



First Term Exam-2071

Level: MBS-I Subject: Management Accounting F.M.: 50
 Time: 2:00 Hrs. P.M.: 20

Candidates are required to give their answers in their words as far as practicable.

1 From the books of accounts of a manufacturing concern, following past data regarding overhead cost and volume of operation has been extracted:

Year	Units Produced ('00')	DLH Used ('000')	Overhead Cost (In Rs '0000')
2002	500	80	60.00
2003	540	90	65.00
2004	640	100	70.00
2005	690	110	75.00
2006	740	120	80.00

REQUIRED

- a. Segregation of cost using least square technique
 - i. Taking units of output as activity base
 - ii. Taking Direct Labour Hours as activity base
- b. For estimation of future overhead cost which cost driver seems to be appropriate for management? [4+4+2]

2 The Beta manufacturing company has been providing following information for coming period.

Details	Fixed (Rs.)	Variable (Rs.)
Direct material	—	480,000
Direct labor	—	400,000
Manufacturing overheads	270,000	160,000
Selling and administrative OHs	180,000	120,000

Expected production = 80,000 units
 Expected sales = 60,000 units
 Expected SPPU = Rs.25

Required:

- a. How many units must be sold to achieve BE sales.
- b. How many units must be sold if company desires after tax profit of Rs. 120,000.[Tax rate is 40%]
- c. Percentage increase in VCPU to maintained original Break-Even sales if selling price is decreased by 10%. [2+3+3]

3 The income statement of Everest Manufacturing Company as on December 31st, of last year has been given below:

Particulars	Amount (Rs.)	Amount (Rs.)
Sales revenue @ Rs. 30		750,000
Less: Cost of goods sold:		
Direct material @ Rs. 5	135,000	
Direct labor @ Rs. 4	108,000	
Variable manufacturing overheads @ Rs. 6	162,000	
Fixed manufacturing overheads @ Rs. 2	54,000	
Cost of goods manufactured	459,000	
Add: Beginning inventory	34,000	
Cost of goods available for sale	493,000	
Less: Ending inventory	68,000	
Cost of goods sold unadjusted	425,000	
Less: Over-applied of fixed manufacturing overheads	4,000	
Cost of goods sold adjusted		421,000
Gross income		329,000
Less: Non- Manufacturing costs:		
Fixed selling and administrative overheads	150,000	
Variable selling and administrative expenses @ Rs. 5	125,000	
Net income before tax		54,000

Required:

- a. Normal capacity in units.
- b. Income statement under variable costing.
- c. What increase in sales volume is required to cover additional attractive packaging cost of Rs. 1 per unit at original selling price to yield a profit of Rs. 61,000? [2+5+3]

4. Rahul Dairy Ltd, Chitwan produces a special ice cream which sells for Rs.60 each. 90,000 liters of ice cream is produced each year but the equipment used in the manufacture is utilized only 90% capacity. The company has received an offer for 15,000 liters of ice cream at the rate of Rs.40 per liter.

The standard cost of manufacture of ice cream per liter is

Milk and other spices	Rs.20
Labor	7
Manufacturing overhead	13

If order is accepted the company expects to receive a 5% discount on all material purchases. Accepting the offer will increase fixed cost by Rs.5, 000.Fixed Manufacturing overhead of Rs. 10,00,000 per year.

Required:

- a. Company will accept the offer?
- b. What other factors should be considered while accepting the offer? [7+3]

- 5 The following data relate to the operations of Sharada Traders, a wholesaler distributor of consumer goods:

Balance Sheet
As on December 31, 2013

Capital and liabilities	Amount(Rs.)	Assets	Amount(Rs.)
Accounts Payable	54,600	Cash	8,000
Capital Stock	60,000	Accounts Receivable	24,000
Retained earnings	8,200	Inventory	9,800
		Building and equipment, net	81,000
Total	122,800	Total	122,800

- a. Gross profit 30% of sales.
- b. Actual and budgeted sales data:
- | | |
|----------|-----------|
| December | Rs.80,000 |
| January | 70,000 |
| February | 80,000 |
| March | 90,000 |
| April | 60,000 |
- c. Sales are 40% for cash and 60% on credit. Of credit sales 50% are collected in same month and the remaining in the month following sale.
- d. At the end of each month, inventory is to on hand equal to 20% of the following month's budgeted cost of goods sold.
- e. Month's inventory purchases are paid for in the following month of purchase. The accounts payable at December 31 are the result of December purchase.
- f. Monthly fixed operating expenses (including depreciation) are estimated to be Rs.32,000 and variable operating expenses are to be 10% of sales. All these expenses are paid in the month when they are due. Depreciation is Rs.2,000 per month. It includes depreciation on new assets acquired during the quarter.
- g. Equipment will be acquired paying cash Rs. 30,000 in January.

- h. The company must maintain a minimum cash balance of Rs.5,000. An open line of credit is available at Global Bank. All borrowing are done at the beginning of the month, all repayments are made at the end of the month. Borrowing and repayment must be in multiples of Rs.1,000. The annual interest rate is 12%. Interest is paid only at the time of repayment of principal.

Required:

- a. Merchandise purchase budget
- b. Cash budget
- c. Income statement for three month ending March. [3+5+4]