

NATIONAL INSTITUTE OF BUSINESS MANAGEMENT

Advanced Diploma in Financial and Management Accounting 18.1P

Management Accounting ADFMA M05

Date: 11.08.2019

Time Allowed:3hrs

Answer Any Five questions.

Question No 1

a) Suhas (Pvt) Ltd ,gives you the following data

Present Sales =8000 units
 Fixed cost =Rs.6000
 Selling Price per unit =Rs.7
 Variable cost per unit =Rs.5
 You are required ,

- I. Find out the Break Even Point in Units and Value . **(04 Marks)**
- II. Find out the Margin of safety in Units. **(02 Marks)**
- III. To calculate the number of units to be sold and volume sales required to earn a profit of Rs.12,000 **(02 Marks)**
- IV. To calculate the amount of profit when the actual sales is Rs.210,000 **(02 marks)**

b) The following information are taken from the cost report of Nethmira Ltd for the period of December 2014.Cost information for product A and B as follows ,

	Cost per Unit	
	A	B
	Rs.	Rs.
Direct Material	15	15
Direct wages @ Rs.2 per hour	12	18
variable Overhead	5	8
Selling Price	45	54

- I. Find out the contribution. **(02 Marks)**

- II.** If labor hours are limited, what is most profitable product? **(02 Marks)**
- III.** The company is having only 30,000 labour hours. Management Decided to use 65% of it for most profitable product. Decide the production mix. **(06 Marks)**

(20 Total Marks)

Question No 2

- a) XYZ Ltd is manufacturing two products called Black and White. The information for the production as below,

Per Unit	Black Rs.	White Rs.
Selling Price	70	100
Direct Material	30	25
Direct Wages (Rs.2 per hour)	10	18
Variable overhead cost	100% of direct wages	100% of direct wages
Total Fixed overhead cost	Rs.10,000 per annum	
Maximum capacity	1000 units per each	
Condition	Labour hours are limited to 12,000	

Decide the production mix.(10 Marks)

- b) In a factory producing two different kind of articles, the limiting factor is the availability of labour. From the following information, show which product is more profitable. .(10 Marks)

Item per unit	A Rs.	B Rs.
Material	5	5
Labour (Rs. 0.50 per hour)	3	1.50
Overhead cost		
Variable (50% of labour)	1.50	0.75
Fixed	1.50	1.50
Selling Price	14	11

Additional Information

Labour was paid @ the rate of Rs.2.80 per hour and material price was Rs.8.00 per unit. Factory overhead (actual)include Rs.25,000fixed and the balance amount is variable. There was no inventory at the beginning or at the end of the year the company employees labour hour rate as the basis of absorption of the fixed overhead.

- I. Prepare a reconciliation statement (actual and standard cost comparison). (10 Marks)
 - II. Calculate the following variances
 - Total Cost Variance
 - Labour rate Variance
 - Labour efficiency variance
 - Fixed Overhead efficiency variance
 - Variable overhead efficiency variance(02 Marks*5= 10 Marks)
- (Total 20 Marks)**

Question No 4

- i. Accounting information is widely used by different stakeholders to fulfill their diverse decision making needs.

Identify four (4) such users and list one (1) usage for each user. (4 marks)

- ii. Managerial Accounting is concerned with internal users of accounting information, particularly to the managers of an entity for planning, controlling and decision making.

Identify three (3) differences between financial accounting & managerial accounting. (3 marks)

- iii. Briefly explain following terms;
 - a. Fixed cost
 - b. Direct Costs
 - c. Overhead costs(3 marks)

iv) A radio manufacturing company finds that while it costs Rs. 6.25 each to make a component X- 2370 .The same is available in the market at Rs.5.75 with an assurance of continued supply.

The breakdown of the cost is

Item	Cost per unit (Rs)
Direct Material	2.75
Direct Labour	1.75
Other Variable cost	0.50
Depreciation and fixed cost	1.25

a. Should you make or buy?

b. What would be your decision if the supplier offers the component Rs.4.85 per each?

(10 Marks)

Question No 5

1. Differentiate between fixed budgets and flexible budgets.

(6 Marks)

2. Write two benefits of flexible budgets.

(2 Marks)

3. The expenses budgeted for production of 10,000 units in a factory are furnished below;

	Per Unit Rs.
Materials	70
Labour	25
Variable Overheads	20
Fixed Overhead (Rs.100,000)	10
Variable Expenses (Direct)	5
Selling Expenses (10% Fixed)	13
Distribution Expenses (20% Fixed)	7
Administration Expenses (Rs. 50,000)	5
Total Cost of Sale per unit	155

Required:

Prepare a budget for production of

a) 6,000 units and

b) 8,000 units

Assume that administrative expenses are rigid at all levels of production.

(12 Marks)

(Total 20 Marks)

Question No 6

1. List down two benefits of preparing cash budgets. (4 Marks)
2. What are the possible management actions that can be taken for the following possible cash positions;
 - i. Short term deficit
 - ii. Long term deficit
 - iii. Short term surplus
 - iv. Long term surplus (2 Marks)

Network Ltd is preparing its budget for the next quarter. The following information has been drawn from the budget prepared in the planning exercise so far:

Sales value	June	Rs. 12,500
	July	Rs. 13,600
	August	Rs. 17,000
	September	Rs. 16,800

Direct wages Rs. 1,300 per month

Direct material purchase	June	Rs. 3,450
	July	Rs. 3,780
	August	Rs. 2,890
	September	Rs. 3,150

Other information

- Network sells 10 per cent of its goods for cash. The remainder of customers receives one month's credit period.
- Payments to creditors are made in the month following purchase.
- Wages are paid as they are incurred.
- Network takes one-month credit on all over heads.
- Production overheads are Rs. 3,200 per month.
- Selling and distribution and administration overheads amount to Rs. 1,890 per month.
- Included in the amounts for overhead given above are depreciation charges of Rs. 300 and Rs. 190 respectively.
- Network expects to purchase a delivery vehicle in August for a cash payment of Rs. 9,870.
- The cash balance at the end of June is forecasted to be Rs. 1,235.

Required:

Prepare a cash budget for each of the months July to September. (14 Marks)

Question No 7

1. An Engineering Company is considering investing in a project which has the following Net Present Values when all the future cash flows were discounted.

Rate	NPV (RS)
8%	+18518
12%	-17857

You are required to calculate the internal rate of return for the above projects using IRR formula (5 marks)

2. Note the following information on two mutually exclusive project under consideration by PQ company.

Year	Project A	Project B
1	10000	15000
2	12000	15000
3	18000	15000
4	26000	15000
5	20000	15000

Each project requires an initial of Rs 50,000. The company requires a 12 percent rate of return on these projects.

You are required to

- I. Compute the Pay back period of both projects (5 Marks)
- II. Compute the Net present value (NPV) of both projects (5 Marks)
- III. Recommend which project to be accepted by the company with reasons (5 Marks)

Question No.8

1. Briefly explain the advantages & disadvantages of balanced scorecard (6 Marks)
2. What are the four perspectives of balanced scorecard? (2 Marks)
3. Write down at least 3 indicators for each perspective of balanced scorecard for a selected company. (12 Marks)

(Total 20 Marks)