LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – **ACCOUNTING AND FINANCE**

SECOND SEMESTER – **APRIL 2025**

UAF2MC02 – FINANCIAL ANALYTICS AND CONTROL

Date: 25-04-2025 Dept. No. Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

PART – A	
Q. No	**Answer ALL Multiple Choice Questions (70 x 1 =70 Marks)**
1	Data mining is frequently referred to as both an art and a science. Which of the following statements most accurately describes the art and science facets of data mining? A Data mining is art, meaning that the output is often visual. B Data mining is more science than art. C Data mining is a science, meaning that it results in definite conclusions. D Data mining is an art because it involves making thoughtful choices.
2	Which of the following statements best describes data science? A Data science involves the transformation of data into action. B Data science is the use of statistical techniques to analyze large sets of data. C Data science answers the question, "What needs to happen?" D Data science extracts hidden knowledge and insights from data.
3	Which of the following is not considered one of the challenges of data mining? A. Ethical issues, B. Bias amplification, C. Unstructured data ,D. Quantity of data
4	An organization wants to utilize business intelligence (BI) to assist in the evaluation of key metrics. The IT manager has suggested incorporating a dashboard feature in its BI tool. Which one of the following is the main reason that management should implement the dashboard feature? A. It shows patterns and trends in data across the organization B. It is designed to focus on metrics that have not been met. C .It can automatically generate reorders of important materials for production. D .It allows management to have as many different charts as possible.
5	A company's accounting information system needs to capture the information of the financing cycle, which encompasses all transactions involving A. sales to customers and the collection of cash receipts for those sales. B. the purchase and payment of supplies and services it consumes. C. the hiring, training, and payment of employees. D. the investment of capital, borrowing money, payment of interest, and loan repayments.
6	A primary advantage of an ERP system is A. program-data dependence B. separate data updating for different functions. C. data redundancy D. centralization of data
7	An ERP system A. integrates multiple aspects of an organization's activities into one system. B. is part of the accounting information system. C. is focused on supply chain optimization. D. covers financial information only.
8	Roberta Johnson is the manager of SleepWell Inn, one of a chain of motels located throughout the United States. An example of an operating cost at SleepWell that is semi variable is A. the security guard's salary. B. electricity. C. postage for reservation confirmations. D. local yellow pages advertising.

9	The marketing manager of Ames Company has learned the following about a new product that is being introduced by Ames. Sales of this product are planned at $100,000 for the first year. Sales commission expense is budgeted at 8% of sales plus the marketing manager's incentive budgeted at an additional ½%. The preparation of a product brochure will require 20 hours of marketing salaried staff time at an average rate of $100 per hour, and 10 hours, at $150 per hour, for an outside illustrator's effort. The variable marketing cost for this new product will be A. $8,000 B. $8,500 C. $10,000 D.$10,500.
10	Indirect and common costs often make up a significant portion of the cost of a product. All of the following are reasons for indirect cost allocation to cost objects except to A. reduce total costs identified with products. B. measure income and assets for external reporting purposes. C. justify costs for reimbursement purposes. D. provide information for economic decision making.
11	The relevant range refers to the activity levels over which A. cost relationships hold constant. B. costs fluctuate. C. production varies. D. Relevant costs are incurred.
12	Which one of the following functions performed in an organization is a violation of internal control? A. A mail clerk opening the mail compares the check received with the source document accompanying the payment, noting the amount paid, then forwards the checks daily (along with a listing of the cash receipts) to the Cashier for deposit. B. A mail clerk opening the mail compares the check received with the source document accompanying the payment, noting the amount paid, then forwards the source documents that accompany the payments (along with a listing of the cash receipts) to Accounts Receivable, on a daily basis, for posting to the subsidiary ledger. C. At the end of the week the Cashier prepares a deposit slip for all of the cash receipts received during the week. D. The General Ledger clerk compares the summary journal entry, received from the Cashier for cash receipts applicable to outstanding accounts, with the batch total for posting to the Subsidiary Ledger by the Accounts Receivable clerk.
13	In order to properly segregate duties, which function within the computer department should be responsible for reprocessing the errors detected during the processing of data? A. Department manager B. Systems analyst C. Computer programmer D. Data control group.
14	Presented are Valenz Company's records for the current fiscal year ended November 30 Direct materials used $300,000 Direct labour 100,000 Variable factory overhead 50,000 Fixed factory overhead 80,000 Selling and admin. costs-variable 40,000 Selling and admin. costs-fixed 20,000 If Valenz Company uses variable costing, the inventoriable costs for the fiscal year are A. $490,000 B. $530,000 C. $450,000 D. $400,000
15	Pavilion Inc. has implemented a budget process that begins with the analysis of current practices to find improvements and determine changes needed to attain improvements. Then budgets are based on the improved practices or procedures resulting in budget figures that are lower than the previous period. The firm expects to be able to manufacture its product or render its service at a lower cost. The decrease in the budget amounts are the consequence of doing the same activity more efficiently and with higher quality and is not the result of arbitrary cuts. The budget process described is referred to as: A. Kaizen budgeting B. Standard cost budgeting. C. Zero-based budgeting. D. Activity-based budgeting

