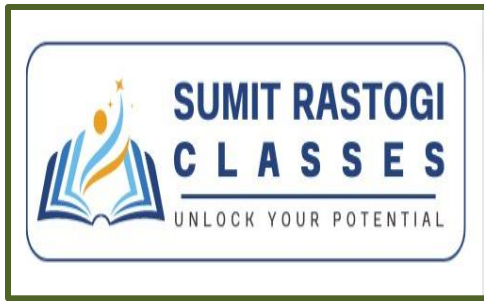




To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

TEST PAPER - 04

(CHAPTER COVERED - BUDGETARY CONTROL)

MANAGEMENT ACCOUNTING

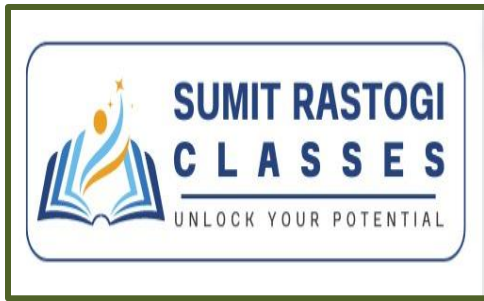
Time Allowed: 3 Hours

Full Marks: 100

**Section A contains Question Number 1. All parts of this question are compulsory.
Working notes should form part of the relevant answer.**

SECTION - A

1. Choose the correct answer from the given alternatives (you may write only the Roman number and the alphabet of your answer). (15 X 2 = 30)
- (i) In a company, opening stock of material was 14,000 units, closing stock required to be maintained. 14,000 units and sales are expected to be maintained at 28,000 units, what would be the production units during the period?
- (A) 56,000
 - (B) 14,000
 - (C) 28,000
 - (D) 30,000
- (ii) Which one of the following is not to be considered for preparing a production budget?
- (A) The production plan of the organization
 - (B) The Sales Budget
 - (C) Research and Development Budget
 - (D) Availability of Raw Materials
- (iii) Which of the following is not a potential benefit of using a budget?
- (A) More motivated managers
 - (B) Enhanced co-ordination of firm activities
 - (C) Improved inter-departmental communications
 - (D) More accurate external financial statements



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

(iv) The main objective of budgetary control is:

- (A) To define the goal of the firm
- (B) To co-ordinate different departments
- (C) To plan to achieve its goals
- (D) All of the above

(v) A Ltd. provides you with the following information:

Particulars	Opening Stock	Budgeted Closing Stock
Work-in-progress	500 kg. [materials fully supplied but 40% converted]	1,000 kg. [materials fully supplied but 80% converted]
Finished Goods	2,000 kg.	1,000 kg.

Budgeted Sales: ₹47,00,000 @ ₹500 per unit Calculate the Budgeted Labour Hours required for Production if One Labour Hour is required per unit.

- (A) 8,400 hours
- (B) 9,400 hours
- (C) 8,900 hours
- (D) 9,000 hours

(vi) In a system whereby all activities are revaluated each time a budget is formulated and starts with the assumption that requirement of funds does not exist is called

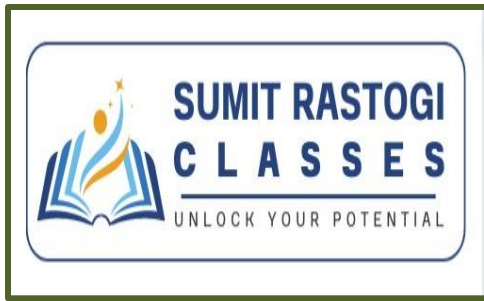
- (A) Performance Budgeting
- (B) Programme Budgeting
- (C) Flexible Budgeting
- (D) Zero-based Budgeting

(vii) Cash Budget of ABC Ltd. forewarns of a short-term surplus. Which of the following would be appropriate action to be taken in such a situation?

- (A) Purchase new fixed assets
- (B) Repay long-term loans
- (C) Write off preliminary expense
- (D) Pay creditors early to obtain a cash discount

(viii) Budgeted Sales of Product X is 8,000 units. At the end of the previous year, the Closing Finished Stock (on a FIFO basis) of Product X is ₹20,000 @ ₹20. At the end of the budget year expected Closing Finished Stock of Product X is 2,700 units. Post Production Rejection Rate of Product A is 3%. Calculate the Budgeted Production of Product (A).

- (A) 9,700
- (B) 10,000
- (C) 9,991
- (D) 9,417



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

(ix) A budget that gives a Summary of all the functional budgets and projected Profit and Loss A/c is known as:

- (A) Master Budget
- (B) Flexible Budget
- (C) Performance Budget
- (D) Discretionary Budget

(x) Which of the following is generally a long-term budget?

- (A) Sales Budget
- (B) Cash Budget
- (C) Research and Development
- (D) Capital Expenditure Budget

(xi) X Ltd. provides you with the following information:

Activity Level	Total Overheads (in ₹)
60%	9,20,000
80%	11,60,000

If the production capacity of X Ltd. at a 50% Activity Level is 60,000 units, then the variable overhead per unit is

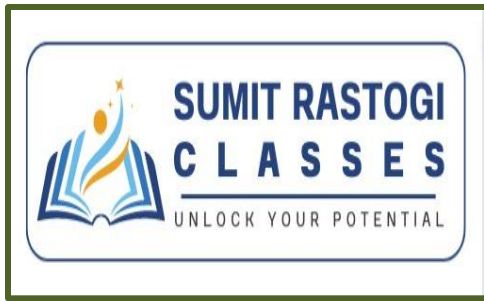
- (A) 9 per unit
- (B) 10 per unit
- (C) 11 per unit
- (D) 12 per unit

(xii) Budgeted Production is Equal to:

- (A) Budgeted Sales + Budgeted Opening Stock – Budgeted Closing Stock
- (B) Budgeted Sales – Budgeted Opening Stock + Budgeted Closing Stock
- (C) Budgeted Sales + Budgeted Opening Stock + Budgeted Closing Stock
- (D) Budgeted Sales – Budgeted Opening Stock – Budgeted Closing Stock

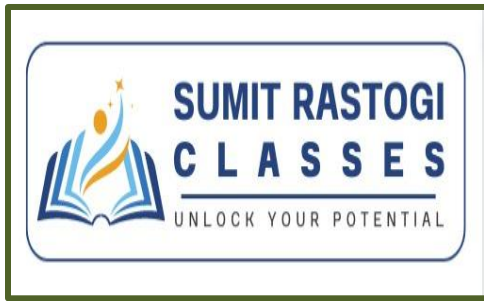
(xiii) Divisional managers prepare _____ without reference to the past budget or achievements.

