

**APPEARANCE OF MOBILE PHONE(S) / SMART DEVICE(S) SUBJECT TO CONSIDERED AS AN
ACT OF CHEATING**

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College Name: _____

Student Name: _____ Seat No: _____

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**KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION; AFFILIATED COLLEGE JUNE 2015
MANAGERIAL ACCOUNTING; BA (H)-562 (PART B)
BBA – VI**

Date: June 26, 2015

Max Time: 2 Hrs
Max Marks: 40

INSTRUCTIONS:

1. Attempt any 4 questions. Do not write anything on the question paper.
2. Mobile phones or any other communicating device will not be allowed in the examination room. Students will have to remove the batteries of these devices before entering the examination hall.

Q.1 Imtiaz Corporation has three costs: A, which is variable; B, which is fixed; and C, which is semivariable. The company, which uses the high-low method, extracted the following data from its accounting records:

- At 180,000 hours of activity, Cost a totaled Rs 2,610,000.
- At 140,000 hours, the low point during the period, Cost C totaled Rs 1,498,000; at 200,000 hours, the high point, Cost C's fixed portion amounted to Rs 1.75 per hour.
- At 160,000 hours of activity, the sum of Costs A, B, and C amounted to Rs 8,162,000.

Required:

- a) Compute the variable portion (total) of Cost C at 140,000 hours of activity.
- b) Compute Cost C (total) at 160,000 hours of activity.
- c) Compute Cost B (total) at 160,000 hours of activity.

Q.2 The controller for Waqar Machining has established the following overhead cost pools and cost drivers:

<u>Overhead Cost Pool</u>	<u>Budgeted Overhead Cost</u>	<u>Cost Driver</u>
Machine setups	Rs 240,000	Number of setups
Material handling	90,000	Units of raw material
Quality control inspection	48,000	Number of inspections
Other overhead costs	<u>160,000</u>	Machine hours
Total	<u>Rs 538,000</u>	

<u>Overhead Cost Pool</u>	<u>Budgeted Level for Cost Driver</u>	<u>Overhead Rate</u>
Machine setups	200 setups	Rs 1,200 per setup
Material handling	60,000 units	Rs 1.50 per unit
Quality control	1,200 inspections	Rs 40 per inspection
Other overhead	20,000 machine hours	Rs 8 per machine hour

Order no. 715 has the following production requirements:

Machine setups: 7
Raw material: 11,200 units
Inspections: 16
Machine hours: 850

Required:

- a) Compute the total overhead that should be assigned to order no. 715 by using activity-based costing.
- b) Suppose that Waqar were to use a single, predetermined overhead rate based on machine hours. Compute the rate per hour and the total overhead assigned to order no. 715.
- c) Discuss the merits of an activity-based costing system in comparison with a traditional costing system.

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- Q.3 The Basit & Shakir Company manufactures an engine for carpet cleaners called the "Snooper." Budgeted cost and revenue data for the "Snooper" are given below, based on sales of 40,000 units.

Sales	Rs 1,600,000
Less: Cost of goods sold	<u>1,120,000</u>
Gross margin	Rs 480,000
Less: Operating expenses	<u>100,000</u>
Net income	<u>Rs 380,000</u>

Cost of goods sold consists of Rs 800,000 of variable costs and Rs 320,000 of fixed costs. Operating expenses consist of Rs 40,000