16	Consider the following categories of performance measures. I. Profitability measures. II. Customer-satisfaction measures. III. Efficiency, quality, and time measures. IV. Innovation measures. A cruise line operates on a national scale in a very competitive marketplace. In view of this information, which measures should the company use in the evaluation of its managers? A. I and II. B. II and III. C. I, II, III and IV. D. I only.
17	When evaluating the cost of quality in an organization, which one of the following would be considered an internal failure cost? A. The cost to inspect units produced. B. Product testing. C. The cost to rework defective units. D. The warranty repair costs.
18	Total quality management (TQM) stresses that all of the organization's operations must be oriented toward improving the reliability of which of the following: A. Employee practices. B. Business models. C. Product or service offerings. D. Compensation methods..
19	In measuring the cost of quality, which one of the following is considered an appraisal cost? A. Rework cost. B. Product testing cost. C. Equipment maintenance cost. D. Warranty claims cost.
20	Render Inc. has four support departments (maintenance, power, human resources, and legal) and three operating departments. The support departments provide services to the operating departments as well as to the other support departments. The method of allocating the costs of the support departments that best recognizes the mutual services rendered by support departments to other support departments is the A. reciprocal allocation method. B. direct allocation method C. dual-rate allocation method. D. step-down allocation method.
21	Which of the following statements are **true** concerning the differences between variable and absorption costing? I. Under variable costing, all fixed costs are considered period costs. Under absorption costing, only non-manufacturing fixed costs are considered period costs. II. Under absorption costing, the income statement must be in accordance with generally accepted accounting principles such as U.S. GAAP. Variable costing is used for internal reporting purposes and is not in accordance with GAAP. III. Under variable costing, if production is greater than sales, operating profit will be higher than it would be under absorption costing. IV. Under absorption costing, if production is less than sales, operating profit will be higher than it would be under variable costing. A. I and III B. II and III C. I and II D. II and IV
22	Taylor Corporation is determining the cost behaviour of several items in order to budget for the upcoming year. Past trends have indicated the following dollars were spent at three different levels of output Unit Levels |	10,000	12,000	15,000
Cost A	\$25,000	\$29,000	\$35,000
Cost B	10,000	15,000	15,000
Cost C	15,000	18,000	22,500	 In establishing a budget for 14,000 units, Taylor should treat Costs A, B, and C, respectively, as A. semi-variable, fixed, and variable. B. variable, fixed, and variable C. semi-variable, semi-variable, and semi-variable D. variable, semi-variable, and semi-variable

