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SARDAR PATEL UNIVERSITY

B.B.A. – General (6TH Semester) (2018-19) (March – 2019)

27-03-2019 - Wednesday

10.00 A.M. TO 12.00 P.M.

UM06CBBA02– ACCOUNTING FOR DECISION MAKING - II

Total Marks: 60

Note: Figures to the right indicate marks of the question.

Q:01(a) Define Cost Volume Profit Analysis and Explain Limitations of CVP Analysis 08

Q:01(b) Ashok Corporation Ltd. Has prepared the following budget estimates for the year 2018-19. 07

Sales Units	15,000
Fixed Expenses	Rs. 34,000
Sales Value	Rs. 1,50,000
Variable cost per unit	Rs. 6 per unit

You are required to :

1. Find the P/V Ratio, Break-Even Point and Margin of safety
2. Calculate the required P/V Ratio, Break-even point and marginal of safety in the following change
   a. Decrease of 10% in selling price.

OR

Q:01(a) What do you mean by Break Even Point? explain utility of BEP 08

Q:01(b) Keyur Ltd. Sold in two successive periods 7,000 unit and 9,000 units and has incurred a loss of Rs. 10,000 and earned Rs. 10,000 as profit respectively. 07

The selling price per unit can be assured at Rs. 100. You are required to calculate :

1. The amount of fixed expenses
2. BEP (In Units)
3. The number of units to earn a profit of Rs. 40,000

Q:02(a) A Company produces two products namely O & P. the details information are as follows: 08

Particulars	O	P
Sales Price	Rs. 145	Rs. 98
Direct Material	Rs. 50	Rs. 40
Direct Labour Hours	25 Hours	10 Hours
Labour Rate Per Hours Re. 1		
Variable Overhead	80 % of Labour Cost	80 % of Labour Cost

Fixed Overhead Rs. 5,000

1. Which Product is profitable when Labour is short supply?

2. Maximum Production capacity of product O – 1,000 units, and P – 2,000 units
   Find out no. of units to be produced when labour hours available 40,000 hours total.

Q:02(b) The cost per unit of three Products A, B and C of a company is as follows: 07

Particulars	A	B	C
Direct Materials	40	32	36
Direct Labour	24	28	24
Variable Overhead	16	20	12
Fixed Overhead	12	12	12
Total Cost	**92**	**92**	**84**
Selling Price	**130**	**120**	**105**
Profit	**38**	**28**	**21**
No. of unit produced	**10,000**	**5,000**	**8,000**

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

I. The production of other can be raised by 50%

2. Total fixed cost will increased by Rs. 10,000.

3. Total supervision 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.

OR

Q:02(a) Amrut Ltd. Manufactures three products. The budgeted quantity, selling prices and unit costs are as under: 08

Particulars	A	B	C
Budgeted Production (in units)	6,400	3,200	2,400
Selling price per unit Rs.	140	120	90
Variable Overheads	10	30	20
Direct Materials (Rs.20 per kg)	80	40	20
Direct Labour (Rs.5 per hour)	5	15	10
Fixed Overheads	9	22	18

Required:

1. Present a statement of budgeted profit
2. Set Optimal product mix and determine the profit, if the supply of raw materials is restricted to 18,400 kgs.

Q:02(b) A Multi Product company provides the following costs and output data for the last year 07

Particulars	*Products*		
	X	*Y*	*Z*
Sales Mix	40%	35%	25%
Selling Price	20	25	30
Variable Cost per unit	10	15	18

Total Fixed Cost Rs. 1,50,000
Total Sales Rs. 5,00,000

The company proposes to replace product Z by Product S. Estimated cost and output data are:

Particulars	*Products*		
	X	*Y*	*S*
Sales Mix	50%	30%	20%
Selling Price	20	25	28
Variable Cost per unit	10	15	14

Total Fixed Cost Rs. 1,50,000
Total Sales Rs. 5,00,000

Analyze the proposed change and suggest what decision the company should take.

Q:03(a) Explain difference between Differential Cost Analysis and Marginal Cost Analysis 08

Q:03(b) Explain meaning and Significance of Differential cost analysis 07

OR

Q:03(a) Amar Co. Ltd. Selling electric kits at a cost of Rs. 6,900 each, made up as under: 08

Particulars	**Amt. Rs.**
Direct Materials	3,200
Direct Labour	400
Variable Overhead	1,000
Fixed Overhead	200
Depreciation	200
Selling Overheads – Variable	100
Royalty	200
Profit	1,000
	6,300
Central Excise duty	600
	6,900

1. A foreign buyer has offered to buy 200 such kits at Rs. 5,000 each. As a cost Accountant, would you advise accepting this offer.
2. What price should the company quote for a kit to be purchased by a company under the same management if it should be at cost.

Q:03(b) The Television Production Co. finds that while it cost Rs. 6.25 to make component X the same is available in the market at Rs. 5.75 each, with an assurance of continued supply. The break down of the cost is: 07

Materials	Rs. 2.75 each
Labour	Rs. 1.75 each
Other variables	Rs. 0.50 each
Depreciation and other Fixed Cost	Rs. 1.25 each
	Rs. 6.25 each

(a) Should you make or buy

(b) What would be your decision, if the supplier offered the Component at Rs. 4.85 each. ?

(P.T.O)

Q:04 Define Value Added Accounting and explain difference between Value Added Statement and Profit and Loss Statement and limitations of Value Added Statement. 15

OR

Q:04 Following figures extracted from the books of Shri Ram Ltd. Prepare Value Added Statement. 15

Sales		49,60,000
Commission on Sales		40,000
Finished Stock:		
Opening Stock	4,00,000	
Closing Stock	4,80,000	
Purchase of Raw Materials		20,00,000
Stock of Raw Materials		
Opening Stock	1,70,000	
Closing Stock	2,16,000	
Others Materials (Net)		1,86,000
Carriage Outward		44,000
Depreciation		1,10,000
Income Tax Provided		2,00,000
Audit Fees		8,000
Staff Welfare Exps.		3,16,000
Insurance		52,000
Rent, Rate and Taxes		32,000
Managing Directors Remuneration		1,68,000
Travelling Exps.		42,000
Advertisement		50,000
Postage		28,000
Salary and Wages		12,60,000
Contribution to PF		1,20,000
Subscription		4,000
Directors Setting Fee etc.		80,000
Interest on Bank Loan		36,000
Dividend to Share holder		60,000
Retain Earning		2,50,000

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