

Modern Education Society's
Neville Wadia Institute of Management Studies and Research, Pune - 411001

MBA-II SEM-IV

Enterprise Performance Management MCQs

Question	A	B	C	D	ANSWER
Capital Budgeting Decisions are:	Reversible	Irreversible	for short term	involves small amount	B
Which of the following is not incorporated in Capital Budgeting?	Tax-Effect	Time Value of Money	Required Rate of Return	Rate of Cash Discount	D
PERT / CPM have to be used for proper of all projects	planning	controlling	staffing	coordinating	B
BSC is important for	creating strategy	controlling strategy	evaluating the performance of a strategy	mapping strategy	C
Classification of responsibility center is based on the nature of the monetary	Inputs and/or outputs	Inputs and outputs	Inputs only	Outputs only	A
Discretionary expenses are expenses	that do not create value	that do not hamper the operations immediately	that are completely unnecessary	that are necessary	B
For the board of directors of the company, the entire company is a	Profit center	Expense center	Responsibility center	Investment center	C
In a revenue center the primary measurement is	Output in physical terms	Input in cost terms	Revenue	Cost incurred by center	C
In case of discretionary expense center, the financial center is primarily exercised at Stage.	Implementation	Quality control	Output	Planning	D
In case of revenue center the output is measured in terms, but no formal attempt is made to relate	Physical, quantity and quality	Monetary, efficiency and effectiveness	Monetary, input and output	Monetary, output only	C
In financial performance measurement most important is	EVA	ROI	Profit Margin	MVA	A

Performance management is	Strategic tool	Re-engineering tool	Business process	Strategic management tool	C
Profit centre profit is calculated	before debiting Corporate overheads	after debiting corporate overheads	without considering corporate overheads	along with corporate overhead	B
A major part of strategy implementation is	Planning	Communication	Resource allocation	Monitoring	C
The Enterprise Performance Management core processes does not include which of the following?	Financial Planning	Operational Planning	Business Analytics	Consolidation and Reporting	C
The Malcolm Baldrige Award is awarded by the Government of	Japan	Russia	U.K.	U.S.A.	D
The responsibility center whose inputs are measured in monetary terms, but whose output is not, is	Revenue center	Expense center	Profit center	Investment center	B
Two step transfer prices depend on	ROI requirement	profit requirement	corporate profit requirement	SBU profit requirement	C
Which of the following does not belong to the category of quantitative performance indicators?	Number of	Proportion of	Levels of	Amount of	C
Which of the following is correct? ROI =	Income / Asset employed	Revenue / Asset employed	Cost / Revenue	Profit / No. of shares outstanding	A
Which of the following is not a financial performance measure?	Opening cash flow	Return on assets	Market Cap	Market share/growth	D
Which of the following is not an entity with reference to Baldrige Criteria / Framework?	Team Focus	Customer Focus	Operations Focus	Work Force Focus	A
The selective and analytical approach to control investment in various types of inventories is known as	ABC Analysis	Gross Margin Return on Investment (GMROI)	Multiple Attribute Method	Sell Through Analysis	A
The Sell Through Analysis is not about	Sales	Inventory/ Sales Turn Over	Sales Velocity	Merchandise Management	A

The Non-profit Organization focus more on	Social welfare/interests	Surplus generation	Funds mobilization	Governance	A
The time the activity would take if things did not go well is known as	Pessimistic time	Most likely time	Optimistic time	Average time	A
Which of the following is responsible for establishing a private company's internal control?	Management	Auditors	Management and auditors	Committee of Sponsoring Organizations	A
A responsibility center in which the manager is held accountable for the profitable use of assets and capital is commonly known as a(n)	Cost center	Revenue center	Profit center	Investment center	D
In the balanced scorecard approach quality would come under which perspective?	The internal perspective	The customer perspective	The financial perspective	The innovation and learning perspective	A
Performance management is believed to have originated from which country?	Japan	France	Denmark	USA	D
The overall purpose of the balanced scorecard approach is to:	Help turn strategy into action	Benchmark against competitors	Measure financial performance	Measure product quality	A
The process of evaluating an employee's current and/or past performance relative to his or her performance standards is called	recruitment	employee selection	performance appraisal	organizational development	C
The term 'EVA' is used for:	Extra Value Analysis	Economic Value Added	Expected Value Analysis	Engineering Value Analysis	B
The U.S. National Quality Award is named after	Joseph Juran	Genichi Taguchi	W. Edwards Deming	Malcolm Baldrige	D
Which of the following statements is false? Balanced scorecards	Are one type of performance dashboard	Can be cascaded to different levels/parts of organisations	Cannot be used in conjunction with budgetary control systems	Can be used to produce strategy maps	C