23	Which one of the following lists of functions is in proper value chain order? A. Research and development, marketing, and customer services B. Production, marketing, and production design C. Production design, distribution, and marketing D. Research and development, customer service, and distribution
24	The responsibility for selecting, nominating, and supervising the external auditor of a publicly-held corporation lies with A. the chief executive officer. B. senior management. C. the audit committee. D. The chief audit executive
25	In allocating support department costs to operating departments, the allocation method that best accounts for interdepartmental relationships between support departments is the A. reciprocal method. B. direct method. C. step method. D. physical volume method.
26	A company has two departments and allocates all overhead costs based on department revenues. The following information applies A. Department 1 revenue $1,000,000 B. Department 2 revenue 1,500,000 C. Corporate overhead costs 250,000 D. Department overhead costs 175,000
27	What amount is the company's total overhead cost for Department 2? A.$425,000 B.$255,000 C.$170,000 D.$105,000
28	In Theory of Constraints analysis, the throughput contribution margin is A. the selling price minus all variable costs. B. the selling price minus all variable and fixed c C. the selling price minus the direct materials cost. D. the selling price minus direct materials and direct labor only.
29	Which of the following types of controls would not come under existing control activities component of internal controls? A. Advance approval of vendors. B. Periodic evaluation and testing of controls by internal audit. C. Periodic comparing of actual costs to budget. D. Unused checks are kept in a locker.
30	The most common motivation for management fraud is the existence of: A. Vices, such as a gambling habit. B. Job dissatisfaction. C. Financial pressures on the organization. D. The challenge of committing the perfect crime.
31	During December, Krause Chemical Company had the following selected data concerning the manufacture of Xyzine, an industrial cleaner. Production Flow — Physical Units Completed and transferred to the next department — 100 Add: Ending work-in-process inventory — 10 (40% complete as to conversion) Total units to account for — 110 Less: Beginning work-in-process inventory — 20 (60% complete as to conversion) Units started during December — 90 All material is added at the beginning of processing in this department, and conversion costs are added uniformly during the process. The beginning work-in-process inventory had $120 of raw material and $180 of conversion costs incurred. Material added during December was $540 and conversion costs of $1,484 were incurred. Krause uses the weighted-average process-costing method. The total conversion cost assigned to units transferred to the next department in December was A. $1,664 B. $1,600 C. $1,513 D. $1,484
32	A computer virus is different from a "Trojan Horse" because the virus can A. corrupt data. B. alter programming instructions. C. replicate itself. D. erase executable files.
33	In situations where it is crucial that data be entered correctly into an accounting information system, the best method of data control would be to use A. key verification. B. compatibility tests. C. limit checks. D. reasonableness tests

34	The data entry staff of National Manufacturing Inc. has responsibility for converting all of the plant's shipping information to computerized records. The information flow begins when the shipping department sends a copy of a shipping order to the data entry staff. A data entry operator scans the shipping order information onto a hand-held data storage device. Verification clerks then check the computerized record with the original shipping orders. When a given batch of files has been reviewed and corrected, as necessary, the information is uploaded to the company's mainframe system at the home office. A. program flowchart. B. decision table. C. document flowchart. D. Gantt chart.
35	The systems development life cycle approach is best suited for projects that are A. large and unstructured. B. large and structured. C. complex and small. D. expensive and customized.
36	To improve efficiency, a company is considering utilizing a tool developed by a third party that reviews sales contracts and identifies elements and clauses relevant to revenue recognition. The company is most likely using a tool that is employing A. business intelligence. B. artificial intelligence. C. blockchain. D. control monitoring.
37	Which one of the following options would allow multiple employees to use a browser to remotely access and use application software? A. Virtualization. B. Cloud computing. C. Distributed ledger. D. Blockchain.
38	A company has two departments and allocates all overhead costs based on department revenues. The following information applies Department 1 revenue $1,000,000 Department 2 revenue 1,500,000 Corporate overhead costs 250,000 Department overhead costs 175,000 What amount is the company's total overhead cost for Department 2? A. $425,000 B. $255,000 C. $170,000 D. $105,000
39	A textile manufacturing company has the following information for its service departments, IT and Payroll department, and its production departments, Knitting, and Sewing. <table><tr><td></td><td>IT</td><td>Payroll</td><td>Knitting</td><td>Sewing</td></tr><tr><td>Overhead cost</td><td>$14,000</td><td>$17,200</td><td>$18,000</td><td>$20,000</td></tr><tr><td>Service provided by IT</td><td></td><td>30%</td><td>30%</td><td>40%</td></tr><tr><td>Service provided by Payroll</td><td>25%</td><td></td><td>30%</td><td>45%</td></tr></table>Using the reciprocal method of shared services cost allocation, how much is the total overhead cost for Knitting for the period? (Round to the nearest dollar.) A $30,560 B $30,594 C $30,876 D $31,605
40	Patterson Corporation expects to incur $70,000 of factory overhead and $60,000 of general and administrative costs next year. Direct labour costs at $5 per hour are expected to total $50,000. If factory overhead is to be applied per direct labour hour, how much overhead will be applied to a job incurring 20 hours of direct labour? A $28 B $120 C $140 D $260
41	One of the financial statement auditor's major concerns is to ascertain whether internal control is designed to provide reasonable assurance that ? A. Financial reporting is reliable. B. Corporate morale problems are addressed immediately and effectively. C. The chief accounting officer reviews all accounting transactions. D. Profit margins are maximized, and operational efficiency is optimized.
42	The basic concepts implicit in internal accounting controls include the following. • The cost of the system should not exceed benefits expected to be attained. • The overall impact of the control procedure should not hinder operating efficiency. Which one of the following internal accounting controls recognizes these two factors? A. Management responsibility, B. Reasonable assurance, C. Limitations, and D. Methods of data processing.

