MGT705 – Advanced Cost and Management Accounting
SOLVED Quiz # 3 – (Lecture # 1-30) Fall 2012
Collected and Composed by MSBA_124

Q: Deduction of profit from selling price is considered in _________.

domestic transfer pricing

arm length principle

negotiated transfer pricing

All of the given options

Lecture # 25:
Taxation authorities are aware that companies can use the transfer pricing system to manipulate the taxable profits.
The arms length principle is used:
- **Similar transactions involving unrelated parties**
- **Deduction of profit from selling price**
- **Cost- plus method.**

Q: In which of the following pricing policies, high prices are charged from the customers?

Price penetration

Price skimming

Price negotiation

Price keeping

- **Price skimming policy** is an attempt to exploit those sections of the market that are relatively insensitive to price changes.
- For example high initial prices may be charged to take advantage of the novelty appeal of a new product when demand is initially inelastic.
- A skimming policy offers a safeguard against unexpected future increases in costs, or large fall in demand after the novelty appeal has declined.
- Once the market becomes saturated, the price can be reduced to attract that part of the market that has not yet been exploited.
- A skimming pricing policy should not be adopted when a number of close substitutes are already being marketed.

Q: Non-variable overheads are also called _________.

Fixed variable overheads

Semi fixed variable overheads

Common fixed overheads

Semi variable overheads

Q: When company's most of the profits are located in the low tax rate country, ________ method is used for transfer pricing.

domestic transfer pricing

international transfer pricing

mutual transfer pricing

Tax pricing

Lecture # 25:
International transfer pricing
• Supplying and receiving divisions may be located in different countries with different taxation rates, and the taxation rates in one country may be much lower than the other.

• It would be in the company's interest that most of the profits are located in the country with low tax rates.

Q: The _______ costs are affected by the decisions.

relevant
irrelevant
constant
fixed

Q: In ________ systems, the overheads are assigned accrding to the activities.

Allocation based costing
Activity based costing
Area based costing
Action based costing

Q: ________ is the first stage of product life cycle.

Introduction
Growth
Maturity
Decline

Product life-cycle

- Many products have a product life cycle consisting of four stages:
  - Introductory – product is launched, minimal awareness and acceptance.

Q: Cost Volume Profit model is helpful for carrying out decision in setting________.

Selling price and input levels

Selling price and output levels

Purchasing price and input levels

Purchasing price and output levels

Lecture # 3: **Cost Volume Profit model (CVP)**

- This is a systematic method of examining the relationship between changes in activity (output) and changes in sales revenue, expenses and profit.
- It is a useful tool for decision making in setting selling prices and output levels.
- This model also helps to identify the output level at which neither profit nor loss will occur i.e. break-even point.

Q: When close subsitutes are available in the market, which one of the following pricing policy is more suitable?

Price penetration

Price skimming

Price keeping

Price negotiation

Lecture # 16:

- A **penetration pricing policy** is based on the concept of charging low prices initially with the intention of gaining rapid acceptance of the product.
- Such a policy is appropriate when close substitutes are available or when markets are easy to enter.

Q: The aim of cash budget refers to:

Maximum availability of cash

Maximum availability of income

Maximum availability of sales

All of the given options

Q: A quiz that cannot be saved was about direct labor costs and answer was irrelevant.

- Where the company has temporary spare capacity and labor force is to be maintained for the short-term, the direct labor cost incurred will remain the same for all alternative decisions. The direct labor cost will therefore be irrelevant for short-term decision making purposes.

Q: When activities are performed each time a unit of product is produced, __________ cost drivers are more appropriate

Non-volume based

Volume based

average volume based

constant volume based

Lecture # 11:

Volume based and non-volume based cost drivers

- These cost drivers are appropriate for measuring consumption of expenses such as machine energy costs, depreciation related to machine usage and indirect labor employed in production centers.
- Volume based cost drivers are appropriate in the above circumstances, as activities are performed each time a unit of product is produced.

