

- (a) The phantom stock plan is a right to buy a number of shares of stock at a future date
- (b) The phantom stock plan awards managers a number of shares for book keeping purposes only
- (c) At the end of a specified period the manager is entitled to receive an award equal to the appreciation in the market value of the stock
- (d) Phantom stock plan has no transaction cost
- (e) Phantom stock plan doesn't involve the risk of interest costs associated with holding of the stock.

( 1 mark)

[<Answer>](#)

8. Which of the following is/are the advantage(s) of unstructured interviews?

- I. Inexpensive and consistent means of gathering and aggregating large amounts of data.
- II. Allows researchers to "get inside the heads" of informants.
- III. Stimulate new insights through group interactions.
- IV. It may produce insights that would be overlooked with surveys or questionnaire.

- (a) Only (I) above
- (b) Both (II) and (III) above
- (c) Both (II) and (IV) above
- (d) (I), (II) and (III) above
- (e) All (I), (II), (III) and (IV) above.

( 1 mark)

[<Answer>](#)

9. Three time estimates are usually employed under the Program Evaluation and Review Technique (PERT) in order to arrive at a most reliable estimate of time. Which of the following is the shortest time possible if everything goes perfectly with no complications?

- (a) The optimistic time
- (b) The pessimistic time
- (c) The most likely time
- (d) The most unlikely time
- (e) The most preferred time.

( 1 mark)

[<Answer>](#)

10. In a project, which of the following occurs when actual costs exceed budgeted costs?

- (a) Budget overrun
- (b) Budget slack
- (c) Budget variance
- (d) Project deviation
- (e) Project float.

( 1 mark)

[<Answer>](#)

11. Which of the following statement(s) is/are **true** regarding tight control?

- I. Tight control tends to prevent managers from becoming inefficient.
- II. Tight control motivates the managers to be profit conscious.
- III. Tight control leads to good relations with the superiors and with peers.
- IV. Tight control leads to high employee turnover.

- (a) Only (I) above
- (b) Only (II) above
- (c) Both (III) and (IV) above
- (d) (I), (II) and (IV) above
- (e) All (I), (II), (III) and (IV) above.

( 1 mark)

[<Answer>](#)

12. Which of the following is/are the limitation(s) of variance analysis?

- I. Variance analysis identifies the occurrence of variance, but it does not tell why the variance had occurred.
- II. Managers should be careful in deciding what variances are significant.
- III. As the performance reports become more highly aggregated, offsetting variance might mislead the reader.

- (a) Only (I) above
- (b) Only (II) above
- (c) Both (I) and (II) above

( 1 mark)

- (c) Both (I) and (II) above
- (d) Both (I) and (III) above
- (e) All (I), (II) and (III) above.

13. Why does management conduct variance analysis?

[<Answer>](#)

- I. To identify the key causal factors that are likely to affect the profits.
- II. To breakdown the overall profit variances according to the key causal factors.
- III. To calculate return on investment.
- IV. To focus on the profit impact of variation for each key causal factor.

- (a) Only (I) above
- (b) Only (II) above
- (c) Both (III) and (IV) above
- (d) (I), (II) and (IV) above
- (e) All (I), (II), (III) and (IV) above.

( 1 mark)

[<Answer>](#)

14. In full-cost system, the full-cost comprises of

- (a) Cost of raw material and utilities only
- (b) Cost of working capital advance and raw material only
- (c) Variable costs and an allocation of fixed costs
- (d) Labor costs and production costs
- (e) Internal costs and external costs.

( 1 mark)

[<Answer>](#)

15. There are several techniques of research by direct observation. In which of the following techniques of direct observation, the interviewer watches the interaction of a group without getting directly involved?

- (a) Participant observation
- (b) Field observation
- (c) Trace data
- (d) Archival data
- (e) Action planning.

( 1 mark)

[<Answer>](#)

16. Which of the following information systems includes the market intelligence system which provides information about changing patterns of consumer preferences and performance of various competing brands in terms of market share?

- (a) External information system
- (b) Continuing information system
- (c) Systematic information system
- (d) Internal information system
- (e) Exceptional information system.

( 1 mark)

[<Answer>](#)

17. Which of the following statement(s) is/are **true** in respect of agency theory?

- I. A relationship arises in a firm when one party namely 'the principal' hires another party namely 'the agent'.
- II. In an organizational context, shareholders are considered to be the principal and the Chief Executive Officer (CEO) is their agent.
- III. At the lower level, the CEO is the principal and the managers of specific business units are agents.

- (a) Only (I) above
- (b) Only (II) above
- (c) Both (I) and (II) above
- (d) Both (II) and (III) above
- (e) All (I), (II) and (III) above.

( 1 mark)

[<Answer>](#)

18. Which of the following technique(s) of data gathering is/are highly flexible?

- I. Interviews.
- II. Focus groups.
- III. Direct observation.
- IV. Questionnaire.

- (a) Only (I) above
- (b) Only (II) above
- (c) Both (II) and (III) above
- (d) Both (III) and (IV) above
- (e) Both (II) and (IV) above.

( 1 mark)

<Answer>

19. Which of the following statement(s) is/are **true** about the set percentage of profits method used to calculate the total bonus pool?

- I. A set percentage of profit is a simple method to calculate total bonus pool.
- II. A set percentage of profits method does not give a true picture of additional investments.
- III. Set percentage of profits method is not always acceptable because a company will have to pay bonus even if the profits are low.

- (a) Only (I) above
- (b) Only (III) above
- (c) Both (I) and (II) above
- (d) Both (II) and (III) above
- (e) All (I), (II) and (III) above.

( 1 mark)

<Answer>

20. Research methods are of various types, ranging from the highly rigid to the highly flexible. Which of the following variable(s) need to be taken into consideration in determining the method of research to be used?

- I. Type of data being gathered.
- II. The number of people from whom responses must be obtained.
- III. The resources available for completing the research.
- IV. Government regulations.

- (a) Only (I) above
- (b) Both (I) and (II) above
- (c) Both (I) and (III) above
- (d) (I), (II) and (III) above
- (e) All (I), (II), (III) and (IV) above.

( 1 mark)

<Answer>

21. Which of the following statement(s) is/are **false** regarding the design considerations of 'Management Information System' (MIS)?

- I. Reports, summaries and feedback about the impact of various decisions flow from the bottom to the top, while decisions and instructions flow from the top to the bottom.
- II. It is always possible for managers to collect information on all possible aspects of a situation before making a decision.
- III. Manager has to determine whether the costs incurred in collecting, processing and accessing data are commensurate with decision making.

- (a) Only (I) above
- (b) Only (II) above
- (c) Both (I) and (II) above
- (d) Both (II) and (III) above
- (e) All (I), (II) and (III) above.

( 1 mark)

<Answer>

22. Which of the following is/are **not** the classification(s) of information based on the level at which they are used?

- I. Strategic information.
- II. Tactical information.
- III. Operational information.
- IV. Functional information.

