

**Institute of Management
JK Lakshmipat University
Jaipur
END TERM EXAMINATION-DEC 2022**

BBA Sem III
MM: 40 Marks

Course: Management Accounting
Time: 2.5 Hours
Subject code: FA1102

Instructions: Non-Scientific calculator are allowed to be used by the student.

Answer any 4 questions of 10 marks each.

Q1. ABC Ltd has three production Departments P1, P2 and P3 and two service departments S1 and S2. The following data are extracted from the records of the company for the month of October, 2022.

Rent and rates Rs. 62,500, General Lighting Rs. 7500, Indirect Wages Rs. 18750, Power Rs. 25,000, Depreciation on Machinery Rs. 50,000 and Insurance on Machinery Rs. 20,000.

Other information:

	P1	P2	P3	S1	S2
Direct wages	37500	25000	37500	18750	6250
Horse power of machine used	60	30	50	10	--
Cost of Machinery	3,00,000	4,00,000	5,00,000	25,000	25,000
Floor Space(Sq.ft)	2000	2500	3000	2000	500
Number of light points	10	15	20	10	5
Production Hours worked	6225	4050	4100		

Expenses of the Service departments S1 and S2 are re-apportioned as below-

	P1	P2	P3	S1	S2
S1	20%	30%	40%	-	10%
S2	40%	20%	30%	10%	

Required-

- compute overhead absorption rate per production hour of each production department.
- Determine the total cost of product X which is processed for manufacture in department P1, P2, P3 for 5 hours, 3 hours, and 4 hours respectively, given that its direct material cost is Rs. 625 and direct labour cost is Rs. 375.

Q2. ABC Company Ltd. Has given the following particulars. You are required to prepare a cash budget for the three months ending 31-12-2021.

Months	Sales	Materials	Wages	Overheads
August	20000	10200	3800	1900
September	21000	10000	3800	2100
October	23000	9800	4000	2300
November	25000	10000	4200	2400
December	30000	10800	4500	2500

- Credit terms are: Sales/debtors- 10% sales are on cash basis, 50% of the credit sales are collected next month and the balance in the following month. Creditors- Material 2 months, Wages 1/5 Months, Overheads ½ months.
- cash balance on 1-10-2021 is expected to be Rs. 8000.
- A machinery will be installed in August 2021 at a cost of Rs. 1,00,000. The monthly installment of Rs. 5000 payable from October onwards.
- Dividend at 10% on preference share capital of Rs. 3,00,000 will be paid on 1st Dec 2021.
- Advance to be received for sale of vehicle Rs. 20,000 in December.
- Income tax(advance) to be paid in December Rs. 5000.

Q3. A Confectioner markets three products, all of which require sugar. His average monthly sales, cost of sales and sugar consumption are as follows-

	Product X	Product Y	Product Z	Total
Sales Revenue (Rs)	10000	12000	8000	30000
Cost of Sales	6000	8000	5000	19000
Sugar Requirement	500 kg	800 kg	200 kg	1500 kg

The fixed cost per month of operating the shop is Rs. 4000.

Due to the government restrictions, his sugar quota has been reduced to 1405 kg per month. Suggest a suitable sales mix which would give the company maximum profit under the given circumstances and also shows the amount of profit that will be earned with the suggested sales mix.

Q4. The sales and profit during two years were as follows-

Year	Sales	Profit
2020	150000	20000
2021	170000	25000

You are required to calculate-

- P/V Ratio (1 mark)
- Break-even point (1 Mark)
- sales required to earn a profit of Rs. 40,000(2 mark)
- profit made when sales are Rs. 2,50,000. (2 mark)
- Margin of safety at profit of Rs. 50,000, and (2 mark)
- Variable cost of two years. (2 mark)

Q5. In order to develop tourism, Akasa airline has been given permit to operate three flights to and fro in a week between station A and station B. The airline operates a single aircraft of 160 seats capacity. The normal occupancy is estimated at 60% throughout the year of 52 weeks. The one-way fare is Rs. 7000. The cost of operation of flights are:

Fuel cost variable Rs. 95000 per flight.

Food served on board on non-chargeable basis- Rs. 130 per passenger

Commission- 5% of fare application for all bookings.

Fixed Cost:

Aircraft lease Rs. 3,50,000 per flight

Crew, landing charges etc Rs. 72000 per flight

Required:

- Calculate the net operating income per flight.
- The airline expects that its occupancy will increase to 108 passengers per flight if the fare is reduced to Rs. 6720. Advise whether the proposal should be accepted.
