



Institute of Management
JK LakshmiPat University
Jaipur



END TERM EXAMINATION 2015

BBA Sem-III
MM: 50 Marks

Course: Management Accounting
Time: 3 Hours
Subject code: BBA302

Instructions: Attempt any three questions from Section A. Section B is compulsory.
All the question of Section A carries Equal marks of 10 each and section B of 20 Marks.

Section A

Q1. Choose the correct option and show the workings. Note: A mere selection of an option without an appropriate working note will fetch no marks.

a. Product Z has a P/V ratio of 28%. Fixed operating costs directly attributable to Product Z during the Quarter II of the financial year will be ₹2, 80,000. Calculate the Sales Revenue required achieving a quarterly profit of ₹70,000. (a) 10 Lakhs (b) 12.50 Lakhs (c) 15 Lakhs (d) None of these

b. The P/V ratio of Delta Ltd., is 50% and the MOS is 40%. The company sold 500 units for ₹5, 00,000. Calculate BEP.
(a) 500 units (c) 400 units
(b) 300 units (d) None of these

c. If break-even sales is 60% of current sales and profit is ₹ 60,000, then the amount of contribution will be (a) ₹1,00,000 (c) ₹1,50,000 (b) ₹36,000 (d) ₹1,86,000

d. The cost per unit of a product manufactured in a factory amounts to ₹ 160 (75% variable) when the production is 10,000 units. When production increases by 25%, the cost of production will be ----- ₹ per unit.
(a) ₹145 (c) ₹150
(b) ₹152 (d) ₹ 140

e. A factory operates a standard cost system, where 2000 kgs of raw materials @ ₹12 per kg were used for a product, resulting in price variance of ₹6000 (F) and usage variance of ₹3000 (A). Then standard material cost of actual production was-
a. ₹20,000
b. ₹30,000
c. ₹25,000
d. ₹27,000

Q2.

The following schedule shows the balance sheet in condensed form of 3 Y's Ltd. at the end of the year 2004.

	1-1-2004	31-12-2004
Assets:		
Cash & Bank Balance	45,000	45,000
Sundry Debtors	33,500	21,500
Marketable Securities	55,000	37,000
Prepaid Expenses	500	1,000
Stock in trade	41,000	53,000
Land & Buildings	75,000	75,000
Machinery	26,000	35,000
	2,76,000	2,76,000
Liabilities & Capital:		
Sundry creditors	51,500	48,000
Outstanding expenses	6,500	6,000
8% Debenture	45,000	35,000
Depreciation fund	20,000	22,000
Reserve for contingencies	30,000	30,000
Profit and loss Account	8,000	11,500
Capital	1,15,000	1,15,000
	2,76,000	2,76,000

The following information is also available:

- 10% dividend was paid in cash.
- New machinery for ₹ 15,000 was purchased but old machinery costing ₹ 6,000 was sold for ₹ 2,000, accumulated depreciation was ₹ 3,000.
- ₹ 10,000 8% debentures were redeemed by purchase from open market @96 for a debenture for ₹ 100.
- ₹ 18,000 Investment were sold at book value.

You are required to prepare a Cash flow statement.

Q3. From the following financial results of Surya Ltd, Calculate the following ratios:

- Gross profit ratio
- Return on Capital employed
- Stock turnover ratio
- Average Collection period
- Current Ratio

Income Statement of Surya Ltd for the year Ended 31/3/2013			
Particulars	Amount (₹)	Particulars	Amount (₹)
To opening Stock	3,00,000	By Sales	20,00,000
To Purchases	11,00,000	By Closing Stock	2,00,000
To Gross profit	8,00,000		
	22,00,000		22,00,000
To Administrative Expenses	2,00,000	By Gross profit b/d	8,00,000
To Selling and distribution expenses	1,00,000		
	5,00,000		
To Net profit	8,00,000		8,00,000

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Balance sheet of Surya Ltd as at 31/3/2013			
Liability and Equity	Amount (₹)	Assets	Amount (₹)
Equity Share Capital	10,00,000	Land & Building	7,00,000
General Reserve	8,00,000	Plant & Machinery	5,00,000
Creditors	1,00,000	Stock	2,00,000
Bills Payable	1,00,000	Debtors	5,00,000
		Cash & Bank Balance	1,00,000
	20,00,000		20,00,000

Q4. List out the possible causes of variance in material price and material usage variance also calculate the following from the information given below:

1. Material Cost Variance
2. Material price variance
3. Material Usage Variance

Quantity of material purchased 3,000 units.

Value of material purchased ₹ 9,000.

Standard Quantity of material required per tonne of finished product 25 units.

Standard rate of materials ₹ 2 per unit.

Opening stock of material is Nil.

Closing stock of materials is 500 units.

Finished production during the year is 80 tonnes.

Q5. Prince Narchal sells various pottery items at regional craft fair. His fixed costs (depreciation on the kiln, utilities, tools, portable selling booth) are ₹ 4325 per year. The average price for a piece of pottery is ₹ 6.50, and the average variable cost (e.g., clay, paints, glazes, and price tags) is ₹ 4.00 per item.

1. How many pieces of pottery must Prince sell to Just cover his expenses?
2. If Prince wants to earn ₹ 7,000 in profit, how many pieces of pottery must he sell? Prepare a variable costing income statement to verify the answer.

Section B

Q6. Vasupriya is a chain of hotels serving business travelers in Ahmedabad and Mumbai. The Chain has grown from one hotel in 2001 to five hotels in 2004. The owner of the company decided to set up an 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 January 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 ₹85,000 per year, variable costs budgeted at ₹26 per hour. In 2004, actual cost for the accounting department was ₹ 1,82,500. Further information is as follows:



City Hotels	Actual Revenues in ₹		Actual Hours of Accounting
	2003	2004	2004
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. Suppose the total costs of the accounting department are allocated on the basis of 2004 sales revenue, how much will be allocated to each hotel?
2. Suppose Vasupriya Hotels views 2003 sales figures as proxy for budgeted capacity of the hotels. Fixed accounting department costs are allocated on the basis of 2003 sales, and variable costs are allocated according to 2004 usage multiplied by the variable rate. How much accounting department cost will be allocated to each hotel?
3. Comment on the two allocation scheme. Which hotels would prefer the method in the first scheme? The method in second scheme? Explain.