# MC-3538

## Second Year B. B. A. (Sem. IV) (CBCS) Examination

### September / October - 2013

### Management Accounting - II

Time : 3 Hours] [Total Marks : 70

**Instructions :**

(1)

નીચે દર્શાવેલ ☛ નિશાનીવાળી વિગતો ઉત્તરવહી પર અવશ્ય લખવી.
Fillup strictly the details of ☛ signs on your answer book.

Name of the Examination :
☛ SECOND YEAR B. B. A. (SEM. 4) (CBCS)

Name of the Subject :
☛ MANAGEMENT ACCOUNTING - 2

☛ Subject Code No. : 3 5 3 8 ☛ Section No. (1, 2,.....) : NIL

Seat No. :

Student's Signature

(2) Figures to the right indicate marks of the question.

(3) Use of simple calculator is permitted.

1 With a view to increase the volume of sales PHONEX ltd., has a proposal to reduce its selling price by 20%. No change in the total fixed cost or in variable cost per unit is estimated. The director of the company however desires the present level of profit to be maintained. The following information has been provided : **10**

Sales (1,50,000 units) .......Rs. 15,00,000
Variable cost ..........................Rs. 5 p.u.
Fixed cost ............................Rs. 1,50,000

Find out the number of units required to be sold at a reduced selling price to maintain the present profit level. Also work out the present and proposed Break-even point.

**OR**

1 The projected capacity of a plant, when sold, would return Rs. 70,000 in sales income to the company. The variable costs for this production volume were determined to be Rs. 30,000. The fixed costs are Rs. 20,000. Determine : **10**

(a) BEP

(b) Profit or loss to the business on sales of Rs. 49,000 and Rs. 28,000

(c) Amount of sales that will enable the business to earn a next profit of Rs. 28,000

(d) Margin of safety on sales of Rs. 70,000

2 The following details are obtained from the cost records of a company at 50% capacity. Prepare a flexible budget at 60%, 75%, 90% and 100% **12**

| **Particulars** | **Amount (Rs.)** |
|---|---|
| **Fixed Expenses :** | |
| Salaries and wages | 8,40,000 |
| Rent and taxes | 5,60,000 |
| Depreciation | 7,00,000 |
| Administration exps. | 8,90,000 |
| **Semi-Variable Expenses :** | |
| Repairs and Maintenance | 2,50,000 |
| Indirect wages. | 9,90,000 |
| Sales commission | 2,90,000 |
| Misc. expenses | 2,60,000 |
| **Variable Expenses :** | |
| Raw Materials | 24,00,000 |
| Wages | 25,60,000 |
| Others | 3,80,000 |

It is assumed that fixed expenses will remain constant at all levels. Semi-variable expenses will remain constant between 45% and 65% activity; between 65% and 80% level of activity it will increase by 10% and between 80% to 100%, it will increase by 20%.

Sales at 60% are Rs. 1,00,00,000 at 75% – Rs. 1,20,00,000, 90% – 1,50,00,000 and at 100% are Rs. 1,70,00,000.

**OR**

2 The following information is from RAINBOW limited. Prepare a cash Budget for 4 months from 1st April 2013. On this date cash balance its estimated as Rs. 1,65,000 : **12**

| Particular | Jan | Feb. | Mar. | April | May | June | July |
|---|---|---|---|---|---|---|---|
| Sales | 1,23,000 | 1,32,750 | 1,26,000 | 1,39,500 | 1,08,000 | 1,23,700 | 1,47,900 |
| Selling exps. | 7,500 | 4,875 | 6,150 | 5,565 | 4,815 | 5,400 | 5,175 |
| Purchases | 60,000 | 55,500 | 60,000 | 58,590 | 59,850 | 52,500 | 54,600 |
| Wages | 15,000 | 12,000 | 12,600 | 13,200 | 9,000 | 14,400 | 12,000 |
| Factory exps. | 12,600 | 8,520 | 8,880 | 8,160 | 8,820 | 9,000 | 8,520 |
| Office exps. | 5,100 | 3,750 | 5,640 | 3,720 | 3,900 | 3,780 | 4,050 |
| Research exps | 3,000 | 3,600 | 3,600 | 3,600 | 3,600 | 3,900 | 3,900 |

