

(2 Hours)

[Total Marks: 60]

Instructions:

- All questions are compulsory and subject to internal choice.
- Figures to the right indicate full marks.
- Make suitable assumptions whenever required and state them.
- Use of simple calculator is allowed.

Q1.

A)

[15 Marks]

MI Ltd. has given forecast sales for January, 2022 to July, 2022 and actual sales for November and December, 2021. With the other particulars given, prepare a cash budget for the months i.e., January to May, 2022.

1. Sales:

Month	Rs.
November 2021	1,60,000
December 2021	1,40,000
January 2022	1,60,000
February 2022	2,00,000
March 2022	1,60,000
April 2022	2,00,000
May 2022	1,80,000
June 2022	2,40,000
July 2022	2,00,000

- Sales 20% cash and 80% credit, credit period after two months.
- Variable expenses 5% on turnover, time lag of half month.
- Commission 5% on credit sales payable in two months.
- Purchases are 60% of the sales, payment will be made after two months of purchases.
- Rent Rs. 6,000 paid every month.
- Other payments: Fixed assets purchases – February Rs. 36,000 and March Rs. 1,00,000; Taxes – April -Rs. 40,000.
- Opening cash balance on 01.01.2022 Rs. 50,000.

OR

Q1.

B)

[15 Marks]

KKR Limited makes an equipment mainly for export. When producing the budget for 2022 the company realizes that its principal budget factor is sales and forecasts the following sales:

Product Name	Kent	Essex	Sussex
Sales (in Units)	1,000	2,000	500
Selling Price per unit	Rs. 50	Rs.75	Rs.100

The unit direct costs of manufacturing each type of equipment are:

Materials	Kent	Essex	Sussex
Leather (at Rs. 10/ Meter)	5 Meter	6 Meter	7 Meter
Wire (at Rs. 2/kg)	1.2kg	1.3kg	1.4kg

The company has opening stock of finished goods of 200 Kents, 200 Essex and 100 Sussex and raw materials stock of 1000 meter of leather and 500 kgs of wire. It feels that 2022's sales figures could well be repeated in 2023 and wishes to have sufficient stock of finished goods to cope with 10% of this demand and raw materials to cope with 20% of this demand.

You are required to prepare:

- Sales budget for the year 2022
- Production budget (in numbers of Kent, Essex and Sussex) for the year 2022
- Materials usage budget (for leather and wire) for the year 2022

Q2.

A)

[15 Marks]

Product	Budgeted Sales		Actual Sales	
	Quantity	Price	Quantity	Price
A	10000	20	15000	28
B	15000	24	20000	16

From the above information calculate the following variances

- Sales Value Variance
- Sales Mix Variance
- Sales Price Variance
- Sales Quantity Variance
- Sales Volume Variance

OR

Q2.

B)

[15 Marks]

Work out in appropriate cost sheet form the unit cost per passenger XYZ Services for the year 2022-23 for a fleet of passenger-buses booked by a Transport Company from the following figures extracted from its books:

- 8 passenger buses costing Rs. 30,000, Rs. 1,00,000, Rs. 65,000, Rs. 50,000, Rs.45000, Rs.50000, Rs. 55000 and Rs. 70,000 respectively (Total cost is Rs. 4,65,000).
- Yearly depreciation of vehicles is 30% of the cost.
- Annual repairs, maintenance and spare parts expenses are 85% of depreciation.
- Wages of 15 drivers @ Rs. 200 each per month
- Wages of 30 cleaners @ Rs. 40 each per month
- Yearly rate of interest 6% on capital
- Rent of 8 garages @ Rs. 100 each per month
- Director's fees @ Rs. 500 per month
- Office establishment expenses @ Rs. 1,200 per month
- Licence and taxes @ Rs. 1,800 for every six months
- Realization by sale of old tyres and tubes is @ Rs. 29,975 p.a.
- 1000 passengers were carried over 1,800 KMs during the year.

