



UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program / Seventh Semester – Spring 2023

Roll No.

Paper: Managerial Accounting

Course Code: BBA-404

Time: 3 Hrs. Marks: 60

THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

Q.1. Answer the following short questions: (10x3=30)

- i. What information does cost accounting provide?
- ii. What are the major differences between financial and managerial accounting?
- iii. Define opportunity cost.
- iv. Define relevant costs. Why are historical costs irrelevant?
- v. What is CVP analysis?
- vi. How break-even point is determined in a break-even chart?
- vii. Explain what linear programming is.
- viii. Define the term slack with reference to linear programming.
- ix. Define Activity Based Costing.
- x. What is a cost driver?

Answer the following questions. (3x10=30)

Q.2 Last month the Henke Company had sales of \$220,000, a C/M ratio of 40% and an M/S ratio of 30%. During the current month, a decrease in sales price and a decrease in fixed cost have resulted in a C/M ratio of 36% and an M/S ratio of 24%.

Required:

- a. The amount of sales decreased.
- b. New break-even point.
- c. Profit during the current month.
- d. Decrease in fixed cost

Q.3 A company manufactures a chemical, Dynamite using two compounds Flash and Bang. The standard materials usage and cost of one unit of Dynamite are as follows:

Flash	5 kg at \$2 per kg	\$10
Bang	10 kg at \$3 per kg	<u>\$30</u>
		<u>\$40</u>

In a particular period, 80 units of Dynamite were produced from 600 kg of Flash and 750 kg of Bang.

Required: Calculate the material usage, mix and yield variances.

Q.4 Benoit Company produces three products, A, B and C. Data concerning the three products follows (per unit):

	<u>PRODUCTS</u>		
	<u>A</u>	<u>B</u>	<u>C</u>
Selling price	<u>\$80</u>	<u>\$56</u>	<u>\$70</u>
Less: variable expenses:			
Direct Material	24	15	9
Other variable expenses	<u>24</u>	<u>27</u>	<u>40</u>
Total variable expenses	<u>48</u>	<u>42</u>	<u>49</u>
Contribution margin	<u>\$32</u>	<u>\$14</u>	<u>\$21</u>
Contribution margin ratio	<u>40%</u>	<u>25%</u>	<u>30%</u>

The company estimates that it can sell 750 units of each product per month. The same raw material is used in each product. The material costs \$3 per pound with a maximum of 5,400 pounds available each month.

Required:

- a. Calculate the contribution margin per pound of the constraining resource for each product.
- b. Which orders would you advise the company to accept first, those for A, B, or C? Which orders second? Third?
- c. What is the maximum contribution margin that the company can earn per month if it makes optimal use of its 5,400 pounds of materials?"