- (A) Outcome Budgets
- (B) Performance Budgets
- (C) Programme Budgets
- (D) Zero Base Budgets



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

- (xiv) Akash Ltd. is preparing its cash budget for the period. Sales are expected to be ₹1,00,000 in April, 2016; ₹2,00,000 in May, 2016; ₹3,00,000 in June, 2016 and ₹1,00,000 in July, 2016. Half of all sales are cash sales and the other half are on credit. Experience indicated that 70% of the credit sales will be collected in the month following the sale, 20% the month after that and, 10% in the third month after the sale. The budgeted collection for the month of July, 2016 is:
- (A) ₹1,30,000
 - (B) ₹1,80,000
 - (C) ₹2,60,000
 - (D) ₹3,60,000
- (xv) The cost per unit of a product manufactured in a factory of ZENION LTD. amounts to ₹ 160 (75% variable) when production is 10,000 units. If the production increases by 25% what would be the cost of production per unit?
- (A) ₹120
 - (B) ₹155
 - (C) ₹152
 - (D) ₹134



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

SECTION – B

Answer any five questions from question number 2 to 8.

(14×5=70)

2 (a) ASHUB (P.) Company manufactures two products - X and Y. A forecast of units to be sold in the first five month of the year is given below:

Months	Product X	Product Y
April	1,000	2,800
May	1,200	2,800
June	1,600	2,400
July	2,000	2,000
August	2,400	1,600

Other information is as follows:

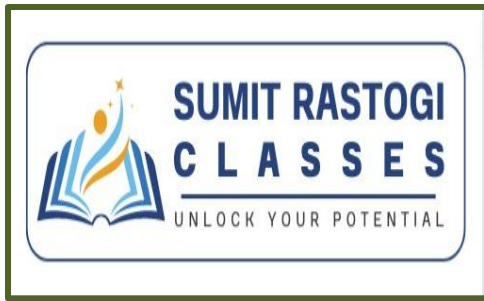
Cost per unit (₹)	Product X	Product Y
Direct Materials	12.50	19.00
Direct Labour	4.50	7.00
Factory Overhead	3.00	4.00

There will be no opening and closing work-in-progress at the end of any month. Finished product (in units), equal to half of the budgeted sales of the next month, be in stock at the end of each month (including previous year ended March).

You are required to prepare:

- Production (in quantity) Budget for April to July; and
- Summarized Production Cost Budget for the period.

(7 Marks)



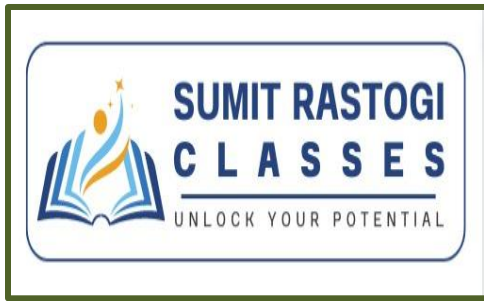
To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

2 (b) ANTU GLASS Company provides the following details relating to Master Budget for the year ended March 31, 2024.

Sales:	
Toughened Glass	₹ 60,00,000
Bent Glass	₹ 20,00,000
Direct material cost	60% of sales
Direct wages	20 workers @ ₹1,500 per month
Factory overheads:	
Indirect labour	
Works manager	₹5,000 per month
Foreman	₹4,000 per month
Stores and spares	2.5% on sales
Depreciation on machinery	₹1,26,000
Light and power	₹30,000
Repairs and maintenance	₹80,000
Others sundries	10% on direct wages
Administration, Selling and Distribution Expenses	₹3,60,000 per year

Required: Prepare the Master Budget for the year ended March 31, 2024.

(7 Marks)



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

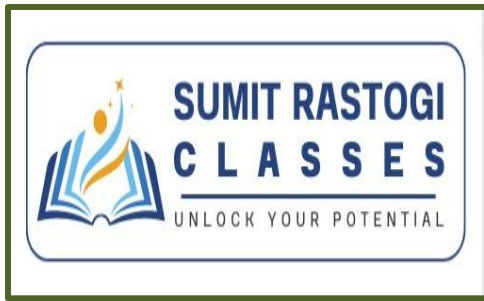
3 (a) The monthly (September 2019) budgets for Production overhead Costs of TANISHA LTD. for two levels of Activity were as follows:

Capacity	60%	100%
Budgeted Production	15,000 Units	25,000 Units
	₹	₹
Wages	60,000	1,00,000
Consumable stores	45,000	75,000
Maintenance	55,000	75,000
Power & fuel	80,000	1,00,000
Depreciation	2,00,000	2,00,000
Insurance	50,000	50,000
	4,90,000	6,00,000

Required:

- Prepare Production Overhead Costs Budget of 80% and 90% Capacity level for September, 2019 and
- Compute the total Cost, both fixed and variable overheads per unit of output at 80% and 90% Capacity level.

(7 Marks)



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

3 (b) The following data have been compiled for TTA Tea Co. regarding the budgeted and actual production of green tea packets for six months ending 30 June, 2019.

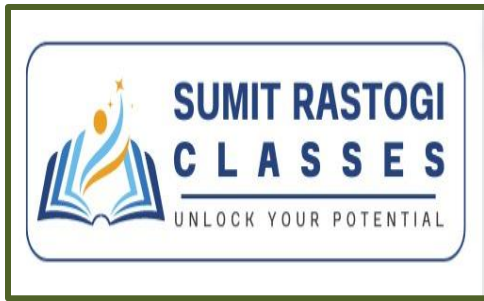
Production (units)	Amount (₹)	
	40,000 (Budgeted)	50,000 (Actual)
Material Consumed	1,35,000 (45,000 kgs at ₹3 per kg)	1,89,750 (55,000 kgs at ₹3.45 per kg)
Wages At 3 Hours Per Unit	1,80,000 (at 1.50 per hour)	2,44,500 (at ₹ 1.63 per hour)
Variable Overheads	80,000 (at ₹ 2per unit)	1,25,000 (at ₹ 2.5 per unit)
Fixed Overheads	75,000	1,00,000
Total	4,70,000	6,59,250

During the budgeted period:

1. Production is expected to go up to 60,000 units.
2. Material required is expected to go up to 65,000 kgs for production.
3. The prices of materials are expected to increase further in the same manner as they had increased over the budgeted price.
4. Labour charges are expected to increase by ₹0.50 per hour above the actual rate shown above though efficiency is expected to decline by 20%.
5. Variable overheads are expected to increase by 10% over June 2019 Actual.
6. Fixed overheads are expected to increase by 20% over June 2019 Actual.

