



THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

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

- i. Define opportunity cost with practical example.
- ii. Distinguish risk and uncertainty.
- iii. What is meant by break-even point?
- iv. Distinguish cost and expense.
- v. What do you mean by a flexible budget?
- vi. Define Throughput Accounting.
- vii. What is meant by contribution?
- viii. What is the role of variance analysis in decision making?
- ix. Distinguish cost and management accounting.
- x. What is meant by budgetary control?

Q.2. Answer the following questions. (2x15=30)

i. The following information relates to B's ordering activity during control period 2.

Budget

Output	10,000 units
Activity level	2,000 orders
Total cost of activity	\$90,000

Actual

Output	10,500 units
Activity level	1,800 orders
Total cost of activity	\$84,000

Required

Required:

Calculate the overhead expenditure and efficiency variances relating to the ordering activity.

ii. ER makes and sells two products X and Y. Data for production and sales each month are as follows:

	Product X	Product Y
Sales Demand	4000 units	8000 units
Direct Material cost per unit	\$20	\$10
Direct labor Hours per unit	0.1 hour	0.2 hour
Direct labour Cost	\$2	\$4

Production overheads are \$500,000 each month. These are absorbed on a direct labor hours basis. An analysis of overhead costs suggests that there are four main activities that cause overhead expenditure.

Activity	Total Cost	Cost Driver	Total No.	Product X	Product Y
	\$				
Batch set up	100,000	No. of set ups	20	10	10
Order handling	200,000	No. of orders	40	24	16
Machining	120,000	Machine Hours	15,000	6,000	9,000
Quality Control	80,000	No. of Checks	32	18	14

Required:

Calculate the full production costs for product X and Y using:

- a) **Traditional absorption costing**
- b) **Activity Based Costing**