



Q.1. Answer the following short questions:

(15x2=30)

1. Define avoidable cost with examples.
2. What is product life cycle?
3. Define CVP analysis.
4. Describe any two flaws of ABC.
5. What is optimal solution under linear programming?
6. What is meant by an incremental analysis?
7. Define the term shadow price.
8. Describe imposed style of budgeting.
9. Define Functional budget.
10. Define zero based budgeting
11. What are different types of standards under standard costing?
12. Describe idle time
13. Define responsibility accounting.
14. Define an operating statement.
15. Describe rule-of-thumb variance investigation model

Answer the following questions.

(3x10=30)

Q 2. The standard product mix for making 12,500 tubes of liquid solder is:

Material A:	1,500 kilogram	@ \$0.06	\$90
Material B:	625	@ \$0.40	\$250
Material C:	1,000	@ \$0.25	\$250

During April, 77,500 tubes of solder were produced from in input of:

Material A:	8,750 kilogram	@ \$0.056	\$490
Material B:	3,750	@ \$0.38	\$1,425
Material C:	6,250	@ \$0.28	\$1,750

**Required:**

Materials Price, mix and yield variances including an analysis of the portion of the mix variance attributable to each material.

(10)

**Q 3.** The annual budget of The Bond Company shows:

Sales (40,000 units)	\$80,000
Fixed production cost	\$20,000
Fixed marketing & administrative costs	\$26,200
Variable production cost	\$19,000
Variable marketing and administrative costs	<u>\$ 5,000</u>
Total cost	<u>70,200</u>
Profit from operations	<u><b>\$9,800</b></u>

**Required:**

1. The break-even point in sales dollars, using the figures given in the budget.
2. The break-even point in units, using the figures given in the budget.
3. The new break-even point in sales dollars, assuming that fixed costs increase \$1,867 and variable costs decrease \$800 at the \$80,000 sales level.
4. The increase in sales needed to make the same \$9,800 profit, assuming that fixed costs increase by \$2,167 and variable costs by \$800 at the \$80,000 sales level.
5. The budgeted profit and the new break-even point in sales dollars assuming that the company revises the annual budget by increasing the unit sales price by 5%, which is expected to decrease volume by 15% with variable costs bearing the same relationship to sales dollars as in the original annual budget.

**(10)**

**Q 4.** Brunel manufactures plastic-covered steel fencing in two qualities, standard and heavy gauge. Both products pass through the same processes, involving steel-forming and plastic bonding. Standard gauge fencing sells at \$18 a roll and heavy gauge fencing at \$24 a roll. Variable costs per roll are \$16 and \$21 respectively. There is an unlimited market for the standard gauge, but demand for the heavy gauge is limited to 1,300 rolls a year. Factory operations are limited to 2,400 hours a year in each of the two production processes.

Gauge	Processing hours per roll	
	Steel-forming	Plastic-bonding
Standard	0.6	0.4
Heavy	0.8	1.2

**Required:**

What is the production mix which will maximize total contribution and what would be the total contribution?

**(10)**