Q: If the companies have sufficient spare capacity to undertake a project. It refers to:

Monetary factor

Non-monetary factor

Constant monetary factor

Negative monetary factor

Lecture # 9

- (c) non-monetary factors:
  - i) is there sufficient spare capacity to undertake the project.
  - ii) is the overseas customer credit-worthy.
  - iii) Does the workforce have the necessary skills to undertake the project.
  - iv) is the contract likely to result in repeat business with the customer.

Q: Which one of the evaluation of strategic options exploits company strength and environmental opportunities?

Acceptability

Feasibility

Suitability

All of the given options

Lecture 17:
Planning Process:

Stage 3 – Evaluation of strategic options

- Suitability – exploits company strengths and environmental opportunities, avoid weakness
- Feasibility – can the strategy be funded? And necessary market position achieved? Can the company cope with competitive reactions,
- Acceptability - will it be sufficiently profitable, is the level of risk acceptable.

Q: The organization used casual labor by hiring workers on daily basis. this labor cost will be a ___________ for decision making.

relevant cost

sunk cost

fixed cost

opportunity cost

Lect # 8:
Determining relevant cost of direct labor

- Where the company has temporary spare capacity and labor force is to be maintained for the short-term, the direct labor cost incurred will remain the same for all alternative decisions. The direct labor cost will therefore be irrelevant for short-term decision making purposes.
- Where casual labor is used and where workers can be hired on a daily basis, a company may adjust the employment of labor to exactly the amount required. Labor cost will increase if company accepts additional work, and will decrease if production is reduced.

Q: Which of the following is(are) considered the expenses in unit-related activities?

Direct materials costs

Direct labor costs

Energy costs

All of the given options

Q: Total fixed costs of an organization manufacturing two or more product is equal to:

Direct fixed costs and variable costs

Common fixed costs and avoidable costs

Direct and common fixed costs

Variable costs and avoidable costs

Q: Which of the following is considered a type of transfer pricing methods?

Cost-plus transfer prices

Cost-minus transfer prices

Cost-average transfer prices

All of the given options

Q: Which of the following is NOT a type of transfer pricing method?

Marginal cost transfer prices

Full cost transfer prices

Cost-plus transfer prices

None of the given options

Q: Activity based costing refers to measurement of indirect ________ for decision making.

Irrelevant costs

Sunk costs

Opportunity costs

Relevant costs

Lecture # 10: The measurement of indirect relevant cost for decision making using Activity Based Costing techniques will be examined.

Q: Sales budget provides the basic data for budgeting of which one of the following expenses?

Production costs

Selling expenses

Administrative expenses

All of the given options

Lecture # 19: **Sales Budget:**

It also provides the basic data for constructing budgets for production costs, selling and distribution and administrative expenses.

Q: Which of the following is(are) considered the activity(ies) of ABC systems?

Setting up machine
Construction of factory building
Sending shipments to abroad
All of the given options

Q: In Profit-volume graph, when units are zero, Loss is equal to:

Sales revenue
Expected sales

Variable cost

Fixed cost

Q: Implementation of best practices is the aim of:

Just-in-time

Benchmarking

kaizen costing

All of the given options

Benchmarking

• In order to identify the best way of performing activities and business processes, organizations are turning to benchmarking.
• This involves comparing key activities to world-class best practices.
• Benchmarking identifies an activity, such as customer order processing, that needs to be improved.

Q: In which of the following pricing policies, high prices are charged from the customers?

Price penetration

Price skimming

Price negotiation

Price keeping

Q: Variable cost includes:

Direct Material cost
Direct Material cost and Direct Labour cost
Direct Material cost, Direct Labour cost and Energy Cost
All of the given Options

Q: ERP is a(an) ____________ application.

I.T.
Financial
Economic
Fiscal

Q: Which one of the following is considered a pricing policy?