Q3.

A)

[15 Marks]

Nevin Ltd. received an offer to sell 5,000 Engineering tools to Nitco Ltd. Nevin Ltd. Manufactures 40,000 Engineering tools annually by operating at 80% of full capacity. Regular selling price of the product is Rs 4,000. The engineering tools required are similar to those

currently being produced by Nevin Ltd. Budgeted annual production costs and other expenses are as follows:

Particular	Per Unit	Total (Rs.)
Raw Material	1,200	4,80,00,000
Direct Labour	800	3,20,00,000
Variable production Overheads	500	2,00,00,000
Fixed production overheads		1,00,00,000
Fixed selling and administration overhead		1,00,00,000

The company wants to earn a minimum profit of Rupees 500 per component. Assume that normal operations will not be affected by the special order and that regular sales volume for the year is 40,000 units as initially planned. You are required:

- What should be the minimum price to be quoted by Nevin Ltd?
- Prepare an income statement showing the position of the company without special order, for special order and with special order.

OR

Q3.

B)

[15 Marks]

The sales and profits of Pillai Ltd. during two years are given below:

Year	Total Sales (Rs.)	Total Cost (Rs.)
2020	3,00,000	2,60,000
2021	3,40,000	2,90,000

You are required to compute:

- P/V Ratio
- Break-even Point
- Sales required to reach a profit of Rs. 40,000
- Profit made when sales amount is Rs. 2,50,000
- Margin of Safety when sales are Rs. 2,50,000

Q4.

A) Multiple Choice Questions:

[8 Marks]

- The costing method where fixed factory overheads are added to inventory is called _____.
 - Activity-based costing
 - Absorption costing
 - Marginal costing
 - Contract costing
- The profit/volume ratio in marginal costing can be improved by _____.
 - Lowering fixed cost
 - Increasing the selling price
 - Increasing variable cost
 - None of the above
- Sales Value Variance is said to be favourable when
 - actual sales are less than budgeted sales
 - actual sales are more than budgeted sales
 - actual sales are equal to budgeted sales
 - actual Price is more than Budgeted Price

4. _____ is the difference between the standard cost of labour specified for the output achieved and the actual cost of labour used.
 - a. Material Cost Variance
 - b. Labour Cost Variance
 - c. Sales Variance
 - d. Overhead Variance
5. A _____ is a budget designed to remain unchanged irrespective of the level of activity actually attained.
 - a. Fixed Budget
 - b. Flexible Budget
 - c. Cash Budget
 - d. Purchase Budget
6. _____ is an activity-based budgeting system where budgets are prepared for each activity rather than functional department.
 - a. Zero Based Budgeting
 - b. Performance Budgeting
 - c. Budgetary Control
 - d. Master Budget
7. In transport service cost sheet, the repair cost is grouped under:
 - a. Fixed Charges
 - b. Running Charges
 - c. Semi-variable cost
 - d. None of the above
8. _____ costing is the method used to ascertain the cost of providing a service such as transport, hotel, hospital, gas or electricity.
 - a. Contract
 - b. Process
 - c. Job
 - d. Operating

Q4.

B) True or False:

[7 Marks]

1. Sales Price Variance is that portion of the Sales Value Variance which is due to the difference between budgeted price and Actual price.
2. Revised Standard Quantity for each input is required to be computed for calculating Material Mix Variance.
3. Cash budget is long-term in nature.
4. A budget manual clearly defined the objectives of budgetary control system.
5. Unit cost for gas companies is per ton.
6. In the break-even chart, Profit is shown on the X axis.
7. If the selling price and the variable cost decline by the same amount, the margin of safety in terms of units will remain unaffected.

OR

Q4.

C) Write short notes: (Any Three)

[15 Marks]

1. Labour Variances
2. Operating Costing of Hospital
3. Flexible Budget
4. Margin of Safety
5. Assumptions of Break Even Analysis