MANAGEMENT ACCOUNTING

B.Com (H) IIIrd Year (Apr'09)

Q1.

(a) Fixed costs – Rs8,000; profit earned – Rs2,000; and Breakeven point -Rs40,000. Find the Actual sales. (Ans-Rs50,000)

(b) Sales – Rs400,000; fixed costs – Rs180,000; variable costs – Rs250,000. How much should the sales be increased for the company to breakeven. (Ans-Rs80,000)

(c) A company has a PV% of 40%. By what percentage must sales be increased to offset 10 % reduction in selling price. (Ans- sales increases by 33.33%).

(d) A company budgets for a production of 150,000 units. The variable cost per unit is Rs.14 and fixed cost is Rs.300,000. The company fixes its selling price to fetch a profit of 15% on cost. What is the break even point and PV%. (Ans. – 68182 units and 23.91%)

Q2. A factory can produce 60,000 units per annum at its 100% capacity. The estimated cost of production is as under:

Direct Material	Rs. 3 per unit
Direct Labour	Rs. 2 per unit
Fixed Overheads	Rs. 150,000 per annum
Variable overheads	Rs. 5 per unit
Semi variable overheads	Rs. 50,000 per annum up to 50% capacity and an

extra expense of Rs.10,000 for every 25% increase in capacity or part thereof.

The production plan of the factory is as below and the management plans to earn a profit of Rs.100,000 for the year. Find the selling price at which each unit should be quoted.

The production plan is:

First 3 months of the year 50% of capacity remaining 9 months 80% of the capacity.

(Ans-Rs.17.24)

Q3. A factory produces 24,000 units and cost unit gives the following information:

Direct material	Rs.120,000
Direct wages	Rs.84,000
Variable Overheads	Rs.48,000
SV overheads	Rs.28,000
Fixed overheads	Rs.80,000

The product is sold at Rs.20 per unit. The management proposes to increase the production by 3,000 units for sale in the foreign market and estimates that the SV overheads will increase by Rs.1,000 and the labour will be paid for 25% extra for working overtime to meet the extra demand. The product can be sold for Rs.14 in the foreign market. Should the foreign market order be accepted.

Q4. A company estimated that next year it will be possible to sell 1 lakh unit of a product at Rs.1 per unit. The estimated fixed costs and variable costs are Rs.50,000 and Rs.40,000 respectively. If a price increase of 10% and a reduction of 5% in sales volume is expected, compute the amount of sales by which the company will be able to earn Rs.30,000 more profits than the estimated profits.

(Ans – Rs.141,428)

Q5. The following standards have been set to manufacture a product:

Direct Material:

2 units of A at Rs.4 per unit	Rs 8
3 units of B at Rs.3 per unit	Rs 9
15 units of C at Rs.1 per unit	Rs 15
	Rs.32
Direct Labour 3 hours at Rs.8 per hr	Rs.24
Total Std Prime Cost	Rs.56

The company manufactured and sold 6,000 units of the product during the year. Direct Material costs were as follows:

12,500 units of A at Rs.4.40 per unit
18,000 units of B at Rs.2.80 per unit
88,500 units of C at Rs.1.20 per unit

The company worked 17,500 direct labour hrs during the year. For 2,500 of these hrs, the company paid at Rs.12 per hr while remaining were paid at the standard rates.

Calculate all Material and Labour Variances.

Q6. Answer the following:

1) When P/V ratio is 40% and sales value Rs. 10,000, the variable cost will be_______.
2) The sales has increased by 20,000 and profit by Rs.5,000. The PV % is_________.
3) Fixed costs are product costs in marginal costing.
4) Fixed Overhead cost variance shows over and under absorbtion of overheads. (T/F)
5) Budgeted Sales 10,000 units @ Rs.4, Actual Sales 8,000 units @ Rs.3.50 and 5,000 units @ Rs.4. Calculate Sales variances.
6) Fixed Overheads Rs.10,200, Normal capacity 10,000 standard hours, Budgeted rate for fixed overheads – Rs.1 per hour, Actual level 8000 hrs. Calculate all Overhead Variances.