You are required to prepare the Production Cost Budget for the six months ending 31st December 2019.

(7 Marks)



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

4 (a) Summarised below are the revenue and expenditure figures of AB Ltd. for the month of March to August, 2017:

Month	Sales (₹)	Materials (₹)	Wages (₹)	Overheads (₹)
March	6,50,000	4,00,000	1,20,000	50,000
April	7,00,000	4,80,000	1,50,000	50,000
May	7,50,000	4,50,000	1,50,000	60,000
June	8,00,000	4,80,000	1,80,000	60,000
July	8,20,000	4,00,000	1,80,000	80,000
August	8,90,000	5,00,000	2,00,000	80,000

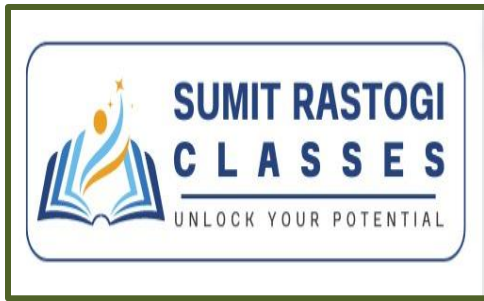
The following further information is available:

- (i) 10% Purchases and sales are on cash basis.
- (ii) Advance payment of income tax in August, 2017 ₹50,000.
- (iii) Plant purchased and price to be paid in June, 2017 ₹1,00,000.
- (iv) Time lag:

Credit Sales	2 months
Credit Purchase	1 months
Wages	½ month
Expenses	½ month

Required: Prepare a Cash Budget for 3 months starting on 1st June, 2017 when cash balance is ₹2,00,000

(7 Marks)



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

4 (b) ANKRITI LTD. manufactures product X and product Y during the year ending on 31st March, 2019. It is expected to sell 7500 kg of product X and 37500 kg of product Y @ ₹60 and ₹32 per kg respectively. The direct materials A, B and C are mixed in the proportion of 4:4:2 in the manufacture of Product X and in the proportion of 3:5:2 in the manufacture of product Y. The actual and budget inventories for the year are as follows:

Particulars	Opening Stock (Kg)	Expected Closing Stock (Kg)	Anticipated Cost Per kg (₹)
Material A	3,000	2,400	10
Material B	2,500	5,800	8
Material C	16,000	17,300	6
Product X	1,500	2,000	-
Product Y	3,000	3,500	-

Required: Prepare the Production Budget and Materials Budget showing the purchase cost of materials for the year ending 31st March, 2019.

(7 Marks)

5 (a) As a Cost and Management Accountant of MJK Ltd., prepare a Sales Overhead Budget for the months of January, February and March from the estimates given below:

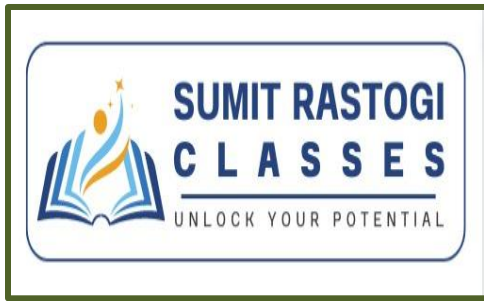
Expenses per month;	₹
Advertisement	2,500
Salaries of the Sales Department	5,000
Expenses of the Sales Department	1,500
Counter Salesmen's Salaries and Dearness Allowance	6,000

Commission to counter salesmen @ 1% on their sales, travelling salesmen's commission @ 10% on their sales and expenses @ 5% on their sales.

The sales during the period were estimated as under:

Months	Counter Sales	Travelling Salesmen Sales
	₹	₹
January	80,000	10,000
February	1,20,000	15,000
March	1,40,000	20,000

(7 Marks)



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

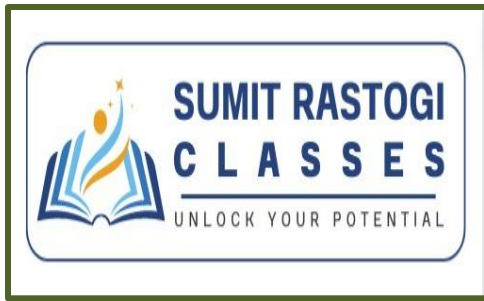
5 (b) Ambuja Enterprises is currently working at 50% capacity and produces 10,000 units. At the current operating level, the product costs ₹180 per unit and is sold at ₹200 per unit. The cost of ₹180 is made up as follows:

Particulars	₹/units
Material	100
Wages	30
Factory Overheads (40% Fixed)	30
Administrative Overheads (50% Fixed)	20

At 60% working, raw material cost increases by 2% and the selling price falls by 2%. At 80% working, raw material cost increases by 5% and the selling price falls by 5%.

Prepare a Marginal Cost Statement showing the estimated profit of the business when it is operated at 60% and 80% capacity.

(7 Marks)



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

6 (a) Prepare a Cash Budget for the three months ending on 30th June, 2018 from the information given below:

Month	Sales (₹)	Materials (₹)	Wages (₹)	Overheads (₹)
February	14,000	9,600	3,000	1,700
March	15,000	9,600	3,000	1,900
April	16,000	9,200	3,200	2,000
May	17,000	10,000	3,600	2,200
June	18,000	10,400	4,000	2,300

(i) Credit terms are:

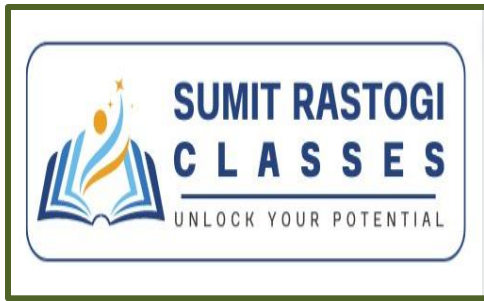
- Sales: 10% sales are on cash, 50% of the credit sales are collected in the next month and the balance in the following month.
- Creditors Material 2 months
- Wages $\frac{1}{4}$ months
- Overheads $\frac{1}{2}$ months

(ii) Cash and Bank balance on 1st April, 2018 is expected to be ₹6,000.