Which of the following statements regarding flaws suffered by financial measures is not correct:	They are hard to quantify	They do little to motivate employees to improve accounting profits	They are not effective in getting managers' attention	They are useful in identifying operational problems	D
Which of the following variable does ROI examine?	EBIT	EVA	ROI	DuPont chart	B
A sound Capital Budgeting technique is based on:	Cash Flows	Accounting Profit	Interest Rate on Borrowings	Last Dividend Paid	A
Capital Budgeting deals with:	Long-term Decisions,	Short-term Decisions	Both (a) and (b)	Neither a) nor (b)	A
Capital Budgeting Decisions are based on:	Incremental Profit	Incremental Cash Flows	Incremental Assets,	Incremental Capital.	B
Capital Budgeting is a part of:	Investment Decision	Working Capital Management	Marketing Management	Capital Structure	A
Which of the following is not applied in capital budgeting?	Cash flows be calculated in incremental terms	All costs and benefits are measured on cash basis	All accrued costs and revenues be incorporated	All benefits are measured on after-tax basis	C
Which of the following is not followed in capital budgeting?	Cash flows Principle	Interest Exclusion Principle	Accrual Principle	Post-tax Principle	C
Which of the following is not true for capital budgeting?	Sunk costs are ignored	Opportunity costs are excluded	Incremental cash flows are considered	Relevant cash flows are considered	B
Which of the following is not used in Capital Budgeting?	Time Value of Money	Sensitivity Analysis	Net Assets Method	Cash Flows	B
Which one is the Capital Expenditure?	Capital invested by the owner	Selling expense for machine	Machine purchased	Daily expenses to operate business	C
Who among the following have the authority to inspect the books of accounts?	Directors	Members	Officer of Sebi	Both (a) and (c)	D
Under responsibility accounting, the evaluation of a manager's performance is based on matters that the manager:	Directly controls	Directly and indirectly controls	Indirectly controls	Has shared responsibility for with another manager	A

Return on Assets and Return on Investment Ratios belong to:	Liquidity Ratios	Profitability Ratios	Solvency Ratios	Turnover	B
..... costs are not easily changed and are often fixed, for ex, once a company has decided to rent a place.	Committed	Discretionary	Engineered	Marginal	A
Management by objective is the process in which	Top management sets objectives for the subordinate managers	Budgeteer proposes to accomplish specific jobs and prepares budget for it.	A manager decides his own area of operations and prepares budget for it.	Budget is not prepared at all.	B
Return on Assets (ROA) ratio is given by which of the following?	Net Income/ Sales	Sales / Total Assets	Net Income/ Total Assets	Gross Margin/ Net Sales	C
The Strategic Business Unit evolved during the	1970s & 1980s	1990s	1960s	21st Century	A
The strategic Business Unit evolved from	Hierarchy- based structure of organization	Function based structure of organization	Territorial structure of organization	Divisional structure of organization	D
There are four elements of Anthony's model. Which one does not belong to the group?	Detector	Assessor	Effecter	Rejecter	D
Total control over discretionary expense center is achieved primarily through performance measures.	Financial	Non-financial	Objective based	Output based	B
Which of the following areas is not covered under the Baldrige Award?	Education	Health Care	Small Business	Multi National Corporation (MNC)	D
Which of the following is an example of lead indication?	Market share	Net profit	Gross margin	ROI	A
If project A has a lower payback period than project B, this may indicate that project A may have a	Lower NPV and be less profitable	Higher NPV and be less profitable	Higher NPV and be more profitable	Lower NPV and be more profitable	C
The primary capital budgeting method that uses discounted cash flow techniques is the	Net present value method	Cash payback technique	Annual rate of return method	Profitability index method	A
Which of the following ignores the time value of money?	Internal rate of return	Profitability Index	Net present value	Cash payback	D

