TIME: 2:30 **MARKS:75**

NOTE: 1- All questions are compulsory.
2- Figures to the right indicate marks.
3- Working notes are forming part of your answers.

Q1(a) Choose the correct alternative and rewrite it. (Any eight) **(8)**

1- What is the main purpose of a budget?
A) To control costs
B) To predict future financial performance
C) To increase shareholder dividends
D) To reduce competition

2- Which of the following costs is not included in marginal costing?
A) Fixed costs
B) Variable costs
C) Sunk costs
D) Semi-variable costs

3- What is a standard cost?
A) The actual cost incurred
B) The historical cost of an item
C) The predetermined cost based on a certain level of efficiency and costs
D) The market price of a product

4- Which of the following is not a component of the master budget?
A) Sales budget
B) Production budget
C) Cash budget
D) Variable cost budget

5- Which of the following is not a feature of marginal costing?
A) Fixed costs are treated as period costs
B) Variable costs are allocated to products
C) Contribution margin is calculated
D) Marginal cost per unit remains constant

6- Which variance compares the actual cost of direct materials with the standard cost of direct materials allowed for actual production?
A) Material price variance
B) Material usage variance
C) Labor rate variance
D) Labor efficiency variance

7- What does a flexible budget do?
A) Allows for adjustments in production levels
B) Is fixed and cannot be changed
C) Only considers variable costs
D) Is prepared only for managerial purposes

8- In marginal costing, which of the following statements is true?
A) Marginal cost equals total cost

X980YA1666FX980YA1666FX980YA1666FX980YA1666F

B) Marginal cost equals total variable cost
C) Marginal cost equals total fixed cost
D) Marginal cost equals total fixed cost plus total variable cost

9- Which variance arises due to the difference between the actual quantity of input used and the standard quantity of input allowed for actual production?
A) Material price variance
B) Material usage variance
C) Labor rate variance
D) Labor efficiency variance

10- What is a budgetary control system primarily concerned with?
A) Planning future budgets
B) Comparing actual results with budgeted figures
C) Controlling fixed costs
D) Maximizing shareholder wealth

Q1(b) State whether following statements are True or False. (Any seven) **(7)**

1- Budgetary control is a technique used for evaluating the performance of a company by comparing actual results with planned results.
2- In marginal costing, fixed costs are treated as product costs and are included in the calculation of cost of goods sold.
3- Standard costing involves setting predetermined costs based on historical data rather than expected future costs.
4- A favorable variance indicates that actual results are better than planned results, while an unfavorable variance indicates the opposite.
5- Contribution margin represents the difference between sales revenue and total variable costs.
6- Standard costing is not useful for performance evaluation or cost control purposes.
7- A flexible budget adjusts the budgeted figures based on actual activity levels, providing a more accurate basis for comparison.
8- Marginal costing is often used for short-term decision-making as it focuses on the differential costs between alternatives.
9- Standard costing involves comparing actual costs with predetermined standards to identify variances.
10- A budgetary control system primarily focuses on controlling fixed costs to ensure profitability.

Q2-A Following information is available for Usha Ltd. **(15)**

Direct Materials per unit	
Product X	₹ 20
Product Y	₹ 16
Direct wages per unit	
Product X	4 hours @ ₹ 5 per hour
Product Y	6 hour @ ₹ 4 per hour

Variable overheads: 125% of direct wages
Fixed overheads (Total) ₹ 2,500
Selling price per unit of product X ₹ 80
Selling price per unit of Product Y ₹ 90

X980YA1666FX980YA1666FX980YA1666FX980YA1666F

You are required to prepare:

i) Statement showing marginal cost and contribution per unit for product X and Y

ii) The total contribution and profits resulting from each of the suggested sales mixes and suggest which of the alternative sales mixes you would recommend to the management.