- (a) Only (I) above
- (b) Only (IV) above
- (c) Both (II) and (III) above
- (d) Both (II) and (IV) above
- (e) All (I), (II), (III) and (IV) above.

( 1 mark)

<Answer>

23. Management Information System (MIS) need **not** provide information to a marketing manager relating to the

- (a) Areas where the sales have dropped
- (b) Products for which the sales are increasing in a particular territory
- (c) Different raw materials procured from different vendors
- (d) Best/worst performing salesperson
- (e) Product likely to enter "maturity" stage in the product life cycle.

( 1 mark)

24. Which of the following statement(s) is/are **true**?

[<Answer>](#)

- I. The middle management of a business organization is involved in tactical activities.
- II. Tactical information is collected from internal as well as external sources.
- III. Strategic planning is based on tactical planning.

- (a) Only (II) above
- (b) Both (I) and (II) above
- (c) Both (II) and (III) above
- (d) Both (I) and (III) above
- (e) All (I), (II) and (III) above.

( 1 mark)

25. Which of the following reports focus on the comparison of actual performance with the standard performance?

[<Answer>](#)

- (a) Control reports
- (b) Information reports
- (c) Exception reports
- (d) Expectation reports
- (e) Decision reports.

( 1 mark)

26. Among the non-monetary indicators developed by Government, which of following is a broad measure of output which reflects the result of the work of the organization?

[<Answer>](#)

- (a) Result measure
- (b) Process measure
- (c) Social indicators
- (d) Material indicators
- (e) Intangible indicators.

( 1 mark)

27. In which of the following monitoring methods of development programs, the appropriate 'Management Information System (MIS)' highlights the key parameters of performance?

[<Answer>](#)

- (a) Indicator based monitoring
- (b) Monitoring by beneficiaries
- (c) Monitoring through field visit
- (d) Monitoring by legislator
- (e) Monitoring by media.

( 1 mark)

28. Which of the following statement(s) is/are **true** with respect to control systems in different developmental programs?

[<Answer>](#)

- I. Members of organizations that undertake self regulated programs are more interested in these programs as they are aimed at their own benefit.
- II. In the case of administered programs, officials who are away from the scene of action, have to implement the entire program.
- III. Though officials are not the actual beneficiaries of the administered program, their commitment to the program is as complete as that of self-regulated programs.

- (a) Only (II) above
- (b) Both (I) and (II) above
- (c) Both (I) and (III) above
- (d) Both (II) and (III) above
- (e) All (I), (II) and (III) above.

( 1 mark)

29. Which of the following represents a mere simplification of relationship between superiors and subordinates?

[<Answer>](#)

- (a) Balance scoreboard
- (b) Reward system
- (c) Agency theory
- (d) Relationship theory
- (e) Theory X.

( 1 mark)

30. Which of the following models has the ability to produce incentives or disincentives depending upon its design and performance variables?

[<Answer>](#)

- (a) Decision support system
- (b) Management information system

( 1 mark)

- (c) Executive information system
- (d) Mutually supportive system
- (e) Project information system.

31. Which of the following is/are the important question(s) that need to be answered in control systems design, from the point of view of performance evaluation?

[<Answer>](#)

- I. Should the responsibility for the impact of exchange rate fluctuations on the bottom line be that of subsidiary managers?
- II. Should there be use of home country currency or local currency by the parent company to carry out performance evaluation?
- III. Should it make use of the initial exchange rate, the projected exchange rate or the ending exchange rate in setting and tracking budgets?
- IV. Should there be a distinction made by the parent company between the effects of various types of exchange rate exposure while evaluating the performance of the subsidiary manager and if yes, how is this to be done?

- (a) Only (I) above
- (b) Both (I) and (II) above
- (c) Both (III) and (IV) above
- (d) (II), (III) and (IV) above
- (e) All (I), (II), (III) and (IV) above.

( 1 mark)

32. The pricing that measures the exchange of products and services between responsibility centers within a company in different workstations located at various countries is known as transfer pricing. Which of the following statements is **not true** for use of transfer pricing in a multinational organization?

[<Answer>](#)

- (a) Assigning of profits to a low-tax country by means of transfer pricing can result in reduction of total income tax
- (b) Transfer prices provide a way of shifting funds into or out of a particular country
- (c) There are no constraints put by countries on the rights of companies to set transfer prices for transactions with foreign subsidiaries
- (d) International transfer pricing is driven more by income tax than by tariff considerations
- (e) Additional complications in transfer pricing are created as a result of joint ventures.

( 2 marks)

33. Which of the following is referred to as any transaction by which risk associated with future cash flows can be eliminated?

[<Answer>](#)

- (a) Hedging
- (b) Quoting
- (c) Managing
- (d) Futuring
- (e) Contracting.

( 1 mark)

34. Which of the following is arrived at after adjusting inflation differentials between the two countries?

[<Answer>](#)

- (a) Real exchange rate
- (b) Nominal exchange rate
- (c) Spot exchange rate
- (d) Day exchange rate
- (e) Inflated exchange rate.

( 1 mark)

35. Which of the following is/are the intercompany pricing method(s)?

[<Answer>](#)

- I. Comparable uncontrolled price method.
- II. Resale price method.
- III. Cost-plus method.
- IV. Activity based costing method.

- (a) Only (I) above
- (b) Both (I) and (II) above
- (c) Both (II) and (IV) above
- (d) (I), (II) and (III) above
- (e) All (I), (II), (III) and (IV) above.

( 1 mark)

36. Which of the following factor(s) is/are to be taken into consideration while deciding the schedule of an audit?

[<Answer>](#)

- I. The seasonal or cyclical fluctuations in the business.
- II. The best time for the people involved in the process to accommodate an audit.

( 1 mark)

- III. The variables, which upset the workflow least.  
 IV. The time an audit would produce the most reliable results.

- (a) Only (I) above  
 (b) Both (I) and (II) above  
 (c) Both (I) and (III) above  
 (d) (I), (II) and (III) above  
 (e) All (I), (II), (III) and (IV) above.

37. Which of the following statements is **true** regarding benchmarking?

[<Answer>](#)

- (a) It is a technique for continuously reducing process costs while concurrently increasing the output quality  
 (b) It is a technique for increasing process costs while concurrently decreasing output quality  
 (c) It is a technique for reducing product costs over a product's life cycle, for design related costs  
 (d) It is a technique that facilitates determination of relative strengths or weaknesses of a firm's products and operations vis-à-vis competition  
 (e) It is a technique for improving profits.

(1 mark)

[<Answer>](#)

38. Candy Ltd., has furnished the following details relating to its Product 'Hi-Fi':

Budgeted variable overhead cost	Rs. 56,000
Budgeted fixed overhead cost	Rs. 84,000
Budgeted production (units)	14,000
Actual variable overhead cost	Rs. 46,000
Actual fixed overhead cost	Rs. 86,000

If Candy Ltd., produces 13,000 units, the variable overhead spending variance is

- (a) Rs.6,000 (Adverse)  
 (b) Rs.2,000 (Favorable)  
 (c) Rs.3,000 (Adverse)  
 (d) Rs.2,000 (Adverse)  
 (e) Rs.6,000 (Favorable).

