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SARDAR PATEL UNIVERSITY

TY BBA (GEN) (VI –SEM.) (CBCS) EXAMINATION (2010 Batch)
Tuesday, 10th April, 2018
02.00 P.M – 4.00 P.M.
UM06CBBA02: ACCOUNTING FOR DECISION MAKING

Total Marks: 60

Note: Figures to the right indicate full marks.

Q.1 What is Break Even Analysis? Draw Break Even Chart with its Utility. Discuss objectives of CVP Analysis in details. (15)

OR

Q.1(A) A manufacturer produces 1500 units of products annually. The marginal cost of each product is Rs. 960 and the product is sold for Rs. 1200. Fixed cost incurred by the company is Rs. 48, 000 annually. Calculate P/V Ratio and what would be the break - even point in terms of output and in terms of sales value? (05)

(B) The budgeted results of Dev limited company include the following: (05)

Products	Sales volume Rs.	P/V Ratio
A	2, 00, 000	40%
B	1, 20, 000	50%
C	80, 000	25%
Total	4, 00, 000	30%

Fixed overheads for the period are Rs. 80, 000. The management is very much concerned at the Result forecasts for the company. They have requested you to prepare a statement showing the Amount of loss expected and recommend a change in sales mix which will eliminate the expected loss.

(C) A Company manufactures three types of products X, Y, and Z. all the three products are made from same set of machine. Production hours are limited by machine capacity. From the following data indicate the priority for X, Y, and Z. (05)

Particulars	X	Y	Z
Raw material cost per unit	11.25	16.25	21.25
Direct Labor cost per unit	2.50	2.50	2.50
Other Variable cost per unit	1.50	2.25	3.55
Selling price per unit	25	30	35
Machine time required	39 minutes	20 minutes	28 minutes

Q.2 Following information has been obtained from the cost records of Jinal Ltd. (15)

Particulars	X	Y
Direct Material per unit	8	6
Direct Wages per unit	24 Hrs. at 0.25 per hour	16 Hrs. at 0.25 per hour
Variable Overhead	150% of wages	150% of wages
Selling price per unit	50	40
Total Fixed Overhead	750	750

Company Directors wants to adopt any one of the following alternative of production in budget for next period. Alternatives:

(1) 250units of X and 250units of Y.
(2) 500 units of Y only.
(3) 400 units of X and 100 units of Y.
(4) 150units of X and 350 units of Y.

State which of the alternative product mix you would recommend to the management.

OR

(P.T.O.)

Q.2(A) In Zenith Ltd. Specialized part ZK 700 is manufactured. The management has to decide whether to make or buy this part. (05)

Particulars	Amount Rs.
Direct Raw material	112
Direct Labour	118
Labour overhead	36
Fixed Overhead	360
Purchase price of this part	560

From the above detail what will you advice in respect of manufacturing or buy the part ZK700. Company requires 10,000 parts every year.

Q.2 (B) Pacific Ltd. Manufactures and sales of two products X and Y. company has three alternatives, out of these three alternative you have to suggest the best profitable alternative data relating to cost of production as per under. (10)

Particulars	X	Y
Production and Sales in units	50,000	1,00,000
Sales	5,00,000	10,00,000
Less: Cost of Goods Sold	3,00,000	4,00,000
Gross Profit	2,00,000	6,00,000
Less: Advertise Expense (Fixed)	1,00,000	3,00,000
Net Profit	1,00,000	3,00,000
Direct Expense	2,00,000	3,00,000

The direct costs are already included in cost of goods sold.

Alternatives: (1) Increase the production of Y by 25,000 units and decrease the production of X by 10,000 units.

(2) Reduce the selling price of Y by Rs. 0.50 per unit and increase the production by 20%

(3) Production and sales of X 55,000 units and Y 90,000 units.

Q.3 What is Differential Cost? Differentiate Differential Cost Analysis and Marginal Cost Analysis. (15)

OR

Q.3 A newly incorporated Company plans introduce a new product. Sales volume along with different selling price and variable cost per unit have been estimated as under: (15)

Selling price per unit Rs.	Sales in Unit	Variable Cost per unit Rs.
19	5000	12
18	10,000	11.50
17	15,000	11
16	20,000	10.50
15	25,000	9.75
14	30,000	9.75
13	35,000	9.75
12	40,000	9.75

Fixed Cost directly traceable to the new product are expected to be Rs.40,000for any volume up to and including 20,000 units, above that volume fixed cost would increase by 25% for addition of every 10,000 units . You are required to ascertain the price at which the company should introduce the new product.

Q.4 Define Strategic Management Accounting. Discuss forces that affect business strategy. (15)

OR

Q.4 Discuss Strategic Cost Analysis and factors affecting Strategic Decision Making. (15)

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