Price skimming

Price taking

price keeping

price negotiation

Q: Overseas customer credit worthiness refers will be considered as __________ factor while decision making of special orders.

monetary

non-monetary

constant monetary

negative monetary

- **(c)** non-monetary factors:
  - i) is there sufficient spare capacity to undertake the project.
  - ii) is the overseas customer credit-worthy.
  - iii) Does the workforce have the necessary skills to undertake the project.
  - iv) is the contract likely to result in repeat business with the customer.

Q: Determination of the target price which customers will be prepared to pay for the product is the ______ stage of target costing.

first

second

third

forth

The stages involved in target costing can be summarized as follows:

Stage 1: determine the target price which customers will be prepared to pay for the product.

Stage 2: deduct a target profit margin from the target price to determine the target cost.
Stage 3: estimate actual cost of the product.
Stage 4: if estimated cost exceeds the target cost, investigate ways of driving down the actual cost to the target cost.

Q: Non-variable overheads are also called ________.

Fixed variable overheads

Semi fixed variable overheads

Common fixed overheads

Semi variable overheads

Q: Which information is an important input for concluding the pricing decisons

Management Information

Costing Information

Accounting Information

Market Information

Q: Small organizations required cost information for determining __________ of different products.

profitability

fixed costs

sunk costs

opportunity costs

Q: ________ is not included in inventory valuation.

Prime Cost

Conversion Cost

Period Cost

All of the given options

Q: The direct labor costs is _________ for short-term decision making.

irrelevant

relevant

cosntant

average

Q: Which of the following item(s) is(are) considered in activity based performance report?

Scheduling existing and new production run

Staff training

Research and development

All of the given options

Lecture # 28 – read the point
Performance report – activity based

Q: In conventional approach, budget period is ______ months.

twelve

six

three

nine

Q: Cost volume profit model can be used to determine the __________.

Break-even Point

Fixed Point

Variable Point

None of the given options

Q: Cost Volume Profit model is helpful for carrying out decision in setting _________________.

Selling price and input levels

Selling price and output levels

Purchasing price and input levels

Purchasing price and output levels

Q: Salary + Commission is an example of ________.

Variable Cost

Semi Variable Cost

Fixed Cost

Sunk Cost

Q: Contribution Margin ratio refers to:

Contribution/Variable expenses

Contribution/Fixed expenses

Contribution/Sales revenue

None of the given options

Q: Non-variable overheads are also called ________.

Fixed variable overheads

Semi fixed variable overheads

Common fixed overheads

Semi variable overheads

Q: When supervision costs and overhead costs continue to incur, then these will be considered:

irrelevant cost

relevant cost

sunk cost

variable cost

Q: If the companies have sufficient spare capacity to undertake a project. It refers to:

Monetary factor

Non-monetary factor

Constant monetary factor

Negative monetary factor

Q: Which of the following is(are) considered the expenses in unit-related activities?

Direct materials costs

Direct labor costs

Energy costs

All of the given options

Q: Budget contains which of the following:

Cash inflow

Cash outflow

Sales revenue

All of the given options

Q: Which of the following expenses can be measured through cost drivers?

Salary of the marketing staff

Interest on bank overdraft

Depreciation of machinery

Rent of factory building

These cost drivers are appropriate for measuring consumption of expenses such as machine energy costs, depreciation related to machine usage and indirect labor employed in production centers.

Q: Lines items refer to which of the following type of budgeting?

Traditional budgeting

Zero based budgeting

Activity based budgeting

Null based budgeting

Traditional budgeting approach, also called line-item budge

Q: Kaizen costing heavily relies on which one of the following factors?

Employer empowerment

Employee empowerment

Organization empowerment

Management empowerment

Kaizen costing relies heavily on employee empowerment. Workers are given responsibility to improve process and reduce costs.