(iii) Other relevant information are:

- Plant and Machinery will be installed in February, 2018 at a cost of ₹96,000. The monthly installments of ₹2,000 is payable from April onwards.
- Dividend @ 5% on Preference Share Capital of ₹2,00,000 will be paid on 1st June.
- Advance to be received for sale of vehicles ₹9,000 in June.
- Dividends from investments amounting to ₹ 1,000 are expected to be received in June.
- Income tax (advance) to be paid in June is ₹2,000.

(7 Marks)



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

6 (b) The following data are available in a manufacturing company for a yearly period.

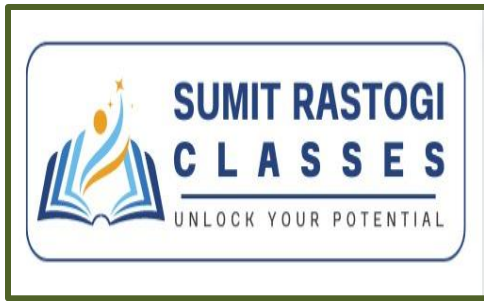
Fixed Expenses		₹ in lakhs	
Wages and salaries		9.5	
Rent, rates and taxes		6.6	
Depreciation		7.4	
Sundry administration expenses		6.5	
Semi – Variable Expenses: (At 50% of capacity)		Variable Expenses: (At 50% of capacity)	
Maintenance and repairs	3.5	Materials	21.7
Indirect labour	7.9	labour	20.4
Sales department salaries, etc.	3.8	Other expenses	7.9
Sundry administration salaries	2.8	Total Cost	98.0

Assume that the Fixed Cost remain constant for all levels of production: Semi-Variable expenses remain constant between 45 per cent and 65 per cent of capacity, increasing by 10 per cent between 65 per cent and 80 per capacity and by 20 per cent between 80 per cent and 100 per cent capacity.

Sales At Various Levels	(₹ In Lakhs)
50% of capacity	100
60% of capacity	120
75% of capacity	150
90% of capacity	180
100% of capacity	200

Prepare a Flexible Budget for the year and forecast the profit at 50%, 60%, 75%, 90%, and 100% of capacity.

(7 Marks)



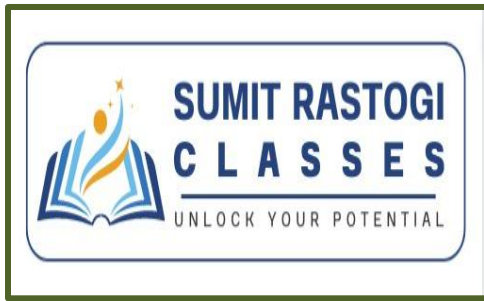
To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

7 (a) Chandu Ltd. is currently working at its 60% capacity and produces 24,000 units. The unit cost and selling price for the same level are as follows:

Particulars	₹/Units
Direct Material	120
Direct Labour	90
Factory Overhead (80% Variable)	60
Administrative overhead (75% fixed)	40
Selling and Distribution overhead (50% variable)	30
Total cost	340
+ Profit	160
Selling Price	500

You are required to prepare a flexible budget and estimate the profit of the company when it works at 80% and 100% capacities. It is believed that at 80% capacity raw material cost increases by 3% and selling price falls by 3% whereas at 100% capacity raw material cost increases by 5% and selling price falls by 10%.

(7 Marks)



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

7 (b) Draw-up a Flexible Budget for overhead expenses of M/s. Black & White Co. Ltd. on the basis of the following data and determine the overhead rate at 70%, 80% and 90% of plant capacity level (based on direct labour hours).

Overheads	At 80% Capacity (₹)
Variable Overheads:	
Indirect Labour	12,000
Indirect Material	4,000
Semi-Variable Overheads:	
Power (30% Fixed and 70% variable)	20,000
Repairs & maintenance (60% fixed and 40% variable)	2,000
Fixed Overheads:	
Depreciation	11,000
Insurance	3,000
Others	10,000
Total Overhead	62,000

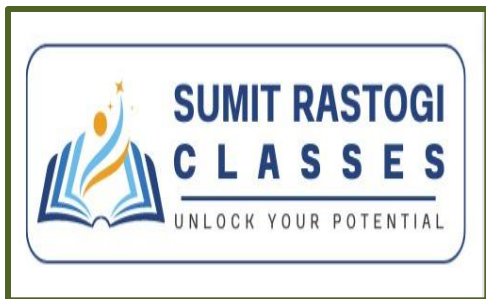
Estimated direct labour hours 1,24,000 hrs.

(7 Marks)

8 (a) Difference between Standard Costing and Budgetary Control. (4 Marks)

8 (b) Difference between Fixed and Flexible Budget. (5 Marks)

8 (c) Write short Note on Forecast vs. Budget. (5 Marks)

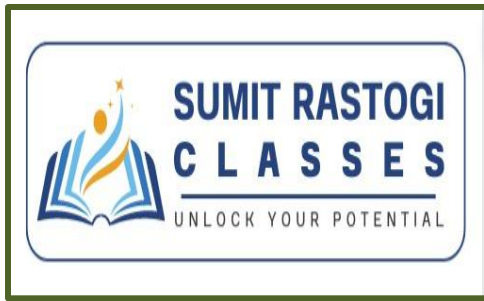


To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

SUGGESTED ANSWERS - TEST PAPER 04

SECTION - A

- (i) (C) 28,000 units
- (ii) (C) Research and Development Budget
- (iii) (D) More units accurate external financial statements
- (iv) (B) To Co-ordinate different departments
- (v) (C) 8,900 hours
- (vi) (D) Zero-Based Budgeting
- (vii) (D) Pay Creditors early to obtain a cash discount
- (viii) (B) 10,000
- (ix) (A) Master Budget
- (x) (D) Capital Expenditure Budget
- (xi) (B) ₹10 per unit
- (xii) (B) Budgeted Sales – Budgeted Opening Stock + Budgeted Closing Stock
- (xiii) (D) Zero Base Budgets
- (xiv) (B) ₹1,80,000
- (xv) (C) ₹152