Which of the following is not true? Asset employed is equal to	Non-current liabilities + shareholder's equity	Total assets – current liabilities	Non-current assets + working capital	Shareholder's equity –current liabilities	D
As asset becomes Non Performing after default of	180 days	60 days	90 days	91 days	C
As per the RBI guidelines banks have to make sure that out of their loan assets _____ loans are given to Priority Sector.	20%	40%	50%	45%	B
The capital adequacy ratio to be maintained by public sector banks in India is	8%	10%	10.5%	12%	D
The Retailer is selling the merchandise for more than it costs the Retailer to acquire it, then the GMROI Ratio would be	Higher than 1	Equal to 1	Less than 1	Equal to 3.2	A
Which of the following do not fall under Financial inclusion ?	Nationalization of Banks	Public Sector Lending targets	Zero Balance Accounts	Education at affordable cost	D
While calculating the Gross Margin Ratio on Investment (GMROI), the TWO important aspects are:	Stock on Hand and Stock-Outs incidents	Gross Margin and Average Inventory Cost	Gross Revenue and Stock on Hand	Carrying Costs and Stock-Out Costs	B
Assembling project team and assigning their responsibilities are done during which phase of project management?	Project Planning	Project Initiation	Project Controlling	Project Execution	B
PERT is the	Time oriented technique	Event oriented technique	Activity oriented technique	Target oriented technique	B
Which of the following is not one of the eight specific principles of Social Audit?	Comprehensive	Comparative	Multi-directional	Non-Participatory	D
Which of the following statement about NPOs is not true?	The NPOs generally tend to be service organisations	The NPOs receive 'Contributed Capital' and have no shareholders	The sources of funds for NPOs are more or less captive	The NPOs are subjected to Market Mechanism	D

Which is not a primary objective of audit?	Detection and Prevention of Errors	Examining the System of internal check	Verifying the authenticity and validity of transactions	Confirming the existence and value of assets and liabilities	A
Which of the following area is not covered by management audit?	System and Procedures	Board's / Directors Analysis	Research and development	New product development cycle time	D
Which of the following area is specially covered by Management Audit?	Economic Contribution Analysis	Cost-Benefit Analysis	Social Cost-Benefit Analysis	Sensitivity Analysis	A
Assuming that it is not the first appointment of the auditor, who is responsible for the appointment of the auditor?	The Shareholders in a general meeting	The Managing director	The board of directors in board meeting	The audit committee	A
A Balanced Scorecard helps the organisation to:	Be ready and prepared to implement an ERP	Be focus on all the relevant business perspectives	Integrate strategy and key challenges	Communicate better with staff	B
A cost center manager	Does not have the ability to produce revenue	May be involved with the sale of new marketing programs to clients.	Would normally be held accountable for producing an adequate return on invested capital.	Often oversees divisional operations	A
According to DuPont analysis, increase in the profit margin (all else constant) should	Increase both ROE and ROA	Increase ROE but not ROA	Increase ROA but not ROE	Increase neither ROA nor ROE	A
DU PONT Analysis deals with	Analysis of Current Assets	Analysis of Profit	Capital Budgeting	Analysis of Fixed Assets	B
If return on investment is a measure used on the balanced scorecard, under which perspective would it be listed	Financial perspective	Customer perspective	Learning and growth perspective	Internal business perspective	A