Q: If the materials have some realizable value, their use will result in reduction of sales volume. This will be a(an) __________.

opportunity cost
sunk cost
variable cost
irrelevant cost (still not sure about this)

If the materials have some realizable value, their use will result in loss of this sales revenue. This will represent an opportunity cost and must be assigned to the activity.

Q: _______ is the example of lowest hierarchical level according to activity based costing profitability analysis.

Product

Product lines

Labor costs

Material costs

The lowest hierarchical level may be the product or customer,(Lecture 13)

Q: Estimation of actual cost of the product is the _____ stage of target costing.

first
second
third
forth

Stage 3: estimate actual cost of the product.

Q: According to the demand curve, the prices ________ when we produce more.

decrease

increase

remain constant

All of the given options

Q: Which budgeting is also known as priority based budgeting?

Activity based budgeting

Null based budgeting

Zero based budgeting

Urgent based budgeting

Zero-based budgeting (also known as priority based budgeting) emerged to overcome the limitations of incremental budgets.

Q: Deduction of a target profit margin to determine target cost is the _______ stage of target costing.

first
second
third
forth

Stage 2: deduct a target profit margin from the target price to determine the target cost.

Q: In target costing, marketing factors and customer research provide the basis for determining __________.

Cost price
Manufacturing costs
Overhead costs
Selling price

The major attraction of target costing is that marketing factors and customer research provide the basis for determining selling price.

Q: _________ is the second stage of product life cycle.

Growth
Maturity
Decline
Introduction
– Growth – sales begin to expand because of introductory promotions

Q: __________ who sell highly customized products, have discretion in setting selling prices of the products.

Organizations

Markets

Suppliers

Buyers

Market leaders or organizations that sell highly customized products, have some discretion in setting selling prices.

Q: Which of the following budgets provides the basic data for constructing other budgets like production costs, selling and distribution costs and admin expenses?

Cash budget
Sales budget
Purchase budgets
Administration expense budget

It also provides the basic data for constructing budgets for production costs, selling and distribution and administrative expenses.

Q: Zero based budgeting is NOT used for which type of the expenses?

Depreciation
Staff salaries
Rent of the building
All of the given options

Q: Full cost transfer price is also termed as:

full cost mark-up price

full cost margin-plus price

negotiated mark-up price

negotiated margin-plus price

Full cost transfer prices or full cost plus mark-up are widely used in practice.

Q: Which budgeting system emphasizes on programs and activities?

Zero based budgeting

Activity based budgeting

Null based budgeting

Urgent based budgeting

Lecture 22: Zero-based budgeting also focuses on programs and activities instead of line items of traditional budgeting.

Q: The ________ level contribution margin is calculated in ABC profitability analysis.

multiple
single
unit
product

A unit level contribution margin is calculated for each individual product. This is derived by deducting the cost of unit level activities from sale revenue.

Q: Companies use different cost bases and mark-ups to determine the ________.

cost price
selling price
market price
Wholesale price

Cost-plus pricing
• Companies use different cost bases and mark-ups to determine their selling price.

Q: ____________ set the selling prices of the products in the market.

Small organizations

Small medium enterprises

Market leaders

All of the given options
Market leaders or organizations that sell highly customized products, have some discretion in setting selling prices.

Q: Which of the following is(are) considered the activity(ies) of ABC systems?

Engineering of autoparts

Reverse engineering of autoparts

Re-engineering of the autoparts

All of the given options

Q: In Which budget, the expenditures detail is provided but activities are given little attention?

Cash budget

Sales budget

Production budget

Line item budget

A line item budget is where the expenditures are expressed in considerable detail, but the activities being undertaken are given little attention.

Q: Deduction of profit from selling price is considered in ________.

domestic transfer pricing

arm length principle

negotiated transfer pricing

All of the given options

Q: Small organizations required cost information for determining __________ of different products.

profitability

fixed costs

sunk costs

opportunity costs

Q: Semi Variable Cost can be explained in which of the following way?