43	The procedure requiring preparation of a prelisting of incoming cash receipts, with copies of the prelist going to the cashier and to accounting, is an example of which type of control? A. Corrective, B. Directive, C. Detective, and D. Preventive.
44	An internal audit of the payroll function revealed several instances in which a payroll clerk had added fictitious employees to the payroll and deposited the checks in accounts of close relatives. What control should have prevented such actions? A. Allowing changes to the payroll to be authorized only by the personnel department, B. Establishing a policy to deal with close relatives working in the same department, C. Using time cards and attendance records in the computation of employee gross earnings, D. Having the treasurer's office sign payroll checks.
45	According to 21st Century Governance Principles for U.S. Public Companies, the purpose of the board of directors of a corporation is to A. Monitor risks and the corporation's control system B. Protect the interests of the corporation's shareholders C. Oversee the corporation's strategy D. Monitor the CEO.
46	Effective internal control A. Eliminates risk and potential loss to the organization, B. Cannot be circumvented by management, C. Reduces the need for management to review exception reports on a day-to-day basis, D. Is unaffected by changing circumstances and conditions encountered by the organization.
47	Within the organizational structure of a corporation listed on the New York Stock Exchange, the review of the external auditor's audit plan and the results of the audit would most likely be the responsibility of the corporation's A. Controller, B. Audit committee of the board of directors, C. Vice president of finance, D. President.
48	Management can best strengthen internal control over the custody of inventory stored in an off-site warehouse by implementing A. Reconciliations of transfer slips to/from the warehouse with inventory records, B. Regular confirmation of the amount on hand with the custodian of the warehouse, C. Regular reconciliation of physical inventories to accounting records, D. Increases in insurance coverage.
49	Which of the following is not an objective of the governance process? A. Promoting appropriate ethics and values within the organization. B. Ensuring effective organizational performance management and accountability. C. Promoting the effective consolidation of financial reports. D. Effectively coordinating the activities of and communicating information among the board, external and internal auditors, and management.
50	Which one of the following statements in regard to internal controls is not true? A. Control environment is the foundation for all other components of internal control, providing discipline and structure. B. Control activities are the policies and procedures that help ensure that management directives are carried out. C. Monitoring is a process that penalizes managers for breakdowns in internal control. D. Risk assessment is the entity's identification and analysis of relevant risks to the achievement of its objectives.
51	The correlation coefficient (R) that describes the degree of the relationship between two variables (x and y) has been calculated as 0.6. What proportion of the variation in the dependent variable (y) is explained by the variation in the independent variable (x)? A. 36%, B. 40%, C. 60%, D. 64%.

