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SARDAR PATEL UNIVERSITY

B.B.A. (VI Sem.) (General) Examination (2010 Batch)

Tuesday, 3th May 2016

2.30 p.m. to 4.30 p.m.

UM06CBBA02/07: Accounting for Decision Making

Total Marks: 60

Note: Figures to the right indicate full marks.

Q. 1

(a) Explain Break Even Chart with its utility. **[5]**

(b) You are given the following data: **[10]**

Fixed expenses - Rs. 4000

Break even point – Rs. 10000

Calculate:

1. P/V Ratio
2. Profit when sales are Rs. 20000
3. New Break even point if sales are reduced by 20%

OR

Q. 1 A manufacturing company produces & sells three Products P,Q,R. it has an available machine hour capacity of one lakh hours, interchangeable among three products. Presently, the company produces & sells 20000 units of P & 15000 each of Q & R. The unit selling price of the three products are Rs. 25, Rs. 32 & Rs. 42 for P, Q, R respectively. With this price structure and the aforesaid sales-mix, the company is incurring loss. The total expenditure, exclusive of fixed charges (presently Rs. 5 P.U), is Rs. 13.75 lakhs. The unit cost ratio amongst the products P, Q,R is 4:6:7. Since the company desires to improve its profitability without changing its cost & price structures, it has been considering the following three mixes so as to be within its total available capacity: **[15]**

Product	Mix 1 in Units	Mix 2 in units	Mix 3 in units
P	25000	20000	30000
Q	15000	12000	5000
R	10000	18000	15000

You are required to compute the quantum of loss now incurred & advice the most profitable sales mix which could be considered by the company.

Q. 2 On the basis of the following information in respect of an engineering company what is the product mix which will give the highest profit attainable. You recommend overtime working up to a maximum of 15000 hours at twice the normal wage. (Ignore overheads) **[15]**

	A	B	C
Raw Material (p.u)	10 Kg	6 Kg	15 Kg
Labour Hours (p.h) Rs. 1	15	25	20
Selling Price (p.u)	125 Rs.	100 Rs.	200 Rs.
Maximum production (Units)	6000	4000	3000

100000 Kg raw materials are available at Rs. 10 per Kg. Maximum Production Hours are 184000 with facility for a further 15000 hours on overtime basis at twice the normal wage rate.

OR

Q. 2 PK Ltd. is engaged in 3 distinct lines of production. Their production cost per unit & selling price are as under: **[15]**

	A Rs	B Rs	C Rs
Production (units)	3000	2000	5000
Material cost (P.U)	18	26	30
labor	7	9	10
Variable Cost	2	3	3
Fixed Selling & Dist. Cost	5	8	9
Total cost	32	46	52
Selling price	40	60	61
Net profit	8	14	9

The management wants to discontinue one line & gives you the assurance that production in two other lines shall rise by 50%, they intend to discontinue the line which produces Article A as it is less profitable.

(a) Do you agree to the scheme in principles? If so, do you think that the line which produces 'A' should be discontinued.

(b) Offer your comments & show the necessary statements to support your decision.

Q. 3

(a) Compare & contrast between Differential Cost Analysis & Marginal Cost Analysis **[8]**

(b) Explain the significance of Differential Cost Analysis **[7]**

OR

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Q. 3

(a) XY Ltd. Produces 24000 units. It provides the following data. [10]

	Rs.
Direct material	120000
Direct wages	84000
Variable overheads	48000
Semi- variables overheads	28000
Fixed overheads	80000
Total cost	360000

The product is sold at Rs. 20 per unit

The management proposes to increase the production by 3000 units for sales in the foreign market. It is estimated that the semi variable overheads will increase by Rs. 1000. But the product will be sold at Rs. 14 p.u in the foreign market. However additional expenditure will be incurred. The management seeks your advice. What will you advise them?

(b) Indo-Us company has a capacity to produce 5000 articles but actually produced only 2000 articles for home markets at the following cost. [5]

		Rs.
Material		40000
Wages		36000
Factory O/H	Fixed	12000
	Variable	20000
Administrative O/H	Fixed	18000
Selling & Distribution O/H	Fixed	10000
	Variable	16000

The home market can consume only 2000 articles at a selling price of Rs. 80 p.u. An additional order for the supply of 3000 articles is received from Iraq at selling price of Rs. 65 p.u. Should this order be accepted or not?

Q. 4

(a) Explain Strategic Cost Analysis **[7]**

(b) Factor affecting strategic decision making **[8]**

OR

Q. 4 How competitive forces affecting to Business Strategy? **[15]**

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