Fixed Cost + Sunk Cost
Sunk Cost + Opportunity Cost
Fixed Cost + Opportunity Cost
Fixed Cost + Variable Cost

Q: Which item does not affect cash flow?

Admin expenses

Selling expenses

Depreciation

Revenues

Q: Energy costs used to manufacture a product refers to:

Facility-sustaining activities

Batch-related activities

Product-sustaining activities

Unit-related activities

Expenses in this category include direct labor, direct materials, energy costs and expenses that are consumed in proportion to machine processing

Q: Sunk costs are ___________ for decision making.

irrelevant
relevant
fixed
All of the given options

According to the surveys, less than 10% of companies transfer prices at ________.

relative price
marginal cost

transfer price

fair price
Surveys have shown that less than 10% of companies transfer goods at marginal cost.

Q: At Break-even point, sales Revenue can be calculated by:

Variable Cost/CM Ratio

Semi variable Cost/CM Ratio

Fixed Cost/CM Ratio

Profit/CM Ratio

Q: Direct labor costs of a product refers to:

Facility-sustaining activities

batch-related activities

Unit-related activities

Product-sustaining activities

Q: When the contract resulted in repetition of business with the customer, it will be considered as ___________ factor for decision making.

monetary

non-monetary

constant monetary

negative monetary

Q: Salary + Commission is an example of _________.

Variable Cost
Semi Variable Cost
Fixed Cost
Sunk Cost

Q: We can rent out the part of facilities when:

Our production capacity is increased

Our production capacity is decreased

Our production capacity is constant

All of the given options

Q: If __________ is not accurate, all other budgets will not be reliable.

cash budget
production budget
sales budget
master budget

Q: Cost Volume Profit model is helpful for carrying out decision in setting ___________________.

Selling price and input levels
Selling price and output levels
Purchasing price and input levels
Purchasing price and output levels

Q: Financial Accounting is for ___________.

External users
Internal users
Both internal and external users
None of the given options

Financial accounting information is for external users (lecture # 1)

ABC systems create seperate ___________ for each major activitiy.

cost drivers

cost determinants

cost volume

cost centers

ABC systems create separate cost centers for each major support activity and allocates

Which costing approach advocates the 100% in time delivery of products?

Just-in-time

Benchmarking

Value chain

Time value added

Q: By preparing _______ budget, we calculate the quantities and selling price of each product that the company plans to sell.

Sales
cash
master
production

Q: Transfer pricing methods have _______ types, which can be used by the companies.

Four
three
two
five

Q: Which of the following is(are) considered the activity(ies) of ABC systems?

Engineering of autoparts
Reverse engineering of autoparts
Re-engineering of the autoparts
All of the given options

Q:The matching concept considers the following items:

Revenues
Expenses
Related cash flows
All of the given options

According to the matching concept, revenues and expenses may not be attributed to the same period as the related cash flows.

Q: In benchmarking, which of the following organizations are considered for improving the quality of the products?

Rival organizations
Non-rival organizations

Competitive organizations

Similar organizations

It finds a non-rival organization, considered to represent world class best practice for this activity, and studies how it performs the activity.

Q: According to the replacement of equipment method, The managers may take wrong decisions when:

they view old assets in isolation

they view new assets in isolation

they view old assets alongwith new assets

they view new assets alongwith old assets

Managers can sometimes take incorrect decisions as they may view the old asset in isolation.

________ is the example of lowest hierarchical level according to activity based costing profitability analysis.

Select correct option:

Product
Product lines
Labor costs
material costs

Lowest hierarchical level may be the product or customer, (Lecture 13)

The _______ revenues are affected by the decisions.

Relevant
irrelevant

constant

fixed

When activities are performed each time a unit of product is produced, __________ cost drivers are more appropriate

non-volume based
volume based
average volume based
constant volume based

Volume based cost drivers are appropriate in the above circumstances, as activities are performed each time a unit of product is produced.

