POKHARA UNIVERSITY

Level: Bachelor
Programme: BBA/BBA-BI
Course: Basics of Managerial Accounting

Semester: Spring

Year: 2021
Full Marks: 100
Pass Marks: 45
Time: 3 hrs.

Candidates are required to answer in their own words as far as practicable. The figures in the margin indicate full marks.

Section "A"

Very Short Answer Questions

Attempt all the questions. [10×2]

1. State any two scope of managerial accounting.
2. Differentiate relevant and irrelevant cost.
3. Write any two assumptions of cost volume profit analysis.
4. The following information is taken from the books of kankai manufacturing company:

Normal capacity per year	10,000 units
Actual output realized the during the year	12,000 units
Fixed factory overhead	Rs.1,00,000
Fixed selling and administrative cost	Rs.50,000
Prime cost	Rs.6 per unit

Required: Over/under absorption of fixed manufacturing cost.

5. What do you mean by margin of safety?
6. State any two factors to be considered while determining selling price.
7. The following information is provided to you:

Standard quantity of materials	30,000 kg @ Rs.7 per kg
Actual quantity of materials	28,000 kg @ Rs.6 per kg

Required: Material price variance

8. Define the term period cost with suitable example.
9. List out responsibility centres.
10. What do you mean by budget?

Section "B"

Descriptive Answer Questions

Attempt **any six** questions. [6×10]

11. Define management accounting. Explain the changing role of management accounting.
12. A manufacturing company has the following trading result.

Periods	Sales in Rs.	Net Profit in Rs.
I	400,000	40,000
II	500,000	80,000

Required:

a) P/V ratio

b) Variable cost for period I and II
c) BEP in Rs.
d) Profit for the sales Rs. 450,000

13. A MBA graduated team started a new business, High Himalayas product Ltd in the beginning of the year 2022 to provide "SAKHEJUNG TEA" a special black leaf tea. The tea comes from the organic garden of hundreds smallholder's farmers of sakhejung region whose main form of livelihood is tea planting.

The operating result in 2022 is as follows:

Direct material cost	Rs.6 per unit
Direct labour cost	Rs.2 per unit
Variable factory overhead	Rs.4 per unit
Variable office and selling and expenses	10% of sales
Selling price	Rs.40 per unit
Fixed factory overhead	Rs.6 per unit
Fixed office and selling expenses	Rs.50,000
Normal capacity	30,000 units

Production	25,000 units
Sales	26,000 units
Ending inventory	2,000 units

Required:

i. Income statement under absorption costing system for the period II.
ii. Profit of variable costing system using reconciliation statement.

14. The Pokhara Product Ltd; a company engaged in production of specialized goods called "Kath Craft" has been utilizing its capacity only by 80% of its available capacity.

The company received a special offer to supply 25,000 units of its product most similar to one the company at present is selling in the market, but under different brand name. The price offered is Rs 100 per unit. The data relating to produce one unit of regular product are presented below:

Direct material cost 4 units @Rs10	Rs 40
Direct labour cost 3 hours @ Rs 10	Rs 30
Manufacturing overhead 3 hours @ Rs 15 (based on direct labour hour)	Rs 45
Total cost per unit	RS 115

The company at present is selling at Rs 150 per unit. The company has adopted a policy of defining its capacity in direct labour hour. The annual normal budgeted hour is 3,00,000 hours and the budgeted fixed overhead for the period is Rs 15,00,000. All manufacturing overheads are applied to production on the basis of direct labour hour at Rs 15 per hour. The special offer will have no other cost than regular production cost.

Required:

a) Should the company accept this offer and also show how total profit of the company would change by accepting this offer?

b) Would the company have any opportunity cost of the offer?

15. Define the method of Segregation of Semi variable cost into fixed and variable cost and explain which method is appropriate?

16. KTM manufacturing company produced and sold 5,000 jackets during the year and average price of Rs.1,800 per unit. Variable manufacturing cost were Rs.600 per unit and variable marketing cost were Rs. 400 per unit sold. Fixed cost amounted to Rs.12,00,000 for manufacturing and Rs.800,000 for marketing and selling activities.

Required:

a) Compute BEP in sales in units and Rs.

b) Compute the number of sales unit required to earn a net income of Rs.150,000 during the year.

c) If variable manufacturing cost is expected to increase by 25% in the coming year. Compute the new BEP in sales revenue.

17. What do you mean by responsibility accounting? Explain in brief.

Section "C"

Case Analysis

18. *Read the case situation given below and answer the questions that follow:* [20]

Hillyard Company, an office supplies specialty store, prepares its master budget on a quarterly basis. The following data have been assembled to assist in preparing the master budget for the first quarter. As of December 31 (the end of the prior quarter), the company's general ledger showed the following account balances:

	Debits	Credits
Cash	Rs.48,000	
Accounts receivable	224,000	
Inventory	60,000	
Buildings and equipment (net)	370,000	
Accounts payable		Rs.93,000
Capital stock		500,000
Retained earnings		109,000
	Rs.7,02,000	Rs.7,02,000

Actual sales for December and budgeted sales for the next four months are as follows:

December (actual)	Rs. 280,000
January	Rs. 400,000
February	Rs. 600,000
March	Rs. 300,000
April	Rs. 200,000

Sales are 20% for cash and 80% on credit. All payments on credit sales are collected in the month following sale. The accounts receivable at December 31 are a result of December credit sales. The company's gross margin is 40% of sales. Operating and administrative expenses is Rs. 27,000 per month, advertising expenses Rs. 70,000 per month and selling and distribution expenses is 8% of gross sales and these expenses are paid in the month they become due. Depreciation (including depreciation on new assets acquired) during the quarter will be Rs. 42,000 for the quarter. Each month's ending inventory should be equal to 25% of the following month's cost of goods sold. One-half of a month's inventory purchases is paid for in the month of purchase; the other half is paid in the following month. During February, the company will purchase a new computing machine for Rs. 50,000 cash. Management wants to maintain a minimum cash balance of Rs. 30,000. The company has an agreement with a local bank that allows the company to borrow in increments of Rs. 1,000 at the beginning of each month. The interest rate on these loans is 1% per month.

Required:

a) Merchandise purchase budget.
b) Cash collection and disbursement budget.
c) Budgeted income statement.
d) Budgeted balance sheet at the end of March.