

Budgetary Costing

Time Allowed : 35 Minutes
TEST-5
Total Marks: 20 Marks
Q.1: What are the advantages of study of Budgetary Control?

(5 Marks)
Q.2: 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 is 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.3: X Ltd. manufacturing three products, has the following direct labour requirements for the products: -

Direct Labour time per unit (in minutes)

Product	1	2	3
Operation I	18	42	30
Operation II	---	12	24
Operation III	9	6	---

The factory works 8 hours per day, 6 days in a week. Each budget quarter has 13 weeks and in terms of leave, holidays and other causes, 124 hours are lost in each quarter. Operations I, II and III have the budgeted hourly rates for workers at ₹ 16, ₹ 20 & ₹ 24 respectively. The budgeted sales of the products during the quarter are: - Product 1: 9,000 units, Product 2: 15,000 units, Product 3: 12,000 units

There were opening stocks of 5,000 units of Product 2 and 4,000 units of Product 3 and it is proposed to have closing stock at the end of the budget quarter as follows: -

Product 1: 1,000 units, Product 3: 2,000 units.

Required:

1. Production Budget
2. Direct Labour Hours Budget
3. Available Labour Hours per worker per quarter
4. Number of workers required
5. Direct Labour Cost Budget

(10 Marks)