Q: Definition of "Management Accounting" refers to:

Process of Identifying

Measuring Economic Information

Communicating Economic Information

All of the given options

Q: Master budget refers to:

Budgeted profit and loss A/c

Budgeted balance sheet

Budgeted profit & loss A/c and balance sheet

None of the given options

• The master budget consists of a budgeted profit and loss account, balance sheet and a cashflow statement.

Q: The aim of cash budget refers to:

Maximum availability of cash
Maximum availability of income
Maximum availability of sales
All of the given options

Q: Admin expenses are categorized as ____________.

Prime cost
Period cost
Conversion cost
All of the given options

Q: Cost Volume Profit is ___________ method of examining the relationship between changes in activity and changes in sales revenue, expenses and profit.

Automated
Computerized
Systematic
None of the given options

CVP: This is a systematic method of examining the relationship between changes in activity (output) and changes in sales revenue, expenses and profit.

Q: The organization is not taking existing stock, and would purchase it at on a later date, the estimated purchase price of that material would be:

Irrelevant costs for purchase decision

Relevant costs for purchase decision

Irrelevant cost for profit decision

Irrelevant cost for production decision

We have assumed when considering various decisions that any materials required would not be taken from existing stock but would be purchased at a later date, so the estimated purchase price would be the relevant material cost.

Q: Which of the following expenses can be measured through cost drivers?

Salary of the selling staff

Interest on bank overdraft

Rent, rated and taxes

Energy cost of machine

These cost drivers are appropriate for measuring consumption of expenses such as machine energy costs, depreciation related to machine usage and indirect labor employed in production centers.

Q: If variable costs per unit remain constant and fixed costs remain unchanged, the increase on costs will be due entirely to an increase in __________ costs.

Variable

Fixed

Sunk

If variable costs per unit are constant, and fixed costs remain unchanged, the increase in costs will be due entirely to an increase in variable costs.

Q: Traditional costing refers to:

Direct material cost + Direct Labor Cost

Direct labor cost + overheads (not 100% sure)

Direct material costs + conversion costs

All the given options

Q: The organization used casual labor by hiring workers on daily basis. this labor cost will be a __________ for decision making.

Relevant cost

Sunk Cost

Fixed Cost

Opportunity Cost

• Where casual labor is used and where workers can be hired on a daily basis, a company may adjust the employment of labor to exactly the amount required. Labor cost will increase if company accepts additional work, and will decrease if production is reduced.
• In this situation labor cost will be a relevant cost for decision-making purposes.

Q: Sales budget provides the basic data for budgeting of which one of the following expenses?

Production costs
Selling expenses
Administrative expenses
All of the given options

It also provides the basic data for constructing budgets for production costs, selling and distribution and administrative expenses.

Q: In activity based costing profitability analysis, we categorize costs according to their _________ levels.

Mechanical
Production
Hierarchical
All of the given option

The approach of activity based profitability analysis is to categorize costs according to their hierarchical levels.

Zero based budgeting is used for which type of the expenses?

Depreciation
Rent of Building
Staff Salaries
Advertising Expenses

It is best suited for discretionary costs such as advertising, research and development and training.

Q: The aim of _________ is to ensure that future cost will remain same like the target cost.

Target Costing

Activity based costing

Direct costing

All of the given options

The aim is to ensure that future cost will not be higher than the target cost.

Q: Financial Accounting is for ___________ users.

External

Internal

Both Internal and external

None of the given

Q: Distribution channel is the example of _______ hierarchical level according to activity based costing profitability analysis.

Highest

Lowest

Middle

Average

The lowest hierarchical level may be the product or customer, and ignoring the business unit level, the highest levels are product lines and distribution channels

Q: Examples of Cost Object include __________.

Cost of a product
Cost of rendering a service

Cost of operating a department

All of the given options

A cost object is any activity for which a separate measurement of cost is desired. Examples of cost object include: cost of a product, cost of rendering a service and cost of operating a particular department.

