

Time: 2.30 Hours

Marks: 75

Note:

1. All questions are compulsory with internal choice carrying 15 marks each.
2. Only simple calculator is permitted.
3. Support your answer with necessary working notes wherever required.

Q1. At 100% capacity M/s MGM industry in Tarapur under MIDC can produce 12,500 units. Presently it produces 10,000 units for domestic consumption. The cost incurred are as below- (15)

Particulars	Amount in Rs
Material	8,00,000
Wages	7,20,000
Fixed Factory overheads	2,40,000
Variable Factory Overheads	4,00,000
Administrative overheads	3,60,000
Selling and distribution overheads (Variable)	2,00,000
Selling and distribution overheads (Fixed)	3,20,000
Total	30,40,000

The excess capacity of 2500 cannot be used for domestic market wherein the price of product is Rs 400 per unit. The foreign market can consume this excess capacity however due the global competition the selling price would reduce by Rs 50 per unit. As a chief financial officer, you are asked to evaluate whether the M/s MGM industry should enter foreign market, or no?

Support your answer by evaluating the two options in details –

Option 1 – Cater only domestic market.

Option 2 – Cater both domestic and foreign market.

OR

Q1 M/s KGM furnishes you the following income information for the financial year ended 31st March 2022. (15)

Particulars	April 2021-- September 2021	October 2021- March 2022
Sales	Rs 16,20,000	Rs 20,52,000
Profit	Rs 43,200	Rs 1,29,600

Assuming fixed costs remaining same in both the periods, you are required to calculate

1. P/V Ratio
2. Fixed Cost for the year
3. Break Even point for the year.
4. Variable Cost for both the periods.
5. The amount of Profit and Loss where sales are Rs 12,96,000

- Q2. Prepare a cash budget of Lovely Ltd from the following information for Six months commencing from April 2022. (15)

Month	Sales	Purchases	Expenses
January 2022	Rs 15,00,000.00	Rs 2,00,000.00	Rs 2,50,000.00
February 2022	Rs 22,50,000.00	Rs 2,50,000.00	Rs 3,00,000.00
March 2022	Rs 32,50,000.00	Rs 3,25,000.00	Rs 3,75,000.00
April 2022	Rs 45,00,000.00	Rs 4,00,000.00	Rs 4,50,000.00
May 2022	Rs 60,00,000.00	Rs 5,50,000.00	Rs 6,00,000.00
June 2022	Rs 77,50,000.00	Rs 8,75,000.00	Rs 9,25,000.00
July 2022	Rs 97,50,000.00	Rs 8,75,000.00	Rs 9,25,000.00
August 2022	Rs 1,20,00,000.00	Rs 10,00,000.00	Rs 10,50,000.00
September 2022	Rs 1,45,00,000.00	Rs 12,50,000.00	Rs 13,00,000.00

Additional Information:

- Total sales comprises of 20% of cash sales and 80% credit sales.
- 40% of credit sales collected in the month of following the sales, balance 35% in the second month and remaining 25% in the third month.
- 100% of credit purchases are paid in the month following the purchases.
- Opening cash balance of Rs 18,00,000 as at 1st April 2022.
- Expenses of each month are paid with a time lag of one month.
- Income tax to be paid in the month June 2022 Rs 7,50,000.

OR

- Q2) Yashraj Manufacturing Company produces 45,000 Units by utilizing its 75% capacity. It gives you the following cost information: (15)

Particulars	Rs
Direct Materials	22,50,000
Direct labour	18,00,000
Direct Expenses	9,00,000
Factory overheads	13,50,000
Office overheads	9,00,000
Selling overheads	4,50,000

Additional information:

- Direct material, Direct Labour and Direct Expenses are variable cost
- Factory overheads increases by 10%, if capacity utilization goes down below 75% and decreases by 15%, if capacity utilization goes up above 75%
- Office overheads are fixed overheads
- Selling overheads per unit increases by 20%, if capacity utilization goes down below 75% and decreases by 25%, if capacity goes up above 75%
- It is the policy of the company to charge profit at 20% on selling price

You are required to prepare Flexible budget at 50%, 75% and 100% capacity utilization

Q3. The standard variable works cost of the product manufactured by ABCD Industries is given below: (15)

Direct Material – 6 Kgs @ Rs 120 per kg.