52	Black, Inc. employs a weighted average method in its process costing system. Black's work in process inventory on June 30 consists of 40,000 units. These units are 100% complete with respect to materials and 60% complete with respect to conversion costs. The equivalent unit costs are \$5.00 for materials and \$7.00 for conversion costs. What is the total cost of the June 30 work in process inventory? A. \$200,000, B. \$288,000, C. \$368,000, D. \$480,000.
53	The use of technology can make monitoring component of internal control more effective by: A. Assuring that all components of internal controls are functioning, B. Not needing separate evaluations, C. Helping provide timely information on failure of controls, D. Eliminating the need for supervisory reviews.
54	In the equation of a linear regression line, $\hat{y} = a + bx$, which of the following represents the slope of the line? A. The variable coefficient, B. The dependent variable, C. The independent variable, D. The constant coefficient.
55	Which of the following is considered an application input control? A. Run control total, B. Edit check, C. Report distribution log, D. Exception report.
56	Discretionary costs are A. Those management decides to incur in the current period to enable the company to achieve objectives other than the filling of orders placed by customers, B. Likely to respond to the amount of attention devoted to them by a specified manager, C. Governed mainly by past decisions that established the current levels of operating and organizational capacity and that only change slowly in response to small changes in capacity, D. Unaffected by current managerial decisions.
57	Data governance encompasses the practices, procedures, processes, methods, technologies, and activities that deal with the overall management of the data assets and data flows within an organization. Data governance is a process that helps the organization better manage and control its data assets and it includes several aspects. Management of the process of combining data from different sources, both internal and external, and providing users with a unified view of all the data describes what aspect of data governance? A. Data integration, B. System maintenance, C. Data usability, D. Data mining.
58	Which of the these is not a component of an Enterprise Resource Planning (ERP) system? A. Human resources, B. Accounting and finance, C. Sales, distribution, and order management, D. Performance reporting.
59	A data lake is A. A massive body of information that is fed from multiple sources for which the content has not been processed, B. User-friendly, C. Can be used by all staff for data mining, D. A consolidation of multiple data warehouses.
60	Manufacturing input costs are accumulated in the Accounting Information System in the A. Responsibility reporting system, which is a financial reporting system, B. Profitability reporting system, which is a financial reporting system, C. Production reporting system, which is a management reporting system, D. Cost accounting system, which is a management reporting system.
61	In securing the client/server environment of an information system, a principal disadvantage of using a single level sign-on password is the danger of creating a(n) A. Trap door entry point, B. Single point of failure, C. Administrative bottleneck, D. Lock-out of valid users.

62	Which one of the following represents a weakness in the internal control system of an electronic data processing system? A. The data control group reviews and tests procedures and handles the reprocessing of errors detected by the computer, B. The accounts receivable clerk prepares and enters data into the computer system and reviews the output for errors, C. The systems analyst designs new systems and supervises testing of the system, D. The computer operator executes programs according to operating instructions and maintains custody of programs and data files.
63	Confidential data can be securely transmitted over the internet by using A. Single-use passwords, B. Firewalls, C. Encryption, D. Digital signatures.
64	A company developed the following multiple regression equation, utilizing 10 years of data, and uses it to estimate the cost of its product. Total cost = F + a*L + b*M Where: F = fixed costs L = labour rate per hour M = material cost per pound Which one of the following changes would most likely have the greatest impact on invalidating the results of this model? A. Changing the source of material to a low-cost foreign source, B. A significant reduction in factory overhead, C. A significant change in labor productivity, D. Renegotiation of the union contract resulting in a higher wage rate.
65	An analysis of historical hotel occupancy data concluded that the decline in food and beverage revenue was due mostly to the low hotel occupancy. This is an example of A. Descriptive analytics, B. Diagnostic analytics, C. Predictive analytics, D. Prescriptive analytics.
66	A hospital has observed an increase in the number of cases of a disease and has asked an analyst to collect data on the cases over the last three years. The analyst noted that the disease appeared three years ago during the second quarter of the year. Since then, the third and fourth quarters of each year showed significant spikes in the number of cases when compared to the first two quarters. What is the best way to present these findings? A. Table, showing the number of cases in each month for the last three years, B. Pie chart, showing the number of cases in each quarter of the last three years, C. Scatter plot chart, showing the change in the number of cases for each quarter of the last three years, D. Bar graph, showing the number of cases in each quarter of the last three years.
67	A company is planning to implement a just-in-time (JIT) inventory management system. All of the following are benefits expected from implementing JIT **except** A. Lower investment in inventory, B. Lower obsolescence and other carrying costs, C. Higher inventory turnover, D. Fewer defects and less rework.
68	The Theory of Constraints (TOC) is used to improve speed in manufacturing by increasing throughput contribution, which decreases investments and operating costs. For the purpose of using TOC (only), operating costs include A. Direct material, direct labour, rent, utilities, and costs of equipment and buildings, B. Direct labour, rent, selling and administrative expenses, utilities, and depreciation, C. Rent, cost of equipment and buildings, selling and administrative expenses, and utilities, D. Direct material, direct labour, rent, selling and administrative expenses, utilities, and depreciation.
69	All of the following statements are true about Kanban except A. Kanban was originally developed at Toyota, B. Kanban is a part of a JIT system and its purpose is to manage the flow on a manufacturing assembly line,