Pitfalls exists the same as with any new technology or management tool. All of the following describe these pitfalls except	Some companies use too few measures in their score	Some companies include too many measures	A poor scorecard is the biggest threat and one of the dangerous pitfalls	Some companies do not know how to implement the effective drivers of performance	C
Responsibility centers include	Adjustment centers	Call centers	Exam centers	Profit center	D
Responsibility reports for cost centers	Distinguish between fixed and variable costs	Use static budget data	Include both controllable and non-controllable costs	Include only controllable costs	D
Return on Assets and Return on Investment Ratios belong to:	Liquidity Ratios	Profitability Ratios	Solvency Ratios	Turnover	B
Return on Investment may be improved by one of these	Increasing Turnover	increasing Expenses	decreasing Capital Utilization	over budgeting	A
ROI can be viewed as a function of the net profit margin times	Sales.	EAT.	The total asset turnover	Equity multiplier	C
The Balanced Scorecard approach has been criticized for leaving out certain measures. One of these is:	Financial measures	Employee satisfaction measures	Customer satisfaction measures	Technological innovation measures	B
The drive in world markets to produce superior goods has led some countries to recognize or award prizes. What is the name of U.S. prize for developing quality products:	the Deming Prize	Malcolm Baldrige National Quality Award	the J.D. Power Award	the K.C. Irving Quality Award	B
The following are basic elements in which Continuous Improvement framework (leadership; planning; service orientation; information and analysis; employees and workplace climate; process management; excellence levels and trends	Six Sigma	Total Quality Management (TQM)	Zero Defect	Malcolm Baldrige Quality Award	D
What is a measure of operating performance that indicates how successful the firm has been at increasing its MVA in a given year.	Economic value added (EVA)	After-tax cash flow (ATCF)	Earnings after taxes (EAT)	Market value added (MVA)	A

What is not included in a firm's expenses?	Costs of goods sold	Depreciation	Interest expense	Dividends	D
What is the term used to describe the value assigned to the goods or services sold or rented from one unit of an organization to another	Variable cost	Fixed cost	Transfer price	Full service cost	C
When managers of subunits throughout an organization strive to achieve the goals set by top management, the result is	Goal congruence	Planning and control	Responsibility accounting	Delegation of decision making	A
Which of the following statements about performance management systems is not true?	Performance management systems are ineffective	They encourage a short-term view among managers	Recommendations are prescriptive and suggest one best way	They improve organisational performance in the long-term	D
Which transfer pricing method will preserve the subunit autonomy?	Variable-cost pricing	Negotiated pricing	Cost-based pricing	Full-cost pricing	B
Controllable costs, as used in a responsibility accounting system, consist of:	Only fixed costs.	Only direct materials and direct labor.	Those costs that a manager can influence in the time period under review.	Those costs about which a manager has some knowledge. Those costs that are influenced by parties external to the organization.	C
Evaluation of Capital Budgeting Proposals is based on Cash Flows because:	Cash Flows are easy to calculate	Cash Flows are suggested by SEBI	Cash is more important than profit	None of the above	C
Sale of machine of machine merchandising business is –	Capital receipt	Capital income	Revenue income	Revenue receipt	D
What do we call a formal comparison of the actual costs and benefits of a project with original estimates?	Post-completion audit	Feedback audit	Cost-benefit analysis	Business scorecard report	A
Compliance with the Standard of Auditing is the responsibility of	Management	Those charged with governance	Auditor	Audit committee	C