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

SECTION - B

Ans. 2(a)

(i)

Production Budget for Product X for 4 months ended July

	April	May	June	July	Total
Sales	1,000	1,200	1,600	2,000	5,800
Add: Closing Stock	600	800	1,000	1,200	3,600
Less: Opening Stock	500	600	800	1,000	2,900
Production (Units)	1,100	1,400	1,800	2,200	6,500

Opening Stock of April = $\frac{1}{2} \times 1,000 = 500$ units

Production Budget for Product Y for 4 months ended July

	April	May	June	July	Total
Sales	2,800	2,800	2,400	2,000	10,000
Add: Closing Stock	1,400	1,200	1,000	800	4,400
Less: Opening Stock	1,400	1,200	1,200	1,000	5,000
Production (Units)	2,800	2,600	2,200	1,800	9,400

Opening Stock of April = $\frac{1}{2} \times 2,800 = 1,400$ units

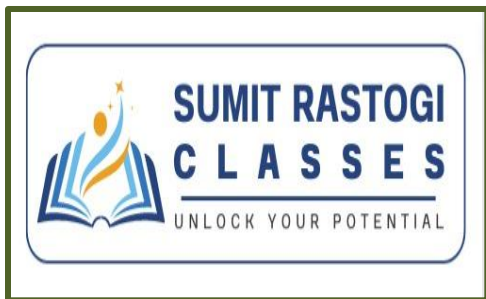
(ii)

Summarized Production Cost Budget for Product X for 4 months ended July

Particulars	Amount (₹)
Direct Materials ($6,500 \times 12.50$)	81,250
Direct Labour ($6,500 \times 4.50$)	29,250
Overheads ($6,500 \times 3$)	19,500
Budgeted production cost	13,00,000

Summarized Production Cost Budget for Product Y for 4 months ended July

Particulars	Amount (₹)
Direct Materials ($9,400 \times 12.50$)	1,78,600
Direct Labour ($9,400 \times 7$)	65,800
Overheads ($9,400 \times 4$)	37,600
Budgeted production cost	2,82,000

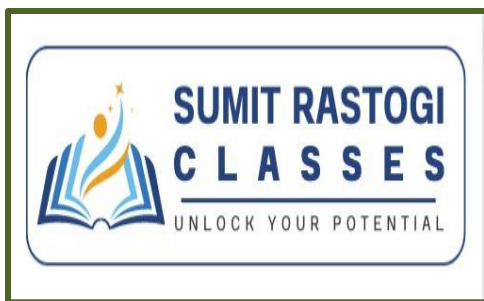


To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

Ans. 2(b)

Master budget for the year 2023-24

Particulars	₹	₹
Sales:		
Toughened glasses	60,00,000	
Bent glasses	20,00,000	80,00,000
Cost of Sales:		
Direct Material ($60\% \times 80,00,000$)	48,00,000	
Direct Wages ($20 \times 1500 \times 12$)	3,60,000	
Prime Cost	51,60,000	
Factory overheads:		
Variable:		
Stores and spares ($2.5\% \times 80,00,000$)	2,00,000	
Light and power	30,000	
Repairs and maintenance	80,000	
Fixed:		
Works manager's salary	60,000	
Foreman's salary	48,000	
Depreciation on machinery	1,26,000	
Other Sundries ($3,60,000 \times 10\%$)	36,000	
Works Cost	57,40,000	
Administration, selling and distribution overheads	3,60,000	
Cost of Sales		61,00,000
Profit		19,00,000



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

Ans. 3(a)

- (i) Fixed – Depreciation and Insurance
Variable – Wages and Consumable Stores
Semi-Variable – Maintenance and Power & Fuel

(ii) Working Notes: Segregation of Semi-Variable Costs:

- Maintenance Variable Cost = $[75,000 - 55,000] / 10,000 = ₹2$ Per unit and
Maintenance Fixed Cost = $75,000 - 50,000 = ₹25,000$.
- Power & Fuel Variable Cost = $[1,00,000 - 80,000] / 10,000 = ₹2$ Per unit variable and
Power & Fuel Fixed cost = $1,00,000 - 50,000 = ₹50,000$

Budget for 80% & 90% Capacity Level

Particulars	80% (₹) 20,000 units	90% (₹) 22,500 units
Wages @ ₹4 per unit	80,000	90,000
Consumable stores @ ₹3 per unit	60,000	67,500
Maintenance		
Variable @ ₹2 per unit	40,000	45,000
Fixed	25,000	25,000
Power & fuel		
Variable @ ₹2 per unit	40,000	45,000
Fixed	50,000	50,000
Depreciation	2,00,000	2,00,000
Insurance	50,000	50,000
Total Cost	5,45,000	5,72,500

Total Variable Cost Per Unit:

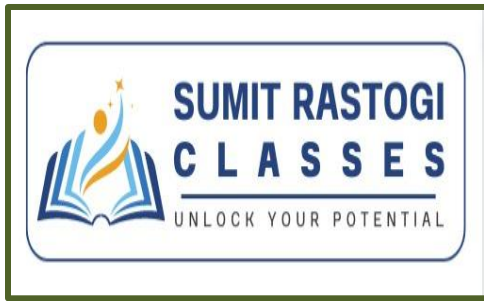
Wages	4.00
Consumable stores	3.00
Maintenance	2.00
Power	2.00
<u>11.00</u>	

Total Fixed Cost:

Maintenance	25,000
Power	50,000
Depreciation	2,00,000
Insurance	50,000
<u>3,25,000</u>	

Computation of total cost per unit

Particulars	Capacity	
	80% 20,000	90% 22,500
Variable cost per unit	11.00	11.00
Fixed Cost per unit	16.25 (3,25,000/20,000)	14.44 (3,25,000/22,500)
Total Cost per unit	27.25	25.44



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

Ans. 3(b)

Production Cost Budget for the Six months ending 31st December, 2019.

