

JK Lakshmipat University Jaipur
INSTITUTE OF MANAGEMENT

End Term Examination, November 2024
BBA, Semester III, 2023-26

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 calculator.

Question no. 1 is compulsory of 16 marks. Answer any 2 questions from remaining of 12 marks each.

Q1.

Dharam Nath master's and two of his colleagues are considering opening a law office in a large metropolitan area that would make inexpensive legal services available to those who could not otherwise afford these services. The intent is to provide easy access for their clients by having the office open 360 days, 16 hours each day from 7:00 a.m. to 11 :00 p.m. The office would be staffed by a lawyer, paralegal, legal secretary, and clerk-receptionist for each of the two 8-hour shifts.

In order to determine the feasibility of the project, Dharamnath Masters hired a marketing consultant to assist with market projections. The results of this study show that if the firm spends Rs 5,00,000 on advertising the first year, the number of new clients expected each day would have the following probability distribution.

No. of new clients per day	20	30	55	85
Probability	0.10	0.30	0.40	0.20

Dharamnath Masters and his associates believe these numbers are reasonable, and they are prepared to spend Rs 5,00,000 on advertising. Other pertinent information about the operation of the office is as follows.

The only charge to each new client would be Rs 30 for the initial consultation. All cases that warranted further legal work would be, accepted on a contingency basis with the firm earning 30% of any favorable settlements or Judgements. Masters' estimates that 20% of new client consultations will result in favorable settlements or judgements averaging Rs 2,000 each. Repeat clients are not expected during the first year of operations.

The hourly wages of the staff are projected to be Rs 25 for the lawyer, Rs 20 for the paralegal, Rs 15 for the legal secretary, and Rs 10 for the clerk-receptionist. Fringe benefit expenses will be 40% of the wages paid. A total of 400 hours of overtime is expected for the year; this will be

divided equally between the legal secretary and the clerk-receptionist positions. Overtime will be paid at one and one-half times the regular wage, and the fringe benefit expenses will apply to full wages.

Dharamnath master's has located 6,000 square feet of suitable office space, which rents for Rs 28 per square foot annually. Associated expenses will be Rs 22,000 for property insurance and Rs 32,000 for utilities. It will be necessary for the group to purchase malpractice insurance, which is expected to cost Rs. 1,80,000 annually. The initial investment in office equipment will be Rs. 60,000 and this equipment has useful life of 4 years. The cost of office supplies has been estimated to be Rs. 4 per expected new client consultation.

1. Determine how many new clients must visit law office to break even during the first year of its operation.
2. Using the information provided by marketing consultant, determine if it is feasible for the law office to achieve break-even operations in first year and if yes, how much profit they will earn in the first year. (16 marks) (Lo1, Lo2, Lo4)

Q2. Modern Manufactures Ltd have three production department P1, P2, P3 and two service departments S1 and S2, the details pertaining to which are as under: (12 Marks) (Lo3, Lo5)

Particulars	P1	P2	P3	S1	S2
Direct Wages	3000	2000	3000	1500	195
Working hours	3070	4475	2419	-	-
Value of Machines	60000	80000	100000	5000	5000
H.P of Machines	60	30	50	10	-
Light points	10	15	20	10	5
Floor space Sqft	2000	2500	3000	2000	500

Following figures are extracted from accounting record are relevant:

Rent and Rates Rs. 5000, General Lighting Rs. 600, Indirect Wages Rs. 1939, power Rs. 1500, Depreciation on Machines Rs 10,000, and sundries Rs. 9695.

The expenses of service department are allocated as under-

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

Prepare a Primary and secondary distribution table to find out the total cost absorbed by production departments.

Q3. From the following data, forecast the cash position at the end of April, May and June 2024. (12 Marks) (LO-6)

Month	Sales	Purchase	Wages	Miscellaneous
February	120000	84000	10000	7000
March	130000	100000	12000	8000
April	80000	104000	8000	6000
May	116000	106000	10000	12000
June	88000	80000	8000	6000

Additional information-

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

Purchases: These are paid 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 Installment of advance tax Rs. 25,000 due on or before 15th June.

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

Cash in hand: Rs. 5000 on 1st of April 2024.

Q4. The following data are obtained from the record of a company. (12 Marks) (Lo4)

	First year	2nd year
Sales	80,000	90,000
Profit	10,000	14,000

Calculate-

- P/V Ratio
- Breakeven point
- Profit or Loss at sales of Rs. 50,000
- Sales required to earn a profit of Rs. 19,000
- Margin of Safety, if sale is Rs. 60,000
- Draw and explain a breakeven chart.

all the best!