Time lag

Wages – $\frac{1}{4}^{th}$ month

Factory exps. – 1 month

Office exps. – $\frac{1}{2}$ month

Selling exps. – 1 month

Research exps. – 1 month

Creditors – 3 months

Debtors – 2 months

Sales commission @ 4% payable after 2 months.

- Plant costing Rs. 1,50,000 to be purchased in April.
- Building costing Rs. 12,00,000 to be purchased in April. Amount is payable is four installments (half-yearly) of which the 1st is payable in May.
- Dividend of Rs. 15,000 to be paid in July and income-tax Rs. 45,000 in June.
- Cash sales are Rs. 3,000 per month.
- Call money 50,000 equity shares @ Rs. 3.00 per share is receivable in May.

3 Answer the following as directed : 10

(a) What is Budget ? List different types of budget prepared by an organisation.

(b) A company sells 8,000 units at Rs. 12.00 per unit by incurring a variable cost of Rs. 38,400 and fixed costs of Rs. 52,000. The company wants to earn a profit of Rs. 15,000. Find out required sales.

(c) Define standard costing and Material cost variance.

(d) List down 2 examples each of fixed, variable and semi-variable expenses.

4 The standard cost on 'Material' and Labour for making of a unit of a certain product are estimated as under : 12

Material 80 kg at Rs. 1.50 per kg

Labour 18 hours at Rs. 1.25 per hr.

On completion of the production of a unit, it was found that 75 kg of material costing Rs. 1.75 per kg has been consumed and the time taken was 16 hours wage rate being Rs. 1.50 per hour.

You are required to analyse material and Labour variances.

**OR**

4 What is variance ? Discuss Material, Labour and Overhead variance in detail. 12

5 Gupta toys sell 3 different toys Z, X and M. Product Z contributes 20% of its revenue to fixed cost 4 profit. Product X contributes 10% and product M contributes 50%. The products sell for the following prices : **12**

Product Z – Rs. 80 p.u.
Product X – Rs. 20 p.u.
Product M – Rs. 30 p.u.

The company earned a net profit of Rs. 5,00,000 before interest and taxes last year by selling 50,000 units of Z, 1,50,000 units of X and 60,000 units of M.

Prasad, the sales manager believes that the profit picture could be improved by eliminating Product X and concentrating sales efforts on Product Z and M. He sees an opportunity to increase the sales of product Z to 60,000 units and that of M to 70,000 units next year. Do you agree with Prasad ?

**OR**

5 On the basis of a production schedule of 1,00,000 units. The cost p.u. are given below : **12**

| **Particulars** | **Amount (Rs.)** |
|---|---|
| **Direct Material Cost :** | |
| Part purchased from outside | 200.00 |
| Other material | 40.00 |
| Direct wages | 60.00 |
| Other variable overheads | 40.00 |
| Fixed overheads 4,00,00,000 | 400.00 |
| Total | **740.00** |

The company is operating at 80% and it will not be making any other use of the balance 20% capacity. Hence contemplates to manufactures the part of the above product, which it purchased from outside. The estimates cost of the part is as under :

| | |
|---|---|
| Direct material | Rs. 40 |
| Direct wages | Rs. 70 |
| Variable overheads | Rs. 30 |
| Fixed cost (20% of 4 crores) | Rs. 80 |
| **Total** | **Rs. 220** |

Should the company make or buy ?

6 Write short notes : (any **two**) **14**

(i) Differential cost
(ii) Overhead variances
(iii) Zero - based Budgeting
(iv) Difference between fixed and Flexible budget.