

EASTERN UNIVERSITY, SRI LANKA

Faculty of Commerce and Management

Third Year Second Semester Examination in BBA. (Special)

2004/2005

MGT 3033 Managerial Accounting (Repeat)

Answer all the questions.

Time: Three Hour

- Q1. a) Krishna Ltd. Manufacture two products PQ and RS by mixing the following raw materials in the proportions shown.

| Raw Materials | Product PQ | Product RS |
|---------------|------------|------------|
| P | 80% | |
| Q | 20% | |
| R | | 50% |
| S | | 50% |

The finished weights of product PQ and RS are equal to the weight of their ingredients. During the month of June, it is expected that 60 tones of PQ and 200 tones of RS will be sold.

Actual and budged inventories for the month of June are as follows;

| Material | Actual inventory 01st June (Qty tones) | Budgeted inventory 031st June (Qty tones) |
|------------|---|--|
| P | 15 | 20 |
| Q | 10 | 40 |
| R | 200 | 300 |
| S | 250 | 200 |
| Product PQ | 10 | 5 |
| Product RS | 50 | 60 |

The purchase price of materials for June is expected to be

| Material | P | Q | R | S |
|--------------------|-----|-----|-----|-----|
| Cost per tone(Rs.) | 500 | 400 | 100 | 200 |

All material will be purchased on 3rd of June.

You are required to prepare

- Production budget for the month of June
- Material requirement budget for the month of June
- Material purchased budget indicating the expenditure for materials for the month of June.

(20 marks)

- "Zero base budgeting is superior to traditional budgeting". Support this statement.

(05 marks)

(Total 25 marks)

Q2.

| Name of the material | Standard | | Actual | |
|----------------------|-----------------|----------------|-----------------|----------------|
| | Qty. (units) | Price (Rs.) | Qty. (units) | Price (Rs.) |
| Zee | 3,500 | 10 | 3,700 | 12 |
| Wee | 1,500 | 21 | 1,650 | 20 |
| Tee | 1,000 | 33 | 1,250 | 36 |

From the above data compute the followings:

- Material Cost Variances
- Material Price Variances
- Material Usage Variances
- Material Mix Variances
- Material Yield Variances

(Total 20 marks)

Q3.

A company producing a single product sells it at Rs.50 per unit. Unit variable cost is Rs. 35 and fixed cost amounts to Rs. 12 lakhs p.a. With this data you are required to calculate the following, treating each independent of the other:

- P/V ratio and break – even sales.
- New break – even sales, if variable cost increase by Rs.3 p.u., without increase in selling price.
- Increase in sales required, if profits are to be increased by Rs. 2.4 lakhs.
- Percentage increase/ decrease in sales volume units to off -set:
 - an increase of Rs. 3 in the variable cost p.u.
 - a 10% increase in selling price without affecting existing profits quantum.
- Quantum of advertisement expenditure permissible to increase sales by Rs. 1.2 lakhs, without affecting existing profits quantum.

(Total 20 marks)

Q4.

Product X in a manufacturing unit passes through three process – A, B, and C. The expenses incurred in the three processes during the year 2006 were as under:

| | Process A | Process B | Process C |
|----------------------------------|-----------|-----------|-----------|
| Units of input issued | 9,000 | | |
| Cost per unit | 150 | - | - |
| Sundry materials | 23,500 | 25,000 | 15,000 |
| Direct labour | 80,000 | 2,07,200 | 26,110 |
| Direct expenses | 2,250 | 7,200 | 8,100 |
| Selling price per unit of output | 200 | 280 | 600 |

The actual outputs obtained *vis-à-vis* normal process losses from the three process were:

| Process | Output (units) | Process loss (%) |
|---------|----------------|------------------|
| A | 8,400 | 5 |
| B | 5,700 | 10 |
| C | 3,660 | 3 |

During the year, three – fourth of the output of Process A and two – third of

the output of Process B were transferred to the next process and the balances were sold outside. The entire output of process C was, however, sold outside. The losses of the three processes were sold at Rs.5 per unit for Process A, Rs. 10 per unit for Process B and Rs. 15 per unit for process C.

Prepare the three Process Accounts and a Statement of Income considering a total selling and distribution expenses of Rs. 45,000 which is not allocated to process.

(20 marks)

- Q5. (a) A company manufacturers and markets three products P,Q and R. All the three products are made from the same set of machines. Production is limited by machine capacity.

From the data given below, indicate priorities for products P, Q and R with a view to maximizing profits.

| Particulars | Product | | |
|--|---------|-------|-------|
| | P | Q | R |
| Raw material cost per unit | 11.00 | 16.25 | 21.00 |
| Direct labour cost per unit | 2.50 | 2.50 | 2.50 |
| Other variable cost per unit | 1.50 | 2.25 | 3.50 |
| Selling price per unit | 25.00 | 30.00 | 35.00 |
| Standard machine time required per unit (in minutes) | 40 | 20 | 25 |

(06marks)

- (b) Write short notes on
- i) Margin of safety
 - ii) ABC analysis
 - iii) marginal costing and absorption costing

(09 marks)

(Total 15 marks)