(2 marks)

[<Answer>](#)

39. Which of the following is the technique that is aimed at reducing the product costs over the product's life cycle?

- (a) Strategic benchtrending  
 (b) Process quality teaming  
 (c) Target costing  
 (d) Process benchtrending  
 (e) Standard costing.

(1 mark)

[<Answer>](#)

40. Closed loop control mechanism is/are generally applicable for operations like

- I. Inventory management.  
 II. Production, planning and control.  
 III. Payroll system.

- (a) Only (I) above  
 (b) Only (III) above  
 (c) Both (I) and (II) above  
 (d) Both (II) and (III) above  
 (e) All (I), (II) and (III) above.

(1 mark)

[<Answer>](#)

41. A project mainly consists of three phases namely; project planning, project execution and project evaluation. Which of the following statements is **not true** for management control of projects?

- (a) The final plan of a project should consist of three important parts: scope, schedule and cost  
 (b) If a project is complex, or if it is lengthy, a cost overrun is a common occurrence  
 (c) The sequence of the activities should be planned such that the entire project is not affected, if a particular activity is delayed  
 (d) A service company must attempt to minimize its unused capacity  
 (e) Project evaluation only considers evaluation of the results obtained and not the performance in executing the project.

(2 marks)

[<Answer>](#)

42. Which of the following statement(s) is/are **true** regarding the principles of ethics?

- I. Punishment seldom produces the desired results. Hence, it is better to foster ethical behavior than (1 mark)

to punish unethical behavior.

- II. Ethics are essential for the smooth running of an organization and for the maintenance of organizational peace.
  - III. Ethical behavior is very important. Hence, stringent punishments should be there to make people follow the ethical behavior.
- (a) Only (I) above
  - (b) Only (II) above
  - (c) Only (III) above
  - (d) Both (I) and (II) above
  - (e) All (I), (II) and (III) above.

43. Which of the following statements is **false** regarding ethical principle of fairness in the design of control systems? [<Answer>](#)

- (a) The concept of fairness is stressed to achieve the environment which is conducive to ethical behavior
- (b) Unfair controls result in loss of employees' goodwill for the organization
- (c) The ethics administrator should maintain disciplinary records to ensure that the ethics program is perceived as 'fair' by the organizational participants
- (d) The concept of fairness need only be confined to the employees of the organization, and not extended to the other stakeholders of the company
- (e) Fair wages and salaries should be paid to the employees to provide opportunities for growth. (1 mark)

44. Which of the following is the ratio of hours billed to the total professional hours available in a professional organization? [<Answer>](#)

- (a) Billed-time ratio
- (b) Total time ratio
- (c) Capacity time ratio
- (d) Projected time ratio
- (e) Standard time ratio. (1 mark)

45. Which of the following is defined as the process of developing the basis for managing the project, including the planning objectives, procedures, organization, routines, finance and other chain of activities? [<Answer>](#)

- (a) Project planning
- (b) Project execution
- (c) Project evaluation
- (d) Project analysis
- (e) Project termination. (1 mark)

46. Which of the following statements is **false** with respect to surveys? [<Answer>](#)

- (a) Written surveys make use of a questionnaire that is completed by the individual respondent
- (b) The telephone survey is completed by an interviewer
- (c) Written surveys have the highest response rate
- (d) Telephone surveys serve as a fast means of collecting data
- (e) A telephone survey includes forced choice, scaled questions as well as open-ended questions. (1 mark)

47. Which of the following is **not** the element due to which a survey can be invalidated? [<Answer>](#)

- (a) Timing
- (b) Phrasing
- (c) Sequencing
- (d) Planning
- (e) Loading. (1 mark)

48. The subsidiary that sells most of its output outside its own country, but purchases most of its inputs within that country is referred to as [<Answer>](#)

- (a) Net importer
- (b) Net exporter
- (c) Net defaulter
- (d) Net trader
- (e) Transferred importer. (1 mark)

49. Which of the following is/are the appropriate use(s) of surveys? [<Answer>](#)

(1 mark)

- I. Gathering factual data from a large population.
- II. Gathering factual data from small-to-medium-sized populations.
- III. Useful for covering small samples when all respondents cannot be interviewed.
- IV. Gathering in-depth data on a specific topic.

- (a) Only (I) above
- (b) Both (I) and (II) above
- (c) Both (I) and (III) above
- (d) (I), (II) and (III) above
- (e) All (I), (II), (III) and (IV) above.

50. Which of the following question(s) should be raised and answered by audit team members while developing the audit project plan?

[<Answer>](#)

- I. What tasks must be performed?
- II. In what order will the tasks be completed?
- III. Who will perform each task?
- IV. What is the remuneration payable to audit team?

- (a) Only (I) above
- (b) Both (I) and (II) above
- (c) Both (I) and (III) above
- (d) (I), (II) and (III) above
- (e) All (I), (II), (III) and (IV) above.

( 1 mark)

[<Answer>](#)

51. Which of the following is **true** in respect of full cost pricing method?

- (a) It is used to recover market price plus mark-up
- (b) It is used to recover standard cost plus mark-up
- (c) It is used to recover fixed costs only
- (d) It is used to recover variable costs only
- (e) It is used to recover the sum of direct and indirect costs with a small allowance for increasing the organization's equity.

( 1 mark)

[<Answer>](#)

52. Alpha Ltd., has provided the following budgeted and actual sales for a period:

Product	Budget		Actual	
	Quantity (kg)	Price (Rs.)	Quantity (kg)	Price (Rs.)
A	3,600	28	3,750	26
B	3,000	24	2,750	27
C	4,200	18	4,000	25

The sales mix variance is

- (a) Rs. 4,500 (Favorable)
- (b) Rs. 1,500 (Favorable)
- (c) Rs.23,350 (Favorable)
- (d) Rs. 1,500 (Adverse)
- (e) Rs. 4,500 (Adverse).

( 2 marks)

[<Answer>](#)

53. Competitive exposure is/are also referred to as

- I. Translation exposure.
- II. Transaction exposure.
- III. Economic exposure.
- IV. Operating exposure.

- (a) Only (I) above
- (b) Only (IV) above
- (c) Both (II) and (III) above
- (d) Both (III) and (IV) above
- (e) All (I), (II), (III) and (IV) above.

( 2 marks)

[<Answer>](#)

54. Continuous process improvement and innovation are different approaches. Which of the following is/are **not** the requirement(s) of continuous process improvement?

- I. Technical staff.
- II. Business plans.
- III. Establishment of a support culture.
- IV. Provision of extensive training.