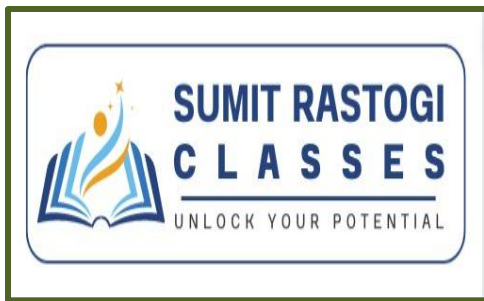
Particulars	Actual 6 months ending June 2019		Budget 6 months ending December 2019		
	Total		Total	Cost/unit (₹)	
Production	50,000 Units		60,000 Units		
Materials	55,000 kgs × 3.45	1,89,750	65,000 kgs × 3.968	2,57,920	4.30
Wages	50,000 × 3 hours × 1.63	2,44,500	60,000 × 3.75 hours × 2.75	4,79,250	7.99
Variable overheads	50,000 kgs × 2.5	1,25,000	60,000 kgs × 2.75	1,65,000	2.75
Fixed overheads		1,00,000		1,20,000	2.00
Total		6,59,250		10,22,170	17.04

Working Notes:

(i) Material cost increase is 15% over Budget figures.

For six month ending Dec. 2019, an increase 15% over ₹3.45 is **₹3.968**

(ii) Labour efficiency decreased by 20% leads to 3.75 hrs. Total time required is **2,25,000 hours**.

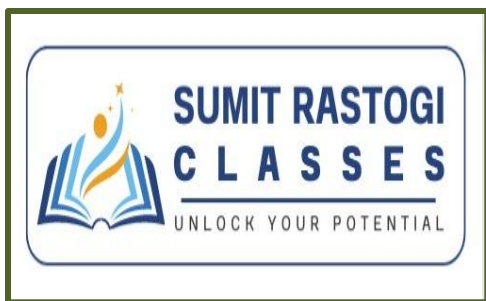


To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

Ans. 4(a)

CASH BUDGET

Particulars	June (₹)	July (₹)	August (₹)
Opening Balance	2,00,000	1,32,000	1,67,000
Receipts:			
Cash Sales	80,000	82,000	89,000
Debtors	6,30,000	6,75,000	7,20,000
Total Inflows	9,10,000	8,89,000	9,76,000
Payments:			
Cash purchases	48,000	40,000	50,000
Creditors	4,05,000	4,32,000	3,60,000
Wages	1,65,000	1,80,000	1,90,000
Expenses	60,000	70,000	80,000
Plant	1,00,000	-	-
Advance Tax	-	-	50,000
Total Outflows	7,78,000	7,22,000	7,30,000
Closing Balance	1,32,000	1,67,000	2,46,000



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

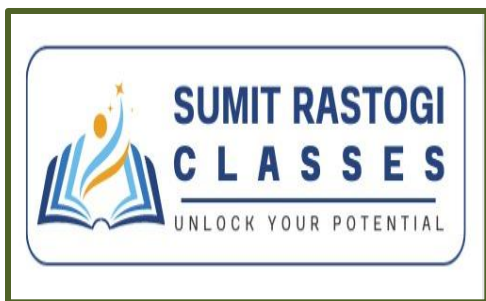
Ans. 4(b)

PRODUCTION BUDGET FOR THE YEAR ENDED 31ST MARCH, 2019

Particulars	Product X (kg)	Product Y (kg)
Sales	7,500	37,500
Add: Closing Stock	2,000	3,500
Less: Opening Stock	1,500	3,000
Production	8,000	38,000

MATERIAL PURCHASE BUDGET FOR THE YEAR ENDED 31ST MARCH, 2019

Particulars	A	B	C	Total
Material required for product X in ratio of 4:4:2	3,200	3,200	1,600	8,000
Material required for product Y in ratio of 3:5:2	11,400	19,000	7,600	38,000
Material Consumed (Kg.)	14,600	22,200	9,200	46,000
Add: Closing Stock	2,400	5,800	17,300	
Less: Opening Stock	3,000	2,500	16,000	
Material Purchases (Kg.)	14,000	25,500	10,500	
Price per Kg (₹)	10	8	6	
Material Purchases (₹)	1,40,000	2,04,000	63,000	4,07,000

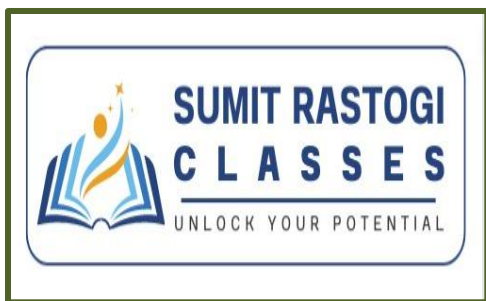


To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

Ans. 5 (a)

SALES OVERHEAD BUDGET

Particulars	January	February	March
	₹	₹	₹
Counter Sales	80,000	1,20,000	1,40,000
Travelling Salesman's Sales	10,000	15,000	20,000
Total Sales	90,000	1,35,000	1,60,000
Sales Overheads:			
Variable:			
Commission on counter sales @1%	800	1,200	1,400
Travelling salesman's commission @10%	1,000	1,500	2,000
Expenses of travelling Salesman @5%	500	750	1,000
Fixed:			
Advertisement	2,500	2,500	2,500
Salaries of sales department	5,000	5,000	5,000
Expenses of sales department	1,500	1,500	1,500
Counter salesman's salaries and dearness allowances	6,000	6,000	6,000
Total Sales Overheads	17,500	18,450	19,400

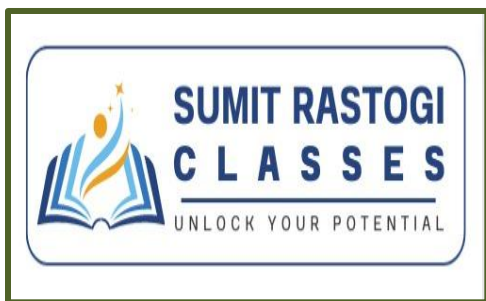


To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

Ans. 5 (b)

INCOME STATEMENT

Particulars	Capacity Level		
	50%	60%	80%
Output Sales (units)	10,000	12,000	16,000
	(₹)	(₹)	(₹)
Selling price per unit	200	196 (200 – 2%)	190 (200 – 5%)
Sales Value (A)	20,00,000	23,52,000	30,40,000
Variable Cost:			
Material @100, 98 and 95 per unit	10,00,000	12,24,000	16,80,000
Wages @30 per unit	3,00,000	3,60,000	4,80,000
Variable Factory Overheads = 30 × 60% = 18 per unit	1,80,000	2,16,000	2,88,000
Variable Administrative Overheads = 20 × 50% = 10 per unit	1,00,000	1,20,000	1,60,000
Total variable Cost (B)	15,80,000	19,20,000	26,08,000
Contribution (A-B)	4,20,000	4,32,000	4,32,000
- Fixed Cost:			
Factory = 30 × 40% × 10,000 = ₹1,20,000	1,20,000	1,20,000	1,20,000
Administrative = 20 × 50% × 10,000 = ₹1,00,000	1,00,000	1,00,000	1,00,000
Profit	2,00,000	2,12,000	2,12,000