(a) 250 units of X and 250 units of Y.
(b) 300 units of X and 200 units of Y
(c) 200 units of X and 300 units of Y
(d) 500 units of X
(e) 700 units of Y

OR

Q2-B From the following information and the assumption that the balance in hand on 1st January is R.s. 80,500. Prepare cash budget for six months. **(15)**

Months	Sales (R.s.)	Materials (R.s.)	Wages (R.s.)	Selling Exp.(R.s.)	Production cost (R.s.)	Administration cost (R.s.)
Jan	1,44,000	50,000	20,000	8,000	12,000	3,000
Feb	1,94,000	62,000	24,200	10,000	12,600	3,400
Mar	1,72,000	51,000	21,200	11,000	12,000	4,000
Apr	1,77,200	61,200	50,000	13,400	13,000	4,400
May	2,05,000	74,000	44,000	17,000	16,000	5,000
Jun	2,17,400	76,600	46,000	18,000	16,400	5,000

Assume that 50% are cash sales. Assets are acquired in the month of February and April. Therefore provision should be made for the payment of R.s 80,000 & R.s. 50,000 for the same. An application has been made to the bank for the grant of loan of R.s 60,000 and it is hoped that it will be received in the month of May.

It is anticipated that a dividend of R.s. 70,000 will be paid in June. Debtor are allowed 1 months credit. Sales commission @ 2% on cash basis and 5% on cash collection from debtors is to be paid. Creditors grant one month credit. All expenses were outstanding for one month.

Q3-A The standard cost of a certain chemical mixture is : **(15)**

40% Material ‘A’ @ ₹20 per kg

60% Material ‘B’ @ ₹30 per kg

Standard loss of 10% is expected in production.

During a period, there is used :

90 Kgs. Material A at cost of ₹ 18 per kg

X980YA1666FX980YA1666FX980YA1666FX980YA1666F

110 kgs. Material B at a cost of ₹ 34 per kg

The weight produced is 182 kgs

Calculate:

a) Material Cost Variance

b) Material Price Variance

c) Material Mix Variance

d) Material Yield Variance

e) Material usages variance

OR

Q3-B Following information is available in respect of G Ltd. and D Ltd. : **(15)**

Particulars	G Ltd. (₹)	D Ltd. (₹)
Sales	11,00,000	14,00,000
Variable cost	8,80,000	10,50,000
Profit	1,20,000	2,00,000

Calculate: (i) P/V ratio of both companies. (ii) Fixed cost of both companies. (iii)Break -even point of both companies. (iv) Sales to earn profit of ₹2,10,000 by each company. (v) Sales to earn profit of 10% on sales. (vi) New break- even point if Fixed cost is increased by 10%.

Q4-A **(15)**

Particulars	Budgeted	Actual
Output	24000	26000
Hours	12000	13200
Fixed overheads (Rs.)	4800	5000
Variable overheads (Rs.)	48000	50000
Number of days	25	27

Calculate:

1. Variable overhead variance
2. Variable overhead efficiency variance
3. Fixed overhead cost variance
4. Fixed overhead volume variance
5. Fixed overhead expenditure variance

OR

Q4-B ABC manufacturing company produces 7,500 units by utilizing its 75% capacity, supplies you the following cost information : **(15)**

Cost Information at 75% Capacity Utilisation (for 7500 units)

X980YA1666FX980YA1666FX980YA1666FX980YA1666F

	₹
Direct Material	7,50,000
Direct Labour	6,00,000
Direct Expenses	3,00,000
Factory Overhead	4,50,000
Office Overhead	3,00,000
Selling Overheads	1,50,000

Additional Information :

i) Direct material, direct labour and direct expenses are variable cost.

ii) Factory overheads per unit increases by 10%, if capacity utilisation goes down below the 75% and decreases by 15%, if capacity utilisation goes up above the 75%.

iii) Office overheads are fixed overheads.

iv) Selling overheads per unit increases by 20%, if capacity utilisation goes down below 75% and decreases by 25%, if capacity goes up above the 75%.

v) It is the policy of the company to charge profit at 20% on selling price.

You are required to prepare a flexible budget at 50%, 75% & 100% capacity utilisation

Q5-A

1- What is managerial decision making? Explain various costs to be considered in managerial decision making. **(8)**

2- Distinguish between marginal costing and Absorption costing. **(7)**

OR

Q5-B Write short notes (any three) **(15)**

a- Advantages of budgeting.
b- Disadvantages of marginal costing.
c- Role of cost-volume-profit analysis in decision making.
d- Advantage of standard costing
e- Break-even-point Analysis.

X980YA1666FX980YA1666FX980YA1666FX980YA1666F