( 1 mark)

- (a) Only (I) above  
 (b) Both (I) and (II) above  
 (c) Both (I) and (III) above  
 (d) Both (III) and (IV) above  
 (e) (I), (II) and (III) above.
55. The identification of the interrelationships between key activities and resources consumed is a part of <Answer>
- (a) Activity-based Costing (ABC) method of cost allocation  
 (b) Classification of costs as either fixed, variable or semi-fixed  
 (c) Absorption costing method  
 (d) Step-down method to allocate cost pools from one service department to other service departments  
 (e) Reciprocal services method. ( 1 mark)
56. Performance variables ensure that the reward system is able to match the pay to individual performance, taking into consideration individual competencies, skills and team outputs. Which of the following is **not** one of the types of performance variables? <Answer>
- (a) Controllable  
 (b) Non-controllable  
 (c) Financial  
 (d) Non-financial  
 (e) Managerial. ( 1 mark)
57. Short-term incentive plans are normally based on the performance of employees in the current year. Which of the following is/are **not** short-term incentive plan(s)? <Answer>
- I. Total bonus pool.  
 II. Carryovers.  
 III. Stock appreciation rights.  
 IV. Deferred payment.
- (a) Only (I) above  
 (b) Only (III) above  
 (c) Both (I) and (II) above  
 (d) Both (II) and (IV) above  
 (e) (I), (II) and (IV) above. ( 1 mark)
58. According to the balanced scorecard developed by Kaplan and Norton, which of the following goals **does not** fall under internal business perspective group? <Answer>
- (a) Technology capability  
 (b) Manufacturing excellence  
 (c) Time to market  
 (d) Design productivity  
 (e) New product introduction. ( 1 mark)
59. Which of the following involves determination of an optimum sequence of operations of a project and minimizing the overall time and cost? <Answer>
- (a) Variance analysis method  
 (b) Sensitivity analysis method  
 (c) Networking technique  
 (d) Simulation technique  
 (e) Linear program technique. ( 1 mark)
60. Which of the following types of variances are mainly considered by an organization in evaluating the performance of its total business units, by way of variance analysis? <Answer>
- (a) Revenue variances and profit variances  
 (b) Revenue variances and sales variances  
 (c) Profit variances and sales variances  
 (d) Revenue variances and expense variances  
 (e) Expense variances and sales variances. ( 1 mark)
61. Which of the following is **not** one of the ways to calculate the variances? <Answer>
- (a) Time period of comparison  
 (b) Focus on gross margin  
 (c) Evaluation standards ( 1 mark)

- (c) Evaluation standards
- (d) Target cost systems
- (e) Full-cost systems.

62. Arvind Ltd., has furnished the following budgeted and actual sales for the month of June 2008:

[<Answer>](#)

Particulars	Budget	Actual
Units sold	11,500 units	12,000 units
Sale price	Rs.80 per unit	Rs.71 per unit

The company has made the same budget for the month of July 2008. If actual sales drop by 20% over the month, the company may witness a sales volume variance of

- (a) Rs.1,52,000 (Adverse)
- (b) Rs.1,31,400 (Adverse)
- (c) Rs.1,30,000 (Adverse)
- (d) Rs.1,31,400 (Favorable)
- (e) Rs.1,52,000 (Favorable).

( 2 marks)

[<Answer>](#)

63. Which of the following situations would generally cause controllable variances?

- (a) Unexpected market demand
- (b) Increase in supplier's prices
- (c) Change in company's marketing policy
- (d) Increase in industry wage rate
- (e) Inflation.

( 1 mark)

[<Answer>](#)

64. The evaluation of the productivity of a company by analyzing the rework done in the company is an example of analysis of

- (a) Accretion Data
- (b) Archival Data
- (c) Erosion Data
- (d) Participant Observation
- (e) Field Observation.

( 1 mark)

[<Answer>](#)

65. Which of the following control mechanisms anticipates possible future problems and initiates preventive steps?

- (a) Feedback
- (b) Feedforward
- (c) Open loop
- (d) Quality
- (e) Closed loop.

( 1 mark)

[<Answer>](#)

66. Management control systems in service organizations differ from those in the manufacturing organizations. Which among the following is **false** with respect to control of service industry?

- (a) Goods can be held in an inventory that acts as a buffer to lessen the impact of fluctuations in sales volume on production activity; services in contrast cannot be stored
- (b) A manufacturing company can inspect its products before shipping them to the customer; a service company cannot judge its quality until the service is rendered
- (c) In service enterprises, intangible attributes often represent the main value, such as on-time performance, friendliness, skill with which service is carried out etc.
- (d) Manufacturing companies can reduce costs by replacing labor with additional equipment and by automating production lines; most service companies cannot adopt this measure
- (e) Irrespective of the differences, judgments pertaining to both the efficiency and effectiveness of the management of services can be made objectively.

( 2 marks)

[<Answer>](#)

67. Which of the following statement(s) is/are **true** regarding casualty insurance?

- I. Coverage provided by casualty policies is for a long period usually exceeding three years.
- II. Nearly half the casualty policies, measured by the rupee amount of premiums, consist of automobile insurance.
- III. While some policies pay for claims made during the present period, others pay for losses incurred during the period, even though claims are made during a later period.

- (a) Only (I) above
- (b) Only (II) above
- (c) Both (I) and (III) above

( 2 marks)

- (c) Both (I) and (III) above
- (d) Both (II) and (III) above
- (e) All (I), (II) and (III) above.

68. Which of the following statement(s) is/are **true** regarding pricing in professional organizations?

[<Answer>](#)

- I. In case of investment banking, the service charge is determined on the basis of monetary size of the securities issue.
- II. The prices are high for accountants and physicians as compared to research scientists.
- III. Prices of services offered, differ from profession to profession.
- IV. The principal asset of a professional organization is the skill of its professionals.

- (a) Only (I) above
- (b) Only (II) above
- (c) Both (III) and (IV) above
- (d) (II), (III) and (IV) above
- (e) All (I), (II), (III) and (IV) above.

( 1 mark)

[<Answer>](#)

69. In which of the following accounting systems that are used by non-profit organizations, the accounts are kept separately for several funds, each of which is self-balancing with the sum of debit balances equaling the sum of credit balances?

- (a) Management accounting
- (b) Cost accounting
- (c) Fund accounting
- (d) Resource accounting
- (e) Financial accounting.

( 1 mark)

[<Answer>](#)

70. Which of the following statement(s) is/are **true** about the cooperative societies?

- I. In cooperative societies the controls are designed with a view to maximize the Return on Investment (ROI).
- II. In cooperative societies the controls are designed to help the producers of the basic commodity to get the best possible price.
- III. In cooperative societies, the focus is on the return to the producers.
- IV. Every cooperative society has its own control activities, as well as those imposed by its higher level society.

- (a) Only (I) above
- (b) Only (II) above
- (c) Both (III) and (IV) above
- (d) (II), (III) and (IV) above
- (e) All (I), (II), (III) and (IV) above.

( 2 marks)

[<Answer>](#)

71. Who is responsible for writing and distributing various ethical policies and to monitor conformance to the ethical guidelines?

- (a) CEO
- (b) Ethics administrator
- (c) Board of directors
- (d) Auditor
- (e) Marketing Manager.

