(7) SEAT No.________ **No. of Printed Pages : 04**

SARDAR PATEL UNIVERSITY
TY BBA ITM SEMESTER VI
MANAGEMENT ACCOUNTING II (UM06CBBI05)
31st MARCH 2018 SATURDAY
TIME: 10 A.M. T0 12 P.M

Total Marks 60
No. of pages : 04

Q:1 (a) Define Breakeven point and Discus its utility. (07)

Q:1 (b) The following are the particulars of a Business unit for two different years are as under: (08)

Year	Sales	Profit
2016	1,00,000	10,000
2017	1,20,000	14,000

Calculate the following:

1) Profit volume ratio
2) Variable cost ratio
3) Profit when sales are of Rs. 90,000 and Rs. 40,000.
4) Sales required to earn profit of Rs. 20,000
5) Fixed costs.
6) Breakeven point
7) Margin of safety for the year 2017

OR

Q:1 (a) Define Breakeven point, Draw Explain the Assumption of Break even chart (07)

Q:1 (b) In the town of Baroda two famous hotel Sankalp & Swagat are operating in same locality. They are same in every respect. They use same material, labour and earn same profit. The following are the cost data: (08)

Particulars	Sankalp	Swagat
Sales	3,00,000	3,00,000
Variable cost	2,40,000	2,00,000
Fixed cost	30,000	70,000
Profit	30,000	30,000

You are required to calculate:

1) Breakeven point for each
2) Sales required to earn profit of Rs. 10,000
3) Access their profitability in situation of heavy and low demand

Q:2 (a) The director of Archana Ltd. is considering the sales budget for the next budget period. You are required to present a statement showing 1) variable cost of each product (08)

2) recommended which of the following sales mix should be adopted:

Particulars	Tea	Coffee
Selling price	Rs.60	Rs.100
Direct material	Rs.20	Rs.25
Direct wages	Rs. 10	Rs.15
Variable cost	100% of wages	100% of wages
Fixed overheads Rs. 10,000 per year		

(P.T.O.)

Alternative product mix:

1) 450 units of Tea and 300 units of coffee
2) 900 units of Tea only
3) 600 units of coffee only
4) 600 units of Tea and 200 units of coffee

Q:2 (b) The following particulars are taken from the record of Anjali Ltd. **(07)**

Particulars	**Product A**	**Product B**
Direct material (Rs.)	5	5
Labour hours	6	3
Direct wages (Rs.)	3	1.5
Variable overheads (Rs.)	1.5	1.5
Fixed overheads (Rs.)	1.5	0.75
Total cost (Rs.)	11	8.75
Selling price (Rs.)	14	11
Profit (Rs.)	3	2.25
Maximum demand	600	800

Comment on the profitability of each product when..

1) Total sales in unit is limited
2) Total sales in Rs is limited
3) Maximum labour hours available 4,800. Find out most profitable product mix

OR

Q:2 Priti Ltd manufactures three different products. The data relating to their production, cost per unit and selling price are as under: (15)

Particulars	**Product X**	**Product Y**	**Product Z**
Production (units)	4,000	2,000	5,000
	Rs.	Rs.	Rs.
Material	18	26	30
Wages	7	9	10
Variable overheads	2	3	3
Fixed overheads	5	8	9
	32	46	52
Selling price	40	60	61
Profit per unit	8	14	9

The management is thinking of discontinuing the production of one product and assures you that the production of remaining two products will increase by 50%. They want to drop the production of X, as it is less profitable.

1) Do you accept this proposal in principle?
2) If it is so, do you believe that the production of X should be dropped?
3) Give your comments and present the statements in support of your decision.

Q:3 (a) Discuss the similarities and differences of Differential cost and Marginal cost **(07)**

Q:3 (b) Due to industrial depression plant is running at present at 50% of its capacity. The following details are available: (08)

Cost of production per unit:	Rs.
Direct material	2
Direct labour	1
Variable overheads	3
Fixed overheads	2
Total cost per unit	8

Production volume per month is 20,000 units. Hence , production (20000@ Rs. 8)	Rs.1,60,000
Sale proceeds	Rs.1,40,000
Total loss	Rs. 20,000

An importer offers to buy 5,000 units per month at the rate of Rs. 6.50 per unit. But, the company hesitates to accept the offer as it fears that it might increase the operating losses.

Advice whether the company should accept or reject this offer.

OR

Q:3 (a) A manufacturer of Plastic Bucket makes an average profit of Rs. 2.50 per piece on selling price of Rs. 14.30 by producing and selling 60,000 pieces at 60% capacity. Its cost data are….. (10)

Direct Material Rs.3.5 per unit
Direct Wages Rs. 1.25 per unit
Factory overhead (50 % fixed) Rs. 6.25 per unit
Sales overheads (25 % variable) Rs. 0.80 per unit

During the current year he wants to produce the same no. but anticipate that…

1. Fixed cost will go up by 10 %
2. Direct Material and Direct Wages will go up by 6 % & 8% respectively
3. Selling price will remain unchanged

Under this situation he receives an offer for further 20% of his capacity. What minimum price would you recommended to ensure an overall profit of Rs. 1, 67;300?

Q:3 (b) Priyanka Cycle manufactures a number of cycle parts. The cost per unit of part number A -one is as follows: (05)

Particulars	Rs.
Materials	3
Labour (25% fixed)	2
Variable expenses	1
Fixed expenses	1.50
Total	7.50

An outside firm has offered to supply A-one at Rs. 6 per unit. Quality and regular suppliers are guaranteed. The present production is 50,000 units p.a. should A –one made or brought?

Q:4 The following figures for a period were extracted from the books of Priyanka Ltd. prepare value added statement and distribution of value added statement for the year 2017. (15)

Particulars	Rs.	Particulars	Rs.
Sales	71,42,400	Carriage outward	63,360
Commission on sales	57,600	Directors sitting fees	1,15,200
Purchase of raw material	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 material(net)	2,67,840	Income tax provided	2,88,000
Finished stock:		Audit fee	11,520
Opening	5,76,000	Travelling expenses	60,480
Closing	6,91,200	Advertisement	72,000
Staff welfare expenses	4,55,040	Postage and telegram	40,320
Insurance	78,880	Salaries and wages	18,14,400
Rent and rates	46,080	Contribution to P.F	1,72,800
Managing directors remuneration	2,41,920	Subscription	5,760

OR

Q:4 (a) Define the term value added and discuss its utility (07)

Q:4 (b) Difference between value added statement and profit and loss account (08)