	C. The supplier delivers components to the production line on an "as needed" basis, signaled by receipt of a card and empty container, eliminating storage in the production area, D. "Kanban" is a Japanese term meaning "continuous improvement."
70	All of the following are examples of encryption techniques used for computer security except A. Public key, B. Private key, C. Primary key, D. Authentication key.
PART – B	
Compulsory Question (2 x 15 = 30 Marks)	
71	Clean Corporation is operating in the business of auto service shops. Clean Corporation buys materials from both domestic and foreign sources. Chief audit executive Mr. Randy was getting ready for year-end meetings with the Board of Directors and senior management. He'd lately learned of a conflict of interest between the firm's buying manager and its main domestic supplier, in which it looked that the company had considerably overpaid for some of its goods. He intended to inform the Board of Directors about the issue. In his review of overseas suppliers, he discovered no problems, but he did find a problem with the warehouse. He discovered that the warehouse's finished inventory was not properly protected. Mr. Randy planned to seek the chairman of the board sign off on the financial statements' propriety in order to comply with the Sarbanes-Oxley Act at the year-end meeting. A. Identify and describe the Board of Directors' four responsibilities for ensuring that the firm is run in the best interests of shareholders **(5 marks)** B. Describe three practices related to auditors that are forbidden under Section 201 of the Sarbanes-Oxley Act (Sarbanes-Oxley Act) **(4 marks)** C. Identify and describe the Foreign Corrupt Practices Act's principal internal control provisions (FCPA) **(3.5 marks)**
72	Rosewood Designs produces customized textiles, such as dresses, formal attire, and uniforms. Rosewood is a small sole proprietorship owned and managed by Samuel Wood. Rosewood uses a job order costing system. During July, Rosewood completed Job 431, an order for 2,000 school uniforms. Based on the success of this large order, Wood is contemplating a drastic change in business strategy. Wood is considering mass producing school uniforms and gradually phasing out custom orders. Relevant financial information is shown below • Job 431 had a beginning work-in-process inventory balance of \$33,000 on July 1. • During July, \$3,000 of direct material was added to the job. Job 431 required a total of 3,500 direct labour hours, with 1,000 of those hours taking place in July. • The average labour rate for production workers is \$7 per hour. • Rosewood completed Job 431 on July 25. • Rosewood's predetermined manufacturing overhead rate is \$3 per direct labour hour. • After completing Job 431, management analysed the direct labour hours. Rosewood normally experiences an 80% learning curve, and management expects that the learning curve will level off after producing 8,000 uniforms. A. Define and explain the job costing system Rosewood currently uses. **(1.5marks)** B. Identify what costing system would be most suitable if Rosewood begins mass producing school uniforms. Explain your answer **(2 marks)** C. For Job 431, calculate the cost per unit by using full absorption costing. Show your calculations. **(3 marks)** D. Identify and explain the major difference between full absorption costing and direct costing. **(2 marks)** E. After completing 8,000 uniforms, what is the estimated direct labour cost per uniform? Show your calculations **(4 marks)**

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