

JK Lakshmipat University Jaipur
INSTITUTE OF MANAGEMENT

End Term Examination, December 2025

BBA, Semester III, 2024-27

Regular and Backlog

Roll No.....

FA1102: Management Accounting

Time: 2 hours

Max. Marks: 40

Instructions to students:

1. Do not write anything other than your roll number on question paper.
2. Students are allowed to use non-scientific calculators.

Answer any 4 questions from the given below of 10 marks each.

Q1. Lemon tree is a chain of hotels serving business travelers having its head office in Ahmedabad. The chain has grown from one hotel in 2021 to five hotels in 2024. The owner of the company decided to set up internal accounting department to centralize control of financial information. (Previously, local CAs handled each hotel's bookkeeping and financial reporting.) The accounting office was opened in Jan 2004 by renting space adjacent to corporate headquarters in Ahmedabad. All hotels have been supplied with personal computers and modems to transfer data to the central accounting department on a weekly basis.

The accounting department has budgeted fixed costs of Rs. 85,000 per year, variable costs budgeted Rs. 26 per hour. In 2024, actual cost for the accounting department was Rs. 1,82,500. Further information is as follows-

City Hotels	Actual Revenues in Rs.		Actual Hours of Accounting
	2021	2024	
Hyderabad	3,37,500	4,31,800	1475
Bangalore	4,50,000	5,08,000	400
Kanoor	3,60,000	3,81,000	938
Faridabad	5,40,000	6,35,000	562
Delhi	5,62,500	5,84,200	375

1. If the total costs of the accounting department are to be allocated based on 2024 Sales revenue, how much will it be allocated to each hotel?
2. Assume that Lemon Tree Hotels views 2021 sales figures as a proxy for budged capacity of the hotels. Fixed accounting department costs are allocated based on 2021 sales, and variable costs are allocated according to 2024 usage. How much will the accounting department cost be allocated to each hotel?
3. Comment on the two allocation schemes. Identify which hotels would prefer the 1st option and which hotels would prefer the 2nd option? Explain. (Lo 4, Lo 5)

Q2. You are a sales manager for the car tyre division of a tyre manufacturing company. Management is evaluating whether to accept a special bulk order from a new fleet customer. The new Customer wants to buy 10,000 car tyres (one-time order). The Offered Price is ₹1,400 per tyre. The normal selling price is ₹1,800 per tyre. Variable cost per tyre are Raw materials Rs. 750, Direct Labor Rs. 200, Variable Overheads Rs. 150 per tyre and the fixed cost for the division is Rs. 50,000 per month. Total plant capacity is 50,000 tyres and current capacity utilization is 75%.

1. What is the breakeven sales and margin of safety.

2. Calculate the profit of the company as per present sales figures.
3. Calculate the total profit if the order of the new customer is accepted.
4. Should the company accept the order of new customer at Rs. 1400 per tyre. (Lo2, Lo, 3)

Q3. PH Ltd is manufacturing company having three production departments, A, B and C and two service departments X and Y. The following is the budget for March 2023. (Lo 1)

Particulars	Total	A	B	C	X	Y
Direct Material		1000	2000	4000	2000	1000
Direct Wages		5000	2000	8000	1000	2000
Factory Rent	4000					
Power	2500					
Depreciation	1000					
Other overheads	9000					

Additional information-

Particulars		A	B	C	X	Y
Area	(Sq ft)	500	250	500	250	500
Capital Value of Assets	(Rs. Lakhs)	20	40	20	10	10
Machine Hours		1000	2000	4000	1000	1000
Horsepower of Machines		50	40	20	15	15

A Technical Assessment or the apportionment of expenses of service department is as under-

Particulars	A	B	C	X	Y
Service Dept X(%)	45	15	30	-	10
Service Dept Y(%)	60	35	-	5	-

Required-

- i. A Statement showing distribution of overheads to various departments.
- ii. A Statement showing re-distribution of service departments expenses to production departments.
- iii. Machine hour rates of dept A, B and C. (Lo3, Lo4)

Q4. From the following budget data, forecast the cash position at the end of the April, May and June 2025.

Month	Sales	Purchases	Wages	Misellaneous
February	1,20,000	84,000	10,000	7,000
March	1,30,000	1,00,000	12,000	8,000
April	80,000	1,04,000	8,000	6,000

May	1,16,000	1,06,000	10,000	12,000
June	88,000	80,000	8,000	6,000

Additional Information-

Sales: 20% realized in the month of sales, discount allowed 2%. Balance realized equally in two subsequent months.

Purchases: These are paid for in the month following the month of supply.

Wages: 25% paid in arrears following month.

Miscellaneous Expenses: paid a month in arrears.

Rent: Rs. 1000 per month paid quarterly in advance due in April.

Income Tax: First instalment of advance tax Rs. 25,000 due on or before 15th June.

Income from Investment: Rs. 5000 received quarterly, in April, July etc.

Cash in hand: Rs. 5,000 on 1st April 2025. (Lo3, Lo5)

Q5. The following information at 50% capacity is given. Prepare a flexible budget and forecast the profit or loss at 60%, 70% and 90% capacity. (Lo 2)

Details	Expenses at 50% capacity
Fixed Expenses:	
Salaries	50,000
Rent and Taxes	40,000
Depreciation	60,000
Administrative expenses	70,000
Variable Expenses:	
Materials	2,00,000
Labor	2,50,000
Others	40,000
Semi-Variable Expenses:	
Repairs	1,00,000 (70% Variable)
Indirect Labor	1,50,000 (50% Variable)
Others	90,000 (30% Variable)

It is estimated that fixed expenses will remain constant at all capacities. Variable components of Semi Variable expenses will not change between 45% and 60% capacity, will rise by 10% between 60% and 75% capacity, a further increase of 5% when capacity crosses 75%.

Estimated Sales at various levels of capacity are:

Capacity	Sales in Rs.
50%	13,00,000
60%	15,00,000
70%	18,00,000
90%	20,00,000

all the best!