Test - 14

Time Allowed : 1 hour 30 Min.		Total Marks: 50 Marks

Q.1: What are the benefits of study of marginal costing? **(5 Marks)**

Q.2: Differentiate between fixed budget and flexible budget. **(5 Marks)**

Q.3: AK Limited produces and sells a single product. Sales budget for calendar year 2012 by quarters is as:-

Quarters	I	II	III	IV
No. of units to be sold	18,000	22,000	25,000	27,000

The year is expected to open with an inventory of 6,000 units of finished products, and close with inventory of 8,000 units. Production in customarily scheduled to provide for 70% of the current quarter's sales demand plus 30% of the following quarter demand. **Prepare** quantity production budget for the year. **(5 Marks)**

Q.4: Your Company, manufacturing 1,00,000 units p.a., sells it at a price of ` 80 per unit. The variable cost per unit is ` 48 and the annual fixed cost amounts to ` 18 lakhs. Based on these data, you are **required -**

(i) Present P/V Ratio and break-even sales.

(ii) Increase in the volume of sales required if the profit is sought to be increased by ` 3.6 lakhs.

(iii) Percentage increase/decrease in sales quantity to offset an increase of ` 7 per unit in variable cost.

(5 Marks)

Q.5: Bindu Limited presents the following information for a year: -

Material - ` 1,20,000	Fixed expenses - ` 1,20,000	Selling price per unit - ` 50
Wages - ` 2,40,000	Variable overheads - ` 60,000	Output - 12,000 units

The available capacity is 20,000 units of production in a year. The company has an offer to sell 5,000 additional units at ` 40 each in a foreign market. It is anticipated, that, by accepting this offer there will be a saving of ` 1 per unit in material cost on all the units manufactured but fixed expenses will increase by ` 30,000 and an overall efficiency will drop by 2% on all production. Whether this offer be accepted & why?

(10 Marks)

Q.6: The cost data are as under: -

Product		**A**	**B**	**C**
Direct Materials (`)		64	152	117
Direct Labour:	**Rate per hour**	**Hrs.**	**Hrs.**	**Hrs.**
Department 1	5	18	10	20
Department 2	6	5	4	7
Department 3	4	10	5	20
Variable Overheads (`)		16	9	21
Fixed Overheads ` 4,00,000 per annum				

The budget was prepared at a time, when the market was sluggish. The budgeted quantities and selling prices are as under: -

Product	**A**	**B**	**C**
Budgeted Qty.	9,750	7,800	7,800
Selling Price (`) per unit	270	280	400

Latter the market improved and the sales quantities could be increased by 20% for product A and 25% each for products B and C. The sales manager confirmed that the increased quantities could be achieved at the prices originally budgeted. The production manager stated that the output cannot be increased beyond the budgeted level due to limitation of direct labour hours in Department 2. **Required: -**

(i) Present a statement of budgeted profitability

(ii) Set optimal product mix and calculate optimal profit. **(10 Marks)**

Q.7: The following information relating to the third and last quarter of 2003-04 are furnished by a company which manufactures and sells a single product: -

	Third quarter (Actuals)	**Last quarter (Estimate)**
Sales	` 6,24,000	` 6,60,000
	Closing Balance	Closing balance
Raw Material 'A' (kg.)	23,500	25,000
Raw Material 'B' (kg.)	13,400	15,000
Finished goods (units)	700	1,000
Unit Cost Data - Raw Material 'A'	10 kg. @ ` 3 = ` 30	
- Raw Material 'B'	5 kg. @ ` 2 = ` 10	
Direct Labour (Machine time 5 hrs. @ ` 4)	Machine shop = ` 20	
Assembly 2 hrs. @ ` 5(labour time)	= ` 10	
Production Overheads: Machine shop @ ` 12 per hr. and Assembly @ ` 10 per hr.		
Selling Overhead 20% of production cost and Profit margin 10% on selling price		

You are **required** to prepare for the last quarter of the year: - **(a)** Statement showing selling price per unit, **(b)** Production budget (in units), **(c)** Purchase Budget (quantity and value), **(d)** Total cost budget. **(10 Marks)**