



UNIVERSITY OF THE PUNJAB

B.B.A. (Hons.) Fourth Year: 2nd Annual – 2019

Subject: Managerial Accounting (Finance Specialization)

Paper: FIN-1 / 1

Roll No.
Time: 3 Hrs. Marks: 100

Special Examination, Jeddah, K.S.A. Held at Lahore, Pakistan.

**NOTE: Attempt any FIVE questions. All questions carry equal marks.
Extra attempt of any question will not be considered.**

Question 1.

- Explain advantages of activity based costing over traditional absorption costing.
- Explain the nature and scope of cost accounting.

(20 marks)

Question 2.

The following data relate to the Brockway Corporation.

| | Inventories | |
|--|-------------|-----------|
| | Ending | Beginning |
| Finished goods..... | \$95,000 | \$110,000 |
| Work in process..... | 80,000 | 70,000 |
| Direct materials..... | 95,000 | 90,000 |
| Costs incurred during the period: | | |
| Costs of goods available for sale..... | \$684,000 | |
| Total manufacturing cost..... | 584,000 | |
| Factory overhead..... | 167,000 | |
| Direct materials used..... | 193,000 | |

(20 marks)

Required: Cost of goods sold statement.

Question 3.

The DeVries Company has a budgeted normal monthly capacity of 10,000 labor hours, with a standard production of 8,000 units at this capacity. Standard costs are:

| | |
|--------------------------------------|------------------------|
| Materials | 2 kilograms @ \$.50 |
| Labor | \$9 per hour |
| Factory overhead at normal capacity: | |
| Fixed expense | \$5,000 |
| Variable expense..... | \$ 1.50 per labor hour |

During May, actual factory overhead totaled \$17,550 and 9,000 labor hours cost \$76,500. During the month, 7,000 units were produced using 14,400 kg of materials at a cost of \$.51 per kg.

Compute:

- Direct material price and quantity variances.
- Direct labor rate and efficiency variances.

(20 marks)

Question 4.

Riders LTD, Inc. produces nonfat frozen yogurt. The product is sold in five-gallon containers, which have the following price and standard variable cost:

| | |
|------------------------|------|
| Sales price..... | \$30 |
| Direct material..... | \$10 |
| Direct labor..... | \$4 |
| Variable overhead..... | \$6 |

Budgeted fixed over-head in 2017, the company's first year of operations, was \$600,000. Actual production was 150,000 five-gallon containers, of which 125,000 were sold. There were no variances recorded in 2017. Riders, Inc. incurred the following selling and administrative expenses.

| | |
|---------------|------------------------|
| Fixed..... | \$100,000 for the year |
| Variable..... | \$1 per container sold |

Required:

Prepare income statements for 2017 using (a) Absorption costing and (b) marginal costing.

(20 marks)

Question 5.

Marquette, Inc. with \$20,000,000 of par stock out-standing plans to budget earning 6%, before income tax on this stock.

The marketing Department budgets sales at \$12,000,000.

The budget director approves the sales budget and expenses as follows:

| | |
|---------------------|--------------|
| Marketing..... | 15% of sales |
| Administrative..... | 5% of sales |
| Financial..... | 1% of sales |

Labor is expected to be 50% of the total manufacturing cost: material issued for the budgeted production will cost \$2,500,000; therefore, any savings in manufacturing cost will have to be in factory over-head.

Inventories are to be as follows:

| | Beginning of year | End of year |
|----------------------|-------------------|-------------|
| Finished goods..... | \$800,000 | \$1,000,000 |
| Work in process..... | \$100,000 | \$300,000 |
| Materials..... | \$500,000 | \$400,000 |

Required:

The projected cost of goods sold statement, showing the budgeted purchases of materials and adjustments for inventories of materials, work in process, finished goods. (20 marks)

Question 6.

~~Serendipity Sound, Inc.~~ manufactures and sells compact discs. Price and cost data are as follows:

| | |
|--|------------------|
| Selling price per unit (package of two CDs)..... | \$25.00 |
| Variable Costs per unit: | |
| Direct Materials..... | \$10.50 |
| Direct Labor | 5.00 |
| Manufacturing Overhead | 3.00 |
| Selling Expenses | <u>1.30</u> |
| Total Variable Costs per Unit..... | <u>\$19.80</u> |
| Annual Fixed Costs: | |
| Manufacturing Overheads..... | \$192,000 |
| Selling & Administrative Overheads..... | <u>276,000</u> |
| Total Fixed Costs..... | <u>\$468,000</u> |
| Forecasted Annual Sales Volume (120,000 units) | \$3,000,000 |

Required:

- 1 What is Serendipity sound's break-even point in units?
- 2 What is the company's break-even point in sales dollars?
- 3 How many units would Serendipity Sound have to sell in order to earn \$ 260,000?
- 4 What is the firm's margin of safety?

(20 marks)

Question 7.