Cost Audit is comprised in which of the following steps?	Verification, Review, Reporting	Planning, Review, Reporting	Review, Verification, Reporting	Planning, Conducting, Reporting	C
The financial statements of the company shall be authenticated by	Chief executive officers even he is not the director	Chief financial officer only if he is director.	Chairperson only if he is authorized by the board.	Statutory Body	C
The _____ compares the dollar return generated by the firm to the return expected by the investors of the capital invested by them in the firm.	EBIT	EVA	ROI	DuPont Chart	B
Which one of the following is a 'lag' performance indicator	Number of training hours per employee	Return on capital employed	Number of complaints received from customers	Output per employee	B
Economic Value Addition was developed by _____	Stern & Stewart	Peter Drucker	Koontz & O'Donnel	Anthony & Govindrajana	A
The Tata Group of Industries have modified and internalised the Baldrige Criteria and is known as the _____	Porter Prize for Excellence	Jamsetji Tata Award	Tata Business Excellence Model (TBEM)	Annual Awards of Business Excellence (AABE)	C
Which of the following pair about Paradigm Shifts in the contemporary Business Environment is incorrect?	Control to Decontrol	Competition to Opening Up	Production to Marketing	Volume to Profit	B
Intangible benefits in capital budgeting would include all of the following except increased	Product quality	Employee loyalty	Salvage value	Product safety	C
Which of the following is not typical cash flow related to equipment purchase and replacement decision?	Increase operating costs	Overhaul of equipment	Salvage value of equipment when project is complete	Depreciation expense	D
As per the RBI Internationals Banks have to maintain a Capital Adequacy Ratio of _____	8%	9%	12%	10%	B
Which of the following is not a part of loan assets classification	Standard Assets	Earning Assets	Loss Assets	Doubtful Assets	B

Earliest finish time can be regarded as	Earliest start time + duration of activity	Earliest start time duration of activity	Latest finish time + duration of activity	Latest finish time duration of activity	A
The first use of the term “Social Audit” is generally attributed to	Peter Drucker	George Coyder	Charles Medawar	Amartya Sen	B
The stipulations as regards maintenance of accounts of / by NGOs / NPOs are stipulated by which of the following?	The Societies Registration Act	The Public Trust Act	The Companies Act	The Indian Trust Act	D
PERT is based on the assumption that an activity's duration follows	Binomial Distribution	Probability Distribution	Uniform Distribution	Exponential Distribution	B
_____ of the Companies Act, 2013 provides that the Internal Auditor shall be a Chartered Accountant or a Cost Accountant or any other professional as may be decided by the Board of Directors.	Section 148	Section 138	Section 142	Section 146	B
Cost Audit is applicable in case of the companies falling under certain specific categories of industries and for those companies who have been asked by the central government to maintain the cost accounting records and get these cost accounting records audited as per the provisions of _____ of the Companies Act, 2013	Section 148	Section 138	Section 142	Section 146	A
Section 139 provides that the first auditor of the company shall be appointed by Board of Directors of the company within _____ days	60	30	120	45	B
International auditing standards are issued by the:	International Accounting Standard Board	Financial Accounting Audit Board	International Audit and Assurance Standards Board	Auditing Practices Board	C
In a responsibility report for a profit center, controllable fixed costs are deducted from contribution margin to show:	Profit center margin	Controllable margin	Net income	Income from operations	B

Internal Perspective is part of the Complete Balanced Scorecard Strategy. This is a correct sub item for this perspective	Regulatory and Society Theme	Customer solutions	Strategic Technologies	Revenue Growth Strategy	A
Learning & Growth Perspective: role for intangible assets -- people, systems, climate and culture is part of the BSC Strategy. Identify which of the following is a sub item of Learning & Growth Perspective	Improve shareholder value	Low total cost	Operations theme	Strategic technologies	D
Which of the following would have a low likelihood of being organized as a profit center?	A maintenance department that charges users for its services	The billing department of an Internet Services Provider (ISP).	The mayor's office in a large city	Both "C" and "D" above.	D
Which one of the following is a 'lag' performance indicator	Number of training hours per employee	Return on capital employed	Number of complaints received from customers	Output per employee	B
Cash Inflows from a project include	Tax Shield of Depreciation	After-tax Operating Profits	Raising of Funds	Both (a) and (b).	C
If capital expense is recorded as revenue expense then which calculation will be wrong?	Bank balance	Debtors	Creditors	Net profit	D
In Capital Budgeting, Sunk cost is excluded because it is	Of Small Amount	Not Incremental	Not Reversible	Reversible	B
Which of the following is not a capital budgeting decision?	Expansion Programme	Merger	Replacement of an Asset	Inventory Level	D