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

Ans. 6 (a)

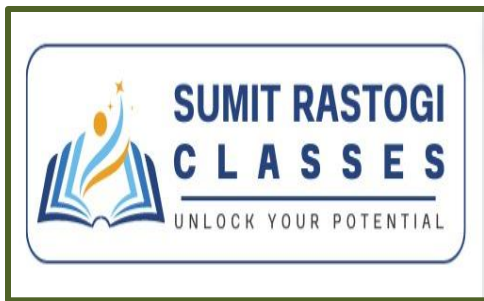
CASH BUDGET

Particulars	April 2018	May 2018	June 2018
Opening Balance	6,000	3,950	3,000
Receipts:			
Cash Sales	1,600	1,700	1,800
Debtors	13,050	13,950	14,850
Advances	-	-	9,000
Dividend from Investments	-	-	1,000
Total Inflows	20,650	19,600	29,650
Payments:			
Creditors	9,600	9,000	9,200
Wages	3,150	3,500	3,900
Overheads	1,950	2,100	2,250
Installment of Plant & Machinery	2,000	2,000	2,000
Preference Dividend	-	-	10,000
Advance Income Tax	-	-	2,000
Total Outflows	16,700	16,600	29,350
Closing Balance	3,950	3,000	300

Working Note:

Collection from Debtors

Month	Credit Sales (90% of Sales)	April (₹)	May (₹)	June (₹)
February	12,600	$12,600 \times 50\% = 6,300$	-	-
March	13,500	$13,500 \times 50\% = 6,750$	$13,500 \times 50\% = 6,750$	-
April	14,400	-	$14,400 \times 50\% = 7,200$	$14,400 \times 50\% = 7,200$
May	15,300	-	-	$15,300 \times 50\% = 7,650$
Total		13,050	13,950	14,850

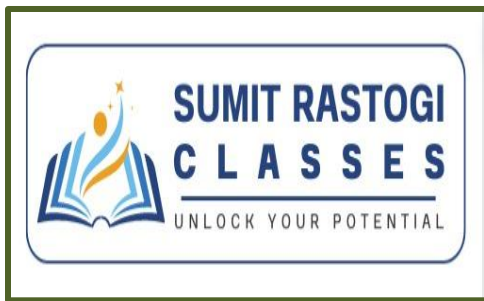


To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

Ans. 6 (b)

FLEXIBLE BUDGET

Capacity levels	50%	60%	75%	90%	100%
Fixed Expenses:					
Wages And Salaries	9.5	9.5	9.5	9.5	9.5
Rent, Rates and Taxes	6.6	6.6	6.6	6.6	6.6
Depreciation	7.4	7.4	7.4	7.4	7.4
Sundry Administration Expenses	6.5	6.5	6.5	6.5	6.5
(A) Total Fixed Costs	30.0	30.0	30.0	30.0	30.0
Semi – Variable Expenses:					
Maintenance And Repairs	3.5	3.5	3.8	4.2	4.2
Indirect Labour	7.9	7.9	8.7	9.5	9.5
Sales Department Salaries	3.8	3.8	4.2	4.6	4.6
Sundry Administration Expenses	2.8	2.8	3.1	3.3	3.3
(B) Total Semi – Variable Cost	18.0	18.0	19.8	21.6	21.6
Variable Expenses:					
Materials	21.7	26.0	32.5	39.0	43.4
Labour	20.4	24.5	30.6	36.7	40.4
Other Expenses	7.9	9.5	11.9	14.3	15.8
(C) Total Variable Cost	50.0	60.0	75.0	90.0	100.0
(D) Total Cost (A) + (B) + (C)	98.0	108.0	124.8	141.6	151.6
(E) Sales	100.0	120.0	150.0	180.0	200.0
(F) Profit (E – D)	2.0	12.0	25.2	38.4	48.4

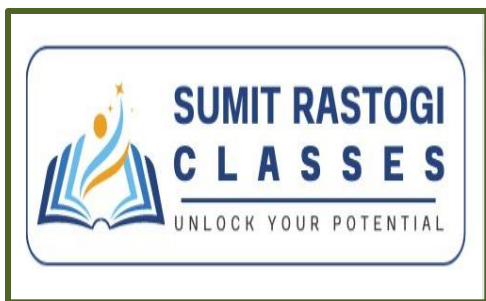


To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

Ans. 7 (a)

FLEXIBLE BUDGET

Particulars	Capacity Level		
	60%	80%	100%
Output Sales (units)	24,000	32,000	40,000
	(₹)	(₹)	(₹)
Selling price per unit	500	485 (500 – 3%)	450 (500 – 10%)
Sales (A)	1,20,00,000	1,55,20,000	1,80,00,000
Material @120, 123.60 and 126 per unit	28,80,000	39,55,200	50,40,000
Labour @ 90 per unit	21,60,000	28,80,000	36,00,000
Factory Overheads:			
Variable = $60 \times 80\% = 48$ per unit	11,52,000	15,39,000	19,20,000
Fixed = $60 \times 20\% \times 24,000 = 2,88,000$	2,88,000	2,88,000	2,88,000
Administrative Overheads:			
Variable = $40 \times 25\% = 10$ per unit	2,40,000	3,20,000	4,00,000
Fixed = $40 \times 75\% \times 24,000 = 7,20,000$	7,20,000	7,20,000	7,20,000
Selling & Distribution Overheads:			
Variable = $30 \times 50\% = 15$ per unit	3,60,000	4,80,000	6,00,000
Fixed = $30 \times 50\% \times 24,000 = 3,60,000$	3,60,000	3,60,000	3,60,000
Total Cost (B)	81,60,000	1,05,39,200	1,29,28,000
Profit (A-B)	38,40,000	49,80,800	50,72,000