Q: Which of the following is NOT a type of transfer pricing method?

Marginal cost transfer prices

Full cost transfer prices

Cost-plus transfer prices

None of the given options

Q: Kaizen costing heavily relies on which one of the following factors?

Employer empowerment
Employee empowerment
Organization empowerment
Management empowerment

Kaizen costing relies heavily on employee empowerment. Workers are given responsibility to improve process and reduce costs.

Q: Semi Variable Cost can be explained in which of the following way?

Fixed Cost + Sunk Cost
Sunk Cost + Opportunity Cost
Fixed Cost + Opportunity Cost
Fixed Cost + Variable Cost

Q: If any organization achieves multi product breakeven, at that break-even point, the organization's total profit will be:
Nil
Maximum (most appropriate)
Minimum
Average profit

If __________ is not accurate, all other budgets will not be reliable.

cash budget
production budget
sales budget
master budget

Q: Contribution Margin ratio refers to:
Contribution/Variable expenses
Contribution/Fixed expenses
Contribution/Sales revenue
None of the given options

Q: Energy costs used to manufacture a product refers to:

Facility-sustaining activities
Batch-related activities
Product-sustaining activities
Unit-related activities

Expenses in this category include direct labor, direct materials, energy costs and expenses that are consumed in proportion to machine processing

Q: Which method(s) separate(s) fixed and variable costs consists of examining past costs and related activity?

Basic
Break-even analysis
High-low
All of the given options

The high-low method to separate fixed and variable costs consists of examining past costs and related activity.

Q: The future replacement cost represents the _________ of the materials.

relevant cost
sunk cost
opportunity cost
fixed cost

If the materials are to be replaced, then using them for a particular activity will necessitate their replacement. Therefore the future replacement cost represents the relevant cost of the materials.

Q:Selecting course of action is the _______ stage of planning process.

first
second
forth **Stage 4** – Select course of action
fifth

Q: Master budget refers to:

Budgeted profit and loss A/c
Budgeted balance sheet
Budgeted profit & loss A/c and balance sheet
None of the given options

The master budget consists of a budgeted profit and loss account, balance sheet and a cashflow statement

Q: The break-even analysis of standard and deluxe models of the same product of

a manufacturing company refers to:
Single product break-even analysis
Dual product break-even analysis
Multi product break-even analysis
All of the given options

Q: When close subsitutes are available in the market, which one of the following pricing policy is not suitable?

Price penetration
Price skimming
Price keeping
Price negotiation
Lecture # 16:

- A **penetration pricing policy** is based on the concept of charging low prices initially with the intention of gaining rapid acceptance of the product.
- Such a policy is appropriate when close substitutes are available or when markets are easy to enter.

Q: In ________ systems, the overheads are assigned accrding to the activities.
Allocation based costing
Activity based costing
Area based costing
Action based costing

Q: ______ is irrelevant for decision making.
Sunk Cost
Fixed Cost
Variable Cost
Semi Variable Cost

Q: _________ is the third stage of product life cycle.
Introduction
Growth
Decline
Maturity

Q: Which item does not affect cash flow?

Admin expenses
Selling expenses
Depreciation
Revenues

Q: Activity based cost-centres are also known as _________.

Activity cost pools
Activity cost rivers
Activity cost seas
Activity cost oceans
Activity based cost-centers (called activity cost pools)

Question # 19 of 20 Overseas customer credit worthiness refers will be considered as ___________ factor while decision making of special orders.

monetary
non-monetary
constant monetary
negative monetary

Q:Which of the following is considered a type of transfer pricing methods?

Cost-plus transfer prices
Cost-minus transfer prices
Cost-average transfer prices
All of the given options

Q: Which of the following statement is true?
marginal conversion cost = marginal sales revenue - net marginal revenue
Net marginal revenue = marginal sales revenue - marginal conversion cost
Marginal sales revenue = marginal conversion cost + net marginal revenue
All of the given options