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SARDAR PATEL UNIVERSITY
B.B.A. (GENERAL) SEMESTER: VI EXAMINATION
2015
Wednesday, 08th April
10:30 a.m To 12:30 p.m
UM06CBBA02: ACCOUNTING FOR DECISION MAKING

Total Marks: 60

Note: 1. Figure to the right indicate full marks of question.
2. All questions carry equal marks.
3. Working notes are the part of answer.

Q-1 (A) Shiv Limited provides you the following information for its product. [07]

Total fixed cost	Rs. 2,00,000
Total variable cost	Rs. 3,00,000
Total sales	Rs.6,00,000
Output and sales (units)	60,000

Calculate:

1. Break-even point (in units & rupees).
2. Margin of Safety.
3. Sales to earn profit of Rs. 2,00,000.
4. Profit earned at a sales of Rs.7,50,000.
5. Sales to earned profit at 10% on sales price.
6. Margin of Safety at a profit of Rs.1,20,000.

(B) Following data are availble from the books of Darshan Limited: [08]

Particulars	Product X (Rs. per unit)	Product Y (Rs. per unit)
Direct materials	63	51
Direct wages	18	15
Other variable expenses	15	21
Selling prices	110	94
Total fixed expenses Rs.10,000		

As a management accountant you are required to present before management.

1. The marginal cost of product X and Y and contribution per unit.
2. The total contribution & profits resulting from each of the suggested sales mixtures.
3. To decide the best sales mixture.

Suggested sales mixtures:

I. 1000 units of X and 2000 units of Y
II. 2000 units of X and 1000 units of Y
III. 1800 units of X and 1200 units of Y
IV. 1200 units of X and 1800 units of Y

OR

Q-1 (A) The following particulars have been extracted from the books of Ram Ltd. for a period [10] of two years.

Year	Total Sales (Rs)	Total Costs (Rs)
2012-13	5,00,000	6,00,000
2013-14	10,00,000	9,00,000

Calculate the following:

1. Profit/volume ratio.
2. Fixed costs.
3. Break even point.
4. Margin of safety for 2013-14.
5. Sales for a profit of Rs 4,00,000.
6. Profit at a sales of Rs 12,00,000.
7. Margin of safety at a profit of Rs 4,00,000.
8. Sales for a loss of Rs 2,00,000.
9. Variable costs for both the years

(B) Write a note on: Utilities of break even chart with diagram. [05]

Q-2 From the following particulars of Sunil Limited find out the most profitable product mix and prepare a statement of profitability of the product mix. [15]

Particulars	Product X	Product Y	Product Z
Fixed cost (Rs.)	1,60,000	2,00,000	60,000
Selling price per unit (Rs.)	120	110	100
Requirement per unit			
Direct material	10 kgs	6kgs	8kgs
Direct labour	4hrs.	3hrs.	2 hrs.
Variable overhead (Rs.)	20	26	16
Cost of direct material per Kg (Rs.)	4	4	4
Direct labour hour rate (Rs.)	4	4	4
Maximum possible units of sale	8,000 units	10,000 units	3,000 units

All the three products are produced from the same direct material using the same type of machine and labour.

I. If direct material is key factor, find out priority of product.
II. Direct labour is key factor and is limited to 38000 hours then determine the profit.
III. If sale potential in Value is key factor.
IV. If sale potential in Volume is key factor

OR

Q-2 The cost per unit of three Products A, B and C of a company is as follows: [15]

Particulars	A	B	C
	Rs.	Rs.	Rs.

Direct materials	40	32	36
Direct labour	24	28	24
Variable expenses	16	20	12
Fixed expenses	12	12	12
Total cost	92	92	84
Selling price	130	120	105
Profit	38	28	21
No. of units produced	10,000	5,000	8,000

Production arrangements are such that if one product is given up the following changes are required:

1. The production of other can be raised by 50%
2. Total fixed cost will increased by Rs. 10,000.
3. Total supervison cost of Rs. 20,000 can be saved.

The directors purpose that product C should be given up because it is less profitable. As a management accountant, give your advice to the management that which product should be dropped.

Q-3 (A) Compare and contrast between Differential cost analysis and Marginal costing. [08]

(B) Ashok Ltd. wants to take on lease one computer at a monthly rent of Rs. 15,000 but the directors want to purchase such computer, the cost of which is Rs. 5,50,000 and its installation charge will be Rs. 50,000. Its useful life is estimated as 20 years. It is estimated that at the end of its useful life, no scrap value will be realized. As a result of installation of this computer one operator will have to be appointed to whom a monthly salary of Rs. 8,000 will have to be paid. For this purpose, the company will have to take a loan at 15% interest rate per annum. It is assumed that if this amount is invested in shares, then 20% profit will be realized from this investment. However, the company will have to pay income tax at 50% on this profit. [07]

From the above particulars, give your opinion whether it would be advantageous to purchase the computer or not. Show your calculations in support of your opinion.

OR

Q-3 B4U Manufacturing company Limited produced 5000 units at 50% production capacity. Cost of production and other data are as under for the year 2013: [15]

Particulars	**Amount (Rs.)**
Direct labour	1,00,000
Direct material	50,000
Other expenses (direct)	20,000
Factory overheads (50% fixed)	1,00,000
Selling and distribution expenses (75% fixed)	40,000
Total cost	3,10,000

Selling price per unit is Rs. 75.

Company plans to produce 6,000 units at 60% production capacity in the year 2014, but it is assumed that:

1) Cost of material and labour increased by 10% and 5% respectively.

2) Fixed cost increase by 5%

3) No change in selling price.

Under such conditions, company received offer from one customer to increase production capacity by 40% .

If management of the company wants to earn Rs. 90,000 profits at 100 % production capacity then find out the selling price per unit for a special offer.

Q-4 The following figures for a period were extracted from the books of JHP Limited prepare value added statement and distribution of value added statement for the year 2014: [15]

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Sales	71,42,400	Carriage outward	63,360
Commission on sales	57,600	Director's sitting fees etc.	1,15,200
Purchase of raw materials	28,80,000	Interest on Bank Loan	51,840
Stock of Raw materials:		Dividend to shareholders	86,400
Opening	2,44,800	Retained earnings	3,60,000
Closing	3,11,040	Depreciation	1,54,400
Other materials (net)	2,67,840	Income-tax provided	2,88,000
Finished stock:		Audit fee	11,520
Opening	5,76,000	Travelling expenses	60480
Closing	6,91,200	Advertisement	72,000
Staff welfare expenses	4,55,040	Postage and telegrams	40,320
Insurance	78,880	Salaries and Wages	18,14,400
Rent and Taxes	46,080	Contribution to PF	1,72,800
Managing Director's remuneration	2,41,920	Subscription	5,760

Does your statement corroborate the assertion of the Chairman of the Company in the Annual General Meeting that 75% of added value is accounted by employee costs?

OR

Q-4 (A) Define the term value added with example and explain how does value added statement is helpful for performance measurement. [08]

(B) Difference between value added statement and profit & loss account. [07]

All the Best