( 1 mark)

[<Answer>](#)

72. The assets and liabilities of foreign subsidiaries are exposed to translation risk. The values of these assets and liabilities are translated to the books of the parent company at

- (a) Exchange rate at the time of their acquisition
- (b) Exchange rate as on the day they are entered into books of accounts
- (c) Exchange rate prevailing as on the date of balance sheet
- (d) Average exchange rate during the year they are acquired
- (e) Actual exchange rate.

( 1 mark)

[<Answer>](#)

73. Amazon Toys plans to sell three varieties of toys named M, N and P in the city. The budgeted prices per unit of these toys are Rs.12, Rs.22 and Rs.32 respectively. The actual prices realized in the sale were Rs.11, Rs. 24 and Rs.30 respectively. If the company could sell 100, 200 and 150 units of toys M, N and P respectively, then which of the following is the total selling price variance?

- (a) Rs. 100 (Adverse)
- (b) Rs. 200 (Favorable)
- (c) Rs. 300 (Adverse)
- (d) Rs. 400 (Favorable)

( 2 marks)

- (d) Rs. 400 (Favorable)  
(e) Zero. [<Answer>](#)
74. The central management control problem in insurance companies is the fact that profits from current policy sales cannot be determined until years later. This is especially true in life insurance companies. Which the following statement(s) is/are **true** with respect to management control of insurance companies? [<Answer>](#)
- I. Actuaries calculate a tentative premium and the final premium is reflective of the marketing people's judgment about the attractiveness of the policy.  
II. There is uniformity in the actual profitability of various types of insurance policies.  
III. In actuarial calculation, the annual premium arrived at is so set that the present value of the stream of premium payments equals the present value of other cash flows.
- (a) Only (I) above  
(b) Only (II) above  
(c) Only (III) above  
(d) Both (I) and (II) above  
(e) Both (I) and (III) above. ( 2 marks)
75. A firm earning profits can increase its Return on Investment (ROI) by [<Answer>](#)
- (a) Increasing sales revenue and operating expenses by the same percentage  
(b) Decreasing sales revenue and operating expenses by the same percentage  
(c) Increasing sales revenue and operating expenses by the same rupee amount  
(d) Increasing investment and operating expenses by the same rupee amount  
(e) Decreasing investment and sales by the same percentage. ( 2 marks)
76. Which of the following statements is **false** with regard to Program Evaluation and Review Technique (PERT) and Critical Path Method (CPM)? [<Answer>](#)
- (a) PERT cannot handle situations in which two or more projects have to be planned together to share the available resources  
(b) CPM assumes that the cost associated with a project can be divided into two components: direct costs and indirect costs  
(c) PERT is based on time and variance estimates that consist of six-value weighted averages  
(d) CPM and PERT techniques assume that the project has unlimited resources, and they can be assigned for project activities  
(e) PERT can be used when there is a change in the precedence and sequential relationships of project activities. ( 1 mark)
77. Which of the following audits is usually conducted when the project manager is unable to identify the specific problems in a project either due to lack of knowledge or complexity of the problem? [<Answer>](#)
- (a) General audit  
(b) Detailed audit  
(c) Technical audit  
(d) Environmental audit  
(e) Functional audit. ( 1 mark)
78. Which of the following methods brings out the best possible method to be practiced among the alternatives available for calculating the total duration of the project? [<Answer>](#)
- (a) Variance analysis method  
(b) Sensitivity analysis method  
(c) Critical path method  
(d) Simulation technique  
(e) Linear program technique. ( 1 mark)
79. Which of the following is also known as 'steering controls' that are used to monitor and control tasks on a continuous basis? [<Answer>](#)
- (a) Cybernetic controls  
(b) Go/No-go controls  
(c) Policy controls  
(d) Budget controls  
(e) Post controls. ( 1 mark)
80. The following are the principal differences between domestic and foreign investments that should be considered during an analysis of foreign investment projects by Multi National Corporations (MNCs) ( 1 mark)

considered during an analysis of foreign investment projects by Multi National Corporations (MNCs), **except**

- (a) Taxes on income associated with foreign projects
- (b) Political risks
- (c) Economic risks
- (d) Sales tax considerations
- (e) Inflation.

81. The budgeted and the actual sales of a product of XXL Ltd., are furnished below:

[<Answer>](#)

Budgeted sales	1,000 units at the rate of Rs.25 per unit
Actual sales	1,200 units at the rate of Rs.24 per unit

The sales price variance is

- (a) Rs.5,000 (Favorable)
- (b) Rs.1,200 (Adverse)
- (c) Rs.1,200 (Favorable)
- (d) Rs.1,000 (Adverse)
- (e) Rs.1,000 (Favorable).

( 2 marks)

[<Answer>](#)

82. The purpose of identifying manufacturing variances and assigning their responsibility to a person or department should be to

- (a) Use the knowledge about the variance to promote learning and continuous improvement in the manufacturing operations
- (b) Trace the variances to the finished goods so that the inventory can be properly valued at year-end
- (c) Determine the proper cost of the products produced so that selling prices can be adjusted accordingly
- (d) Pinpoint fault for operating problems in the organization
- (e) Suspend the responsible person or department head.

( 1 mark)

[<Answer>](#)

83. Which of the following statements is **not true** with regard to budgets?

- (a) In preparation of the budget, selling prices are assumed to remain constant throughout the year
- (b) Task of the marketing manager is to obtain a budgeted gross margin
- (c) In preparation of the budget, selling prices are assumed to change
- (d) The variance between the actual and budgeted fixed costs is obtained simply by subtraction as these costs are not influenced by the market sales or volume of production
- (e) The budgeted variable manufacturing costs must be adjusted to the actual volume of production. ( 1 mark)

[<Answer>](#)

84. Market share variance can be calculated by using which of the following equations?

- (a) [(Actual sales) – (Industry volume) × Budgeted market penetration] × Budgeted unit contribution]
- (b) [(Standard sales) – (Industry volume) × Budgeted market penetration] × Budgeted unit contribution]
- (c) [(Actual sales) – (Industry mix) × Budgeted market penetration] × Budgeted unit contribution]
- (d) [(Actual sales) – (Industry volume) × Actual market penetration] × Budgeted unit contribution]
- (e) [(Actual sales) – (Industry volume) × Budgeted market penetration] × Standard unit contribution].

( 2 marks)

[<Answer>](#)

85. The manager wants to identify an employee with 3 years of experience in maintaining Computer Numerical Control machines and working knowledge of the German language in his organization. Management Information System (MIS) database provides the list of people who fulfill the above criteria. Which of the following is most helpful in retrieving the data?

- (a) Standard query language
- (b) Structured query language
- (c) Subjected query language
- (d) Objective query language
- (e) Structured query package.

( 1 mark)

[<Answer>](#)

86. In case of a multinational corporation, if transfer price is low, which of the following is applicable?

- (a) Tariffs will be more income tax will be less
- (b) Tariffs will be less income tax will be more
- (c) Tariffs will be more income tax will be more

( 1 mark)

- (c) Tariffs will be more income tax will be more
- (d) Tariffs will be less and income tax will be less
- (e) Tariffs will be less and there will be no change in income tax.

