UNIVERSITY OF THE PUNJAB

Roll No. in Fig. ....

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B.S. 4 Years Program : Seventh Semester – 2020

Paper: Managerial Accounting

Course Code: BBA-404 **Part – I (Compulsory)** **Time: 15Min. Marks: 10**

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Signature of Supdt.:

Attempt this Paper on this Question Sheet only.
Division of marks is given in front of each question.
This Paper will be collected back after expiry of time limit mentioned above.

Q.1. Encircle the right answer cutting and overwriting is not allowed. (10x1=10)

1. **The margin of safety is the difference between:**

   A Budgeted profit and actual profit **B** Breakeven sales and budgeted sales

   C Budgeted sales and standard sales **D** Standard sales and actual sales

2. A company uses activity-based costing to calculate the unit cost of its products. The figures for Period 3 are as follows: production set-up costs are Rs. 84,000. Total production is 40,000 units of each of products A and B, and each run is 2,000 units of A or 5,000 units of B.

   What is the set-up cost per unit of B?

   A Rs. 0.10 **B** Rs. 0.08

   C Rs. 0.60 **D** Rs. 0.29

3. The following information relates to Neo Ltd for the current period: Break even sales revenue= Rs. 570,000, Selling price= Rs. 20 per unit, Fixed cost= Rs. 213750.

   What is the contribution per unit (to two decimal places)?

   A Rs. 0.38 **B** Rs. 7.50

   C Rs. 1.67 **D** Rs. 2.67

4. A company makes a product called the widget. Budgeted widget sales for next period are 48,000 units. Each unit uses 2 Kgs of material; costing $5 per Kg. Opening and closing inventory for the quarter are forecasted as:

	Raw Material	Widget (Units)
Opening inventory	2,250 kgs	6,000
Closing inventory	4,000 kgs	7,500

   What is the purchase budget for raw materials (in kgs)?

   A 96,000 **B** 97,750

   C 99,000 **D** 100,750

5. **Normally the time chosen for the budget period is:**

   A The accounting period **B** A short period of six months

   C A long period of five years **D** None of these

6. ABC Company manufactures watches. The company's policy is to always maintain the closing inventory of 20,000 units. According to the sales budget, the company estimates sales of 1,000,000 units in the next period.

   Production budget will show:

   A 1,000,000 units **B** 1,020,000 units

   C 980,000 units **D** 1,040,000 units

7. **Which of the following is true about breakeven point?**

A Total revenue and fixed cost are same
B Variable cost and fixed cost are same
C Total contribution and fixed cost are same
D Total contribution and total cost are same

8. Labor hours are limited to 3,000 per year. Hours required for making 'x' and 'y' is 2 per 'x' and 3 per 'y'. The machine can make only 5,000 units p.a.

The constraints will be:

A $3x + 2y \leq 3{,}000$ and $x + y \leq 5{,}000$
B $2x + 3y \geq 3{,}000$ and $x - y \leq 5{,}000$
C $3x - 2y \leq 3{,}000$ and $x + y \leq 5{,}000$
D $2x + 3y \leq 3{,}000$ and $x + y \leq 5{,}000$

9. According to the standard cost card, the standard labour cost is $5 per hour. The actual hours worked were 15,000.
If the labour efficiency variance is $5,000 (A), how many standard hours were there?

A 14,000
B 16,000
C 10,000
D 20,000

10. A production unit has a permanent labour force of 40 which works for 320 hours each. The idle labour hours are 95. The cost of labour per hour is Rs. 50 per hour and over-time rate is Rs. 60 per hour.

What will be the relevant cost of the labour per hour if company accepts an order requiring 85 hours of labour?

A Nil
B Rs. 60
C Rs. 50
D None of the above

UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program : Seventh Semester – 2020

Roll No. ……………

Paper: Managerial Accounting **Time: 2 Hrs. 45 Min. Marks: 50**
Course Code: BBA-404 **Part – II**

ATTEMPT THIS (SUBJECTIVE) ON THE SEPARATE ANSWER SHEET PROVIDED

Q.2. Give short answers of the following: **(10x2=20)**

1. **What is C/S ratio?**
2. **Define Material Price Variance.**
3. **What is an Operating Statement?**
4. **What is a Standard Cost Card?**
5. **Define Limiting Factor.**
6. **Define Investment Centre.**
7. **Define Responsibility Accounting.**
8. **Define Uncontrollable Cost.**
9. **Define Master Budget.**
10. **Define Absorption Costing.**

Answers the following questions. **(3x10=30)**

Q.3. Budgeted sales of a company are 10,000 units at $8/per unit for the coming period. Variable cost is $5 per unit and fixed costs for the period is $21,000.

Required:

(a) **Calculate the breakeven point in units and in $ amount.**
(b) **Calculate margin of safety in units, in $ amount and as a percentage of budgeted sales.**

Q.4 Alpha expects production and sales during the next year to be 90% of the company's output capacity that is 9,000 units of a single product. Cost estimates will be made using the high-low method and the following historical records of cost:

Units of output/sales	Cost of sales $
9,800	44,400
7,700	38,100

The company's management is not certain that the estimates of sales are correct and has asked for flexible budgets to be prepared at output and sales level of 8,000 units and 10,000 units. The sales price per unit has been fixed at $5.

Required:

Prepare fixed budget for 9,000 units and flexible budgets for 8,000 units and 10,000 units.

Q.5. A company manufactures two products, L and M, using the same equipment and similar processes. An extract of the production data for these products in one period is shown below.

	L	*M*
Production units	5,000	7,000
Direct labour hours per unit	1	2
Machine hours per unit	3	1
Set-ups in the period	10	40
Orders handled in the period	15	60

Overhead costs	$
Relating to machine activity	220,000
Relating to production run set-ups	20,000
Relating to handling of orders	45,000
	285,000

Required:

Calculate the production overheads to be absorbed by one unit of each of the products using the following costing methods:

(a) **A traditional costing approach using a direct labour hour rate to absorb overheads.**

(b) **An activity based costing approach, using suitable cost drivers to trace overheads to products**