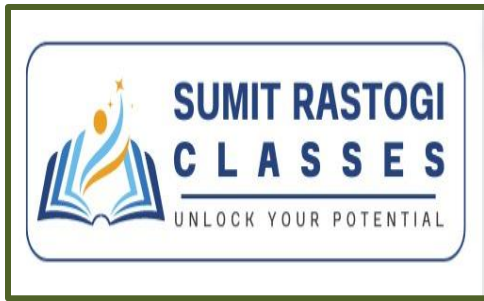


To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

Ans. 7 (b)

FLEXIBLE BUDGET FOR OVERHEADS

Particulars	Capacity Level		
	70%	80%	90%
	(₹)	(₹)	(₹)
Variable Overheads:			
Indirect Labour	10,500	12,000	13,500
Indirect Material	3,500	4,000	4,500
Power	12,250	14,000	15,750
Repairs & Maintenance	700	800	900
Total Variable Overheads (A)	26,950	30,800	34,650
Fixed Overheads:			
Power	6,000	6,000	6,000
Repairs & Maintenance	1,200	1,200	1,200
Depreciation	11,000	11,000	11,000
Insurance	3,000	3,000	3,000
Others	10,000	10,000	10,000
Total Fixed Overheads (B)	31,200	31,200	31,200
Total Overheads (A+B)	58,150	62,000	65,850
Estimates Direct Labour Hours	1,08,500	1,24,000	1,39,500
Overhead Recovery Rate Per Direct Labour Hour	0.5359	0.50	0.4720



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

Working Notes:

(1) Indirect Labour

$$\text{At 70\%} = 12,000 \times 70/80 = ₹10,500$$

$$\text{At 90\%} = 12,000 \times 90/80 = ₹13,500$$

(2) Indirect Material

$$\text{At 70\%} = 4,000 \times 70/80 = ₹3,500$$

$$\text{At 90\%} = 4,000 \times 90/80 = ₹4,500$$

(3) Power

Variable:

$$\text{At 80\%} = 20,000 \times 70\% = ₹14,000$$

$$\text{At 70\%} = 14,000 \times 70/80 = ₹12,250$$

$$\text{At 90\%} = 14,000 \times 90/80 = ₹15,750$$

$$\text{Fixed} = 20,000 \times 30\% = ₹6,000$$

(4) Repairs & Maintenance

Variable:

$$\text{At 80\%} = 2,000 \times 40\% = ₹800$$

$$\text{At 70\%} = 800 \times 70/80 = ₹700$$

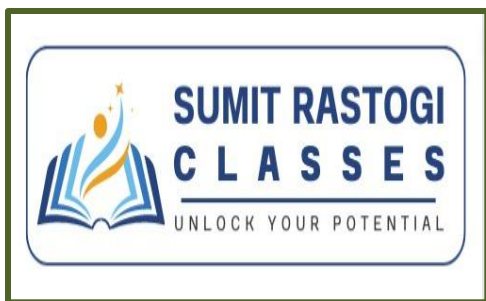
$$\text{At 90\%} = 800 \times 90/80 = ₹900$$

$$\text{Fixed} = 2,000 \times 60\% = ₹1,200$$

(5) Estimated direct Labour hours

$$\text{At 70\%} = 1,24,000 \times 70/80 = ₹1,08,500$$

$$\text{At 90\%} = 1,24,000 \times 90/80 = ₹1,39,500$$



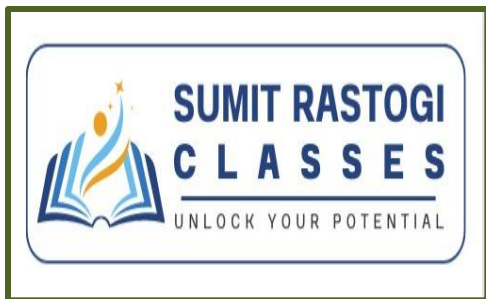
To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

Ans. 8 (a) Difference between Standard Costing and Budgetary Control

Standard Costing	Budgetary Control
Standards are based on technical assessments.	Budgets are based on past actuals adjusted to future trends.
Standards are mainly for production expenses i.e., elements of cost	Budgets are compiled for sales, production, expenses, Profit, capital expenditure.
Standard cost is projection of cost accounts.	Budgets are projects of financial accounts.
Standard are minimum targets which are to be attained.	Budgets are the maximum limits of expenses above which expenditure should not be incurred.
Standards are pointers to further improvements.	Budgets are indices, adherence to which keeps a business out of problems.
Variances are accounted for in the books.	Variance analysis is only a statistical data.
Standards are expressed per unit of production.	Budgets are expressed in totals of amounts.
Detailed analysis is needed in case of variances, whether they are favourable or unfavourable.	No further analysis is required if costs are within the budget.

Ans. 8 (b) Difference between Fixed and Flexible Budget

Fixed Budget	Flexible Budget
It does not change with actual volume of activity achieved. Thus, it is known as rigid or inflexible budget.	It can be recasted on the basis of activity level to be achieved. Thus, it is not rigid.
It operates on one level of activity and under one set of conditions.	It consists of various budgets for different levels of activity.
Here all costs like- Fixed, Variable and Semi-variable are related to only one level of activity.	Here analysis of variance provides useful information as each cost is analysed according to its behavior.
If the budgeted and actual activity levels differ significantly, then the aspects like cost ascertainment and price fixation do not give a correct picture.	Flexible Budgeting at different levels of activity facilitates the ascertainment of cost, fixation of selling price and tendering of quotations.
Comparison of actual performance with budgeted targets will be meaningless specially when there is a difference between the two activity levels.	It provides a meaningful basis of comparison of the actual performance with the budgeted targets.



To Buy classes visit our website
WWW.SUMITRASTOGICLASSES.COM
and for further queries contact us on
8826965733, 9811229279, and
9560978857.

Ans. 8 (c) Write short Note on Forecast vs. Budget

Forecast	Budget
Forecasts is mainly concerned with anticipated or probable events	Budget is related to planned events
Forecasts may cover for longer period (often in excess of a year)	Budget is planned or prepared for a shorter period
Forecast is only a tentative estimate.	Budget is a target fixed for a period.
Forecast results in planning	Result of planning is budgeting
The function of forecast ends with the forecast of likely events	The process of budget starts where forecast ends and converts in into a budget
Forecast usually covers a specific business function.	Budget is prepared for the business as a whole
Forecasting does not act as a tool of controlling measurement.	Purpose of budget is not merely a planning device but also a controlling tool