END OF QUESTION PAPER

## Suggested Answers

### Management Control and Information Systems-II (MB282): July 2008

ANSWER	REASON	
1. C	Financial audits do not focus on exceeding standards set internally or by industry competitors, but focus on complying with standards set by external or professional groups. Other options are true regarding financial audits. Hence, option (c) is correct.	<a href="#">&lt; TOP</a>
2. A	Target cost means a product cost, it is derived by subtracting a desired profit margin from a expected market price. Therefore, options (b), (c), (d) and (e) are not correct.	<a href="#">&lt; TOP</a>
3. E	Major changes in the company's environment like – regulatory changes, emergence of a new competitor, significant changes in customer values or preferences or changes within the company like new leadership, rapid growth that makes old ways of doing things obsolete etc., may create a feeling that improvement is needed.	<a href="#">&lt; TOP</a>
4. D	Innovation and continuous process improvement are different approaches to gain market share. Hence, option (d) is false with respect to continuous process improvement. Options (a), (b), (c) and (e) are all true with respect to Continuous Process Improvement.	<a href="#">&lt; TOP</a>
5. B	Allow for collection of more data than interviews, in a shorter period of time and group interaction may stimulate new insights are the advantages of focus groups. Hence, option (b) is correct.	<a href="#">&lt; TOP</a>
6. B	Number of suppliers of milk is not a critical indicator in case of a dairy plant. Remaining are all critical indicators of a dairy plant. Hence, option (b) is correct.	<a href="#">&lt; TOP</a>
7. A	Phantom stock awards managers a number of shares for book keeping purposes only. At the end of a specified period, the executive is entitled to receive an award equal to the appreciation in the market value of the stock since the date of award. Unlike a stock option, a phantom stock plan has no transaction costs and it doesn't involve any interest costs associated with them. The right to buy a number of shares of stock at, or after a given date in the future, but it is called a Stock option, not phantom stock. Hence the answer is (a).	<a href="#">&lt; TOP</a>
8. C	Allows researchers to “get inside the heads” of informants and it may produce insights that would be overlooked with surveys or questionnaire are the advantages of unstructured interviews. Hence, option (c) is correct.	<a href="#">&lt; TOP</a>
9. A	The optimistic time is the shortest time possible if everything goes perfectly with no complications. Hence, option (a) is correct.	<a href="#">&lt; TOP</a>
10. A	Budget overrun occurs when actual costs exceed budgeted costs. Hence, option (a) is correct.	<a href="#">&lt; TOP</a>
11. D	The statements tight control tends to prevent managers from becoming inefficient, tight control motivates the managers to be profit conscious and tight control leads to high employee turnover, are true. The statement, tight controls lead to good relations with the superiors and with peers is not true, in fact it	<a href="#">&lt; TOP</a>

leads to poor relations with superiors and peers.

Hence, option (d) is correct.

12. E The limitations of variance analysis are: Variance analysis identifies the occurrence of variance, but it does not tell why the variance had occurred, management should be careful in deciding what variances are significant and as the performance reports become more highly aggregated, offsetting variance might mislead the reader. [< TOP](#)  
Hence, option (e) is correct.
13. D The idea of management to conduct variance analysis is to identify the key causal factors that are likely to affect the profits, breakdown the overall profit variances according to the key causal factors and focus on the profit impact of variation for each key causal factor. [< TOP](#)  
Hence, option (d) is correct.
14. C In a full-cost system, the manufacturing cost of a product includes both its variable costs and an allocation of fixed costs. [< TOP](#)  
Hence the answer is (c).
15. B In the Field observation technique of direct observation, the interviewer watches the interaction of a group without getting directly involved. [< TOP](#)  
Hence, option (b) is correct.
16. A External information system is a information systems which includes the market intelligence system which provides information about changing patterns of consumer preferences and performance of various competing brands in terms of market share. Hence, option (a) is correct. [< TOP](#)
17. E The following statements about agency theory are true : [< TOP](#)  
I. A relationship arises in a firm when one party namely 'the principal' hires another party namely 'the agent'.  
II. In an organizational context, shareholders are considered to be the principal and the chief executive officer is their agent.  
III. At the lower level, the CEO is the principal and the managers of specific business units are agents.  
Hence, option (e) is correct.
18. A Interviews are considered to be highly flexible. [< TOP](#)
19. E All the statements; a simple method to calculate total bonus pool is a set percentage of profits, a set percentage of profits method does not give a true picture of additional investments and set percentage method is not always acceptable because a company will have to pay bonus even if the profits are low, are true. Hence, option (e) is correct. [< TOP](#)
20. D These variables include, type of data being gathered, the number of people from whom responses must be obtained and the resources available for completing the research. [< TOP](#)  
Hence, option (d) is correct.
21. B The statement: It is always possible for managers to collect information on all possible aspects of a situation before making a decision, is not true. Remaining statements are true. [< TOP](#)  
Hence, option (b) is correct.
22. B Based on the level at which the information is used, the information is classified into three types, namely, strategic information, tactical information, and operational information. [< TOP](#)  
Hence the answer is (b).
23. C MIS need **not** provide information regarding different raw materials procured from different vendors. [< TOP](#)

- Hence, option (c) is correct.
24. B The true statements are: [< TOP](#)  
 I. The middle management of a business organization is involved in tactical activities  
 II. Tactical information is collected from internal as well as external sources.  
 But the third statement Strategic planning is based on tactical planning is not true. Infact, tactical planning is based on strategic planning.  
 Hence, option (b) is correct.
25. A Control reports focus on the comparison of actual performance with the standard performance. Hence, option (a) is correct. [< TOP](#)
26. C Social indicator is the broad measure of output which reflects the result of the work of the organization. Hence, option (c) is correct. [< TOP](#)
27. A In indicator based monitoring of development programs, the appropriate management information system highlights the key parameters of performance. Hence, option (a) is correct. [< TOP](#)
28. B The statements, members of organizations that undertake self regulated programs are more interested in these programs as they are aimed at their own benefit and in the case of administered programs, officials who are away from the scene of action, have to implement the entire program are true. But the third statement is not true because, officials are not the actual beneficiaries of the administered program, hence, they do not work with commitment. So option (b) is correct. [< TOP](#)
29. C Agency theory describes the factors that should be considered while designing incentives and shows how these incentives can be written to motivate individuals. Agency theory represents mere simplifications of relationships between superiors and subordinates. It helps in motivating the agents so that higher levels of productivity can be achieved. Hence the answer is (c). [< TOP](#)
30. D A mutually supportive system model has the ability to produce incentives or disincentives depending upon its design and performance variables. Hence, option (d) is correct. [< TOP](#)
31. E The important questions that need to be answered are: [< TOP](#)  
 I. Should the responsibility for the impact of exchange rate fluctuations on the bottom line be that of subsidiary managers?  
 II. Should there be use of home country currency or local currency by the parent company to carry out performance evaluation?  
 III. Should it make use of the initial exchange rate, the projected exchange rate, or the ending exchange rate in setting and tracking budgets?  
 IV. Should there be a distinction made by the parent company between the effects of various types of exchange rate exposure while evaluating the performance of the subsidiary manager and if yes, how is this to be done?  
 Hence, option (e) is correct.
32. C Some constraints are placed by almost all countries on the rights of companies to set transfer prices for the transactions with foreign subsidiaries, in order to prevent a multinational company from avoiding the host country's income taxes. All other statements are true for transfer pricing for multinational organization. Therefore the correct answer is (c). [< TOP](#)
33. A Hedging is referred to as any transaction by which risk associated with future cash flows is eliminated. Hence, option (a) is correct. [< TOP](#)
34. A Real exchange rate is arrived at after adjusting inflation differentials between the two countries. [< TOP](#)

Hence, option (a) is correct.