Kitchen Magician, Inc. has assembled the following data pertaining to its two most popular products.

| | Blender | Electric Mixer |
|---|---------|----------------|
| Direct Material..... | \$6.00 | \$11.00 |
| Direct Labor..... | \$4.00 | \$9.00 |
| Manufacturing overhead @ \$16 per machine hour..... | \$16.00 | \$32.00 |
| Cost if purchasing from an outside supplier..... | \$20.00 | \$38.00 |
| Annual Demand (Units)..... | 20,000 | 28,000 |

Past experience has shown that the fixed manufacturing overhead component included in the cost per machine hour averages \$10. Kitchen Magician's management has a policy of filling all sales orders, even if it means purchasing from outside suppliers.

Required:

- a) If 50,000 machine hours are available, and management desires to follow an optimal strategy, how many units of each product should the firm manufacture? How many units of each product should be purchased?
- b) With all other things constant, if management is able to reduce the direct material for an electric mixer to \$6 per unit, how many units of each product should be manufactured? Purchased?

(20 marks)



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B.B.A. (Hons.) Fourth Year: 2nd Annual – 2019

Paper: FIN7 Taxation Management (Advanced) [Finance Specialization]

Roll No.

Time: 3 Hrs. Marks: 100

Special Examination, Jeddah, K.S.A. Held at Lahore, Pakistan.

*NOTE: Attempt any FIVE questions in all. Question # 1 is Compulsory.
All Questions carry equal marks*

Section 1

- Q.No. 1 Define any five of the following terms with reference to Income Tax Ordinance 2001:
- Public Company.
 - Profit on Debt.
 - Speculation Business.
 - Tax Year.
 - Total Income
 - Officer of Inland Revenue.
 - Associates
 - Income

Section

- Q. No.2 State whether the following incomes are exempt from tax or not, if exempt from tax, state the conditions for exemption:
- Official of Foreign Government
 - Income of Certain Institutions.
 - Special Allowance
- Q.No.3 Discuss at least ten allowable deductions under the head "Income from Business or profession" under section 20 of the Income Tax Ordinance, 2001.
- Q. No. 4 "Federal Board of Revenue is the highest executive authority in the administration of income tax law." Discuss in detail.
- Q. No.5 What are the conditions laid down under the Income Tax Ordinance 2001 for depreciation allowance?
- Q. No.6 Define the following terms under the Sales Tax Act 1990:
- Appellate Tribunal
 - Output Tax
 - Taxable Activity
 - Supply
- Q.No.7 What are the legal provisions governing the residential status of Individual, AOP and Company?

Q No. 8 The following information for Mr. Nauman is available in respect of tax year ended 30th June 2018:

| | |
|--|-------------------|
| 21. Basic Salary | Rs. 7,30,000 |
| 22. Bonus | 80,000 |
| 23. House rent allowance at 50% of basic salary | - |
| 24. Conveyance allowance | 1,00,000 |
| 25. Entertainment allowance | 70,000 |
| 26. Leave enhancement during the services | 58,000 |
| 27. Interest free loan obtained from the employer | 17,00,000 |
| 28. Income from other sources | 50,000 |
| 29. Property income (Net) | 2,00,000 |
| 30. Profit from speculation business | 60,000 |
| 31. Loss from another speculation business | 30,000 |
| 32. Gain on sale of public company shares (Holding period more than one year) | 45,000 |
| 33. Loss on sale of Painting | 30,000 |
| 34. Income from talk delivered on TV (gross) | 20,000 |
| 35. Annuity received from State Life Insurance Corporation of Pakistan | 80,000 |
| 36. Contribution to approved pension fund | 1,20,000 |
| 37. Defense saving certificate purchased | 40,000 |
| 38. Personal legal expenditure | 40,000 |
| 39. Life insurance premium paid by Employee on the policy of his wife | 35,000 |
| 40. Gift received from mother | 90,000 |

Required: Computer taxable income and tax payable

| Tax rate for salaried person year 2018: | | |
|---|--------------------------------|--|
| 1 | Up to Rs. 400,000 | Nil |
| 2 | Rs. 400,000 to 500,000 | 2% on the amount exceeding Rs. 400,000 |
| 3 | Rs. 500,000 to Rs. 750,000 | Rs. 2,000 + 5% of exceeding Rs. 500,000 |
| 4 | Rs. 750,000 to Rs. 1,400,000 | Rs. 14,500 + 10% on the amount exceeding Rs. 750,000 |
| 5 | Rs. 1,400,001 to Rs. 1,500,000 | Rs. 79,500 + 12.5% on the amount exceeding Rs. 1,400,000 |
| 6 | Rs. 1,500,001 to Rs. 1,800,000 | Rs. 92,000 + 15% on the amount exceeding Rs. 1,500,000 |
| 7 | Rs. 18,00,000 to Rs. 2500,000 | Rs. 137,000 + 17.5% on the amount exceeding Rs. 1,800,000 |
| 8 | Rs. 25,00,000 to Rs. 30,00,000 | Rs. 2,59,500 + 20% of exceeding Rs. 2500,000 |
| 9 | Rs. 30,00,000 to Rs. 35,00,000 | Rs. 3,59,500 + 22.5% on the amount exceeding Rs. 30,00,000 |
| 10 | Rs. 35,00,000 to Rs. 40,00,000 | Rs. 4,72,000 + 25% on the amount exceeding Rs. 35,00,000 |