

(2½ Hours)

Total Marks: 75

Q.1 A) Multiple choice question: (Any Eight)**(08)**

1. Material Cost Variance is equal to _____.
a. $MPV + MUV$ b. $MUV + MYV$ c. $MYV + MPV$ d. $MYV + MMV$
2. Measurable value of an alternative use of resources is _____.
a. Opportunity Cost b. Indirect Cost c. Mixed Cost d. Sunk Cost
3. In make or buy decision _____.
a. Only marginal cost is relevant
b. Only fixed cost is relevant
c. Only Total cost is relevant
d. None of the above
4. Variable cost per unit _____.
a. increases with an increase in products
b. decreases with a decrease in profit
c. remains constant with change in production
d. None of the above
5. Selling per unit is Rs. 10, variable cost per unit is Rs. 6, Fixed cost Rs. 20,000 contribution will be _____.
a. Rs.4 b. Rs.6 c. Rs. 2,000 d. Rs.60
6. At the Break-even point, which equation will be correct?
a. Variable cost – fixed cost = contribution
b. Variable cost + fixed Cost = Sales
c. Sales – fixed cost = contribution
d. Sales – contribution = variable cost
7. A budget that gives a summary of all the functional budgets is known as _____.
a. Master budget b. Capital budget c. Flexible Budget d. Fixed budget

8. If the activity level is reduced from 90% to 70%, the fixed cost _____.
a. per unit will increase
b. will decrease by 20%
c. will increase by 20%
d. per unit will decrease.
9. The object of budgetary control is _____.
a. Planning b. Organising c. Co-ordinating d. Developing
10. Idle time variance is caused due to _____.
a. Power Failure b. change in quantity
c. change in efficiency d. None of the above

B) State whether the following statements are True or False: (Any Seven) (07)

1. The production manager prepares the sales budget.
2. The budget is prepared for the past years.
3. Budgetary control is economical for all types of business organizations.
4. In Absorption costing, fixed and variable costs are charged to products.
5. Profit Volume ratio shows the relationship between contribution and Sales.
6. The most profitable sales mix is the one that gives maximum contribution.
7. If the product is sold at marginal cost, the loss will be equal to the variable cost.
8. Excess of actual cost over standard cost is favourable.
9. Labour Mix variance arises due to a change in the composition of labour.
10. All variances are expressed in monetary terms only.

Q. 2. A. Owl Ltd. Manufactures 10,000 units of product at a cost of Rs. 180 per unit. Presently, the company is utilizing 50% of the total capacity. The information about cost per unit of the product is as follows. (15)

Material – Rs. 100

Labour – Rs.30

Factory overheads – Rs. 30 (40% Fixed)

Office overheads – Rs. 20 (50% Fixed)

Additional Information:

- i) The current selling price of the product is Rs. 200 per unit.
- ii) The fixed cost increases by Rs. 10,000 at 85% capacity and above.
- iii) At 60% capacity level- material cost per unit will increase by 2% and the current selling price per unit will reduce by 2%.
- iv) At 80% capacity level- - material cost per unit will increase by 5% and the current selling price per unit will reduce by 5%.

Prepare the budget of the company at 60% and 80% capacity levels.

OR

Q.2.B. From the following information and the assumption that the balance in hand on 1st January is Rs. 72,500, prepare a cash budget for 6 months. (15)

Month	Sales (Rs.)	Materials (Rs.)	Wages (Rs.)	Selling Cost (Rs.)	Factory Cost (Rs.)	Office Cost (Rs.)
January	72,000	25,000	10,000	4,000	6,000	1,500
February	97,000	31,000	12,100	5,000	6,300	1,700
March	86,000	25,500	10,600	5,500	6,000	2,000
April	88,600	30,600	25,000	6,700	6,500	2,200
May	1,02,500	37,000	22,000	8,500	8,000	2,500
June	1,08,700	38,800	23,000	9,000	8,200	2,500

Assume that 50% are cash sales. Assets are to be acquired in the months of February and April. Therefore, provision should be made for the payment of Rs. 40,000 and Rs. 25,000 for the same. An application has been made to the bank for a grant of loan of Rs. 30,000 and it is hoped that it will be received in the month of May.

It is anticipated that a dividend of Rs. 35,000 will be paid in June. Debtors are allowed 1 month of credit. Sales commission 2% on cash sales is to be paid in the same month. Creditors (for goods or overheads) grant 1 month credit.

Q.3.A. The following information is available:**(15)**

Particulars	Product "A" (Per unit Rs.)	Product "B" (Per unit Rs.)
Direct Materials	60	105
Direct Labour	30	45
Direct Expenses	35	30
Variable Overheads	25	20
Selling Price	200	275

Total Fixed overheads Rs.20,000.

From the following alternatives which sales mixes will bring higher profits? Explain with working.

- 250 units of "A" and 150 units of "B".
- 200 units of "A" and 200 units of "B".
- 150 units of "A" and 250 units of "B".
- 400 units of "A" only.
- 400 units of "B" only.

OR**Q.3.B. The following information is obtained from a Company for June:****(15)**

Sales	- Rs. 20,00,000
Variable Cost	- Rs. 10,00,000
Fixed Cost	- Rs. 6,00,000

- Find out the P/v Ratio, Break Even Point, and Margin of Safety.
- Find out the P/v Ratio, Break Even Point, and Margin of Safety if fixed cost decreased by 20%.
- Find out the P/v Ratio, Break Even Point, and Margin of Safety if variable cost decreased by 10%.

Q.4.A. The following data is available from the records of a manufacturing company:

Standard (Per Unit)

Materials - 5 kg @ Rs. 10 per Kg

Labour - 6 hrs. @ Rs. 12 per hour

The Actual data for the period was –

Production – 9,000 units

Material Consumed 44,000 kg @ Rs. 10.25 per kg

Labour cost 55,000 hours @ Rs. 11 per hour

Calculate the appropriate Material and Labour Variance. (15)

OR

Q.4.B. From the following information about sales, calculate: (15)

- a) Total Sales Variance b) Sales Price Variance c) Sales Volume Variance
d) Sales Mix Variance e) Sales Quantity Variance

Product	Standard Units	Standard Rate per unit (Rs.)	Actual Units	Actual Rate per unit (Rs.)
M	5,000	5	6,000	6
N	4,000	6	5,000	5
P	3,000	7	4,000	8

Q. 5 A. Distinguish between Absorption costing and Marginal costing. (08)

Q.5. B. Explain the different types of functional budgets. (07)

OR

Q. 5. Write short notes (Any three): (15)

- a) Sales Variance
b) Break Even Point
c) Zero Base Budget
d) make or Buy Decision
e) Benefits of Standard Costing