35. D The intercompany pricing methods are comparable uncontrolled price method, resale price method and cost-plus method. Hence, option (d) is correct. [< TOP](#)

36. E All the statements the seasonal or cyclical fluctuations in the business the best time for the people involved in the process to accommodate an audit the variables which will upset the workflow least and the time an audit produce the most reliable results should be taken into consideration. Hence, option (e) is correct. [< TOP](#)

37. D Benchmarking is a continuous process of comparing products and operations against the best practices in the industry. Hence the answer is (d). [< TOP](#)

38. E [< TOP](#)

Variable overhead rate per unit	Rs. 56,000 ÷ 14,000 units = Rs. 4.00
Actual production	13,000 units
Applied variable overheads	13,000 units × Rs. 4 = Rs. 52,000
Less: Actual variable overheads costs	Rs. 46,000
Variable overhead spending variance	Rs. 6,000(F)

Variable overhead spending variance = Rs. 6,000( Favorable)

Hence the answer is (e).

39. C Target costing offers several benefits to an organization. One of the benefits is that, it reduces the development cycle of a product by reducing the wastage of time and resources. [< TOP](#)

Hence the answer is (c).

40. B In the closed loop control mechanism, corrective actions are initiated automatically when a comparison of the performance measured and the performance standard have a distinctive deviation. Here, external interference is not required to initiate corrective action. For example, salary of an employee automatically calculated as per the attendance register. [< TOP](#)

In the open loop control system, initiation of corrective action lies outside the scope of the system. An external entity is needed to initiate corrective action. Example, inventory control, PPC etc.

Hence the answer is (b).

41. E Project evaluation considers both the evaluation of results obtained as well as the performance in executing the project. Hence, the correct answer is (e). [< TOP](#)

42. D The principle of ethics is based on two psychological principles. First, punishment seldom produces the desired results. Hence, it is better to foster ethical behavior than to punish unethical behavior. Second, ethics are essential for the smooth running of an organization and for the maintenance of organizational peace. [< TOP](#)

Hence the answer is (d).

43. D The concept of fairness should not be confined only to the employees of the organization, but should be extended to the other stakeholders of the company too. [< TOP](#)

For example, a customer is a stakeholder and fairness to the customer can be maintained by truthful advertising, to help the customer to make wise decisions.

All other options are true regarding ethical principle of fairness in the design of control systems.

Hence the answer is (d).

44. A Billed – time ratio is the ratio of hours billed to the total professional hours available in a professional organization. Hence, option (a) is correct. [< TOP](#)

45. A Project planning is defined as the process of developing the basis for managing the project, including the planning objectives, procedures, organization, routines, finance and other chain of activities. [< TOP](#)  
Hence, option (a) is correct.
46. C The statement, written surveys have the highest response rate is not true. Remaining statements are correct. [< TOP](#)  
Hence, option (c) is correct.
47. D Planning is not the element due to which survey can be invalidated. Hence, option (d) is correct. [< TOP](#)
48. B Net exporter is referred to as the subsidiary that sells most of its output outside, but purchases most of its inputs from inside the country. Hence, option (b) is correct. [< TOP](#)
49. A Gathering factual data from a large population is the appropriate use of surveys. Hence, option (a) is correct. [< TOP](#)
50. D The questions should be raised and answered by audit team members while developing the audit project plan are what tasks must be performed? In what order will the tasks be completed? And who will perform each task? [< TOP](#)  
Hence, option (d) is correct.
51. E Full cost pricing method is used to recover the sum of direct and indirect costs with a small allowance for increasing the organization's equity. It is not used to recover only fixed costs or only variable cost. It is not used to recover market price plus mark-up or standard cost plus mark-up. [< TOP](#)  
Hence the answer is (e).
52. B Total quantity of actual sales = 3,750 kg + 2,750 kg + 4,000 kg = 10,500 kg. [< TOP](#)  
Sales Mix variance = Standard rate × (Actual quantity- Revised Standard quantity)
- |       | (Rs)                                                                                                               |
|-------|--------------------------------------------------------------------------------------------------------------------|
| A     | $\text{Rs.}28 \times \left[ 3,750 - \left( \frac{10,500}{10,800} \times 3,600 \right) \right] = 7,000 \text{ (F)}$ |
| B     | $\text{Rs.}24 \times \left[ 2,750 - \left( \frac{10,500}{10,800} \times 3,000 \right) \right] = 4,000 \text{ (A)}$ |
| C     | $\text{Rs.}18 \times \left[ 4,000 - \left( \frac{10,500}{10,800} \times 4,200 \right) \right] = 1,500 \text{ (A)}$ |
| Total | <u>1,500 (F)</u>                                                                                                   |
- Sales mix variance = Rs. 1,500(Favorable).  
Hence the answer is (b).
53. D Competitive exposure is also termed as economic exposure or operating exposure. This exposure implies the exchange rate exposure of the firm's cash flows to changes in the real exchange rate. [< TOP](#)  
Hence the answer is (d).
54. B Technical staff and business plans are not the requirements of continuous process improvement. [< TOP](#)  
Hence, option (b) is correct.
55. A Identifying interrelationships between key activities and resources consumed is central to understanding how business activities drive costs. It is a part of creating an ABC cost allocation method and usually requires direct input from employees engaged in the process. [< TOP](#)  
Hence the answer is (a).