Direct Labour – 8 hours @ Rs 45 per hour

During a week, the firm manufactured 400 units of the product. The details of actual costs incurred were as follows:

Direct Material – 2000 kgs. @ Rs 90

Direct Labour: Time recorded in office time – 4840 hours

Actual wages paid – Rs 1,93,600

Calculate:

- Material Price Variance
- Material Cost Variance
- Material Usage Variance
- Labour Rate Variance
- Labour Efficiency Variance

OR

Q3. LP Limited is running a minibus. You are required to calculate a suggested fare per passenger/kilometre from the following details. (15)

Purchase Price of Bus	Rs 40,00,000
Length of Route	40 kms
Insurance	Rs 1,60,000 p.a.
Garage Rent	Rs 40,000 p.a.
Road Tax and Permit Fees	Rs 20,000 p.a.
Repairs and Maintenance	Rs 48,000 p.a.
Administrative Charges	Rs 16,000 p.a.
Driver Wages	Rs 2,00,000 p.a.
Conductor Wages	Rs 1,00,000 p.a.
Repairs of Tyre-tube	Rs 16,000 pa.
Diesel and Oil per kilometre	Rs 50
Annual Interest on loan	Rs 12,000 p.a.

Effective life of the vehicle is estimated at 5 years at the end of which it will have a scrap value of Rs 2,00,000. Minibus has 30 seats and is planned to make 6 number two-way trips for 25 days per month. Provide profit @ 25% of total revenue.

Q4 A. Multiple Choice Questions

(08)

1. Contribution is the test of _____.
 - a. Sales
 - b. Profitability
 - c. Production
 - d. Resource Allocation

2. When fixed cost increases, the break-even point _____.
 - a. Increases
 - b. Decreases twice to change in fixed cost
 - c. Remains Constant
 - d. Decreases in the same proportion to change in fixed cost

3. _____ is the difference between the Budgeted value of sales and the Actual value of sales
 - a. Sales Volume Variance
 - b. Sales Value Variance
 - c. Sale Price Variance
 - d. Sales Sub variance

4. Master Budget is summary of
 - a. Production Budget
 - b. Sales Budget
 - c. Cash Budget
 - d. All functional budgets

5. A factor that limits the activities of an undertaking and which is taken into account while preparing a budget is known as _____.
 - a. Budget Manual
 - b. Budget Controller
 - c. Budget Key factor
 - d. Budget Centre

6. Air India in order to fix the ticket fare must use _____ costing.
 - a. Standard Costing
 - b. Operating Costing
 - c. Process Costing
 - d. Job Costing

7. Labour efficiency variance is favourable when
 - a. Actual hours are less than standard hours
 - b. Standard hours are less than actual hours
 - c. Actual labour rates are less than standard rates
 - d. Standard labour rates are less than actual rates

8. Recovered Overheads is calculated as follows
- Actual Hours Multiply by Actual Rate
 - Actual Hours Multiply by Standard Rate
 - Standard Hours for Actual Output Multiply by Standard Rate
 - Budgeted Hours Multiply by Standard Rate

Q4 B. Match the Column.

(07)

A	B
1. Break- Even Analysis	Remains static irrespective of change in volume
2. Increase in Price	Top-to - Bottom – Top approach
3. Uncontrollable Causes	Higher Margin of Safety
4. Fixed Budget	Per Kilowatt- hour
5. Zero based Budget	Per kilometre
6. Simple Cost Unit	Shut down to COVID 19
7. Composite Cost Unit	Make or Buy Decision

Q5. Write short notes on any 3

(15)

- Performance Budget
- Forecasting v/s Budget
- Overhead Variance
- Advantages of Marginal Costing
- Absorption Costing