56. E Managerial is not one of the performance variables. Hence, option (e) is correct. [< TOP](#)
57. B A stock appreciation rights is not one of the short-term incentive plans. Hence the answer is (b). [< TOP](#)
58. C The goals as per internal business perspective are: (i) Technology capability (ii) Manufacturing excellence (iii) Design productivity (iv) New product introduction. Time to market goal does not fall under internal business perspective. Hence, the answer is (c). [< TOP](#)
59. C Networking technique involves determination of an optimum sequence of operations of a project and minimizing the overall time and cost. Hence, option (c) is correct. [< TOP](#)
60. D An organization in evaluating its performance and undertaking corrective measures basically divides its performance by way of studying its revenue and expense variances. [< TOP](#)
61. D Target cost system is **not** one of the ways to calculate the variances. Remaining options are the ways to calculate the variances. Hence, option (d) is correct. [< TOP](#)
62. A The projected sales in July 2008 (according to analysts ) [< TOP](#)  
 = 12,000 units – 20% of 12,000 units  
 = 9,600 units.  
 Sales volume variance  
 = Standard sale price (Actual sales quantity - Standard sales quantity )  
 = Rs.80 (9,600 units - 11,500 units)  
 = Rs.1,52,000 (Adverse).  
 Hence the answer is (a).
63. C The variances caused by unexpected market demand, increase in prices, industry wage rate increase and inflation are uncontrollable. However the variance caused by company's marketing policy is controllable. Hence the answer is (c). [< TOP](#)
64. A Accretion Data analysis examines the residue or evidence left by a certain process in order to estimate its use or popularity. An example of Accretion Data analysis is the evaluation of the productivity of a company by analyzing the rework done in the company. Hence, from above discussion, we can infer that option (a) is correct. Option (b) is incorrect. Archival Data consists of written records which are used to measure process performance. So, it is not applicable here. Option (c) is incorrect. Erosion Data measures wear on a place or object to estimate its use or popularity. So, it is not applicable here. Option (d) is incorrect. Participant Observation technique involves the full participation of the researcher in an activity, making mental notes of the dynamics and feelings involved with participating. So, it is not applicable here. Option (e) is incorrect. In Field Observation, the interviewer watches the interaction of a group without getting directly involved. So, it is not applicable here. Hence the answer is (a). [< TOP](#)
65. B Feedforward control mechanism anticipates possible future problems and initiates preventive steps. Hence, option (b) is correct. [< TOP](#)
66. E The control systems currently found in service organizations, being relatively recent in their development, tend to be less advanced than those in manufacturing organizations. Due to the difficulty in measuring both the quantity and the quality of the output, judgments pertaining to both the efficiency and the effectiveness of performance are more subjective than in situations where outputs consists of physical goods. This implies that there is more room for legitimate differences of opinion about performance. All other statements except (e) are true. Therefore the correct answer is (e). [< TOP](#)

67. D The true statements regarding casualty insurance are; nearly half the casualty policies, measured by the rupee amount of premiums, consist of automobile insurance and while some policies pay for claims made during this period, others pay for losses incurred during the period, even though claims are made during a later period. Coverage provided by casualty policies is only for a shorter period usually not exceeding 3 years. [< TOP](#)  
Hence, option (d) is correct.
68. E All the statements: [< TOP](#)  
I. In case of investment banking, the service charge is determined on the basis of monetary size of the securities issue.  
II. The prices are high for accountants and physicians compared to research scientists.  
III. Prices of services offered differ from profession to profession.  
IV. The principal asset of a professional organization is the skill of its professionals.  
Hence, option (e) is correct.
69. C “Fund accounting” is an accounting system used by many non-profit organizations. In this system, accounts are kept separately for several funds, each of which is self-balancing with the sum of debit balances equaling the sum of credit balances. [< TOP](#)
70. D The statements, in cooperative societies the controls are designed to help the producers of the basic commodity to get the best possible price, in cooperative societies the focus is on the return to the producers and every cooperative society has its own control activities, as well as those imposed by its higher level society are true. But the first statement is not true because in cooperative societies the controls are not designed with a view to maximize the ROI. [< TOP](#)  
Hence, option (d) is correct.
71. B An ethics administrator is responsible to work for writing and distributing various ethical policies and monitor conformance to the ethical guidelines. [< TOP](#)  
Hence the answer is (b).
72. C The assets and liabilities of foreign subsidiaries are exposed to translation risk. The values of these assets and liabilities are translated to the books of the parent company at the exchange rate prevailing as on the date of balance sheet. [< TOP](#)  
Hence the answer is (c).
73. E Selling price variance= Actual sales ×(Actual sale price-Standard sale price) [< TOP](#)
- | Particulars                                | Toy M  | Toy N | Toy P  |
|--------------------------------------------|--------|-------|--------|
| Actual Volume(units)                       | 100    | 200   | 150    |
| Actual Price (Rs. per unit)                | 11     | 24    | 30     |
| Budgeted Price (Rs. per unit)              | 12     | 22    | 32     |
| (Actual Price – Budgeted Price)            | (1.00) | 2.00  | (2.00) |
| Price Variance (Adverse) / Favorable (Rs.) | (100)  | 400   | (300)  |
- Total Price Variance = - 100 + 400 – 300 = 0.  
Hence the answer is (e).
74. E There is wide variation in the actual profitability of the various types of insurance policies, partly because of the adjustments made to the actuarial calculation when the premium was set, and partly because the subsequent developments made the assumptions included in the actuarial calculation unrealistic. All statements except statement (II) are correct. Hence the correct answer is (e). [< TOP](#)
75. A ROI equals income divided by invested capital. If a company is already profitable, increasing sales and expenses by the same percentage will increase ROI. [< TOP](#)

76. E PERT cannot be used when there is a change in the precedence and sequential relationships of project activities. PERT works in standstill frame work of precedence and sequential relationships. [< TOP](#)
- CPM and PERT techniques assume that the project has unlimited resources, and they can be assigned for project activities. However, in reality, project resources are usually limited. Sometimes activities may be delayed because of the non-availability of resources. That is why the project manager recalculates the activity schedules keeping in mind the availability of resources.
- Hence the answer is (e).
77. C Technical audit is usually conducted when the project manager is unable to identify the problems in a project either due to lack of knowledge or complexity of the problem. Hence, option (c) is correct. [< TOP](#)
78. C Critical path method brings out the best possible method to be practiced among the alternatives available by calculating the total duration of the project. [< TOP](#)
- Hence, option (c) is correct.
79. A Cybernetic controls are also known as steering controls and that are used to monitor and control tasks on continuous basis. [< TOP](#)
- Hence, option (a) is the answer.
80. D Sales tax considerations should not be considered during an analysis of foreign projects. [< TOP](#)
- Hence, option (d) is correct.
81. B Sale price variance = Actual sales quantity × (Actual sales price – Standard sales price) [< TOP](#)
- $$= 1,200 \text{ units (Rs.24 – Rs.25) = Rs.1,200 (Adverse)}$$
82. A The purpose of identifying and assigning responsibility for variances is to determine who is likely to have information that will enable management to find solutions. The constructive approach is to promote learning and continuous improvement in manufacturing operations and not to assign blame. [< TOP](#)
- Hence the answer is (a).
83. C The statement, in preparation of the budget, selling prices are assumed to change is not true. Hence, option (c) is correct. [< TOP](#)
84. A Market share variance = [(Actual sales) – (Industry volume × Budgeted market penetration)] × Budgeted unit contribution]. Hence, option (a) is correct. [< TOP](#)
85. B Structured query language is more helpful in retrieving the data. [< TOP](#)
- Hence, option (b) is correct.
86. B If the transfer price is low, lower will be the tariffs and higher will be the tax. Tariffs are the duties that are often levied on the import value of a product. Lower the price of the product, lower will be tariffs on it. If tariffs are lower higher will be profit hence, tax will be higher. [< TOP](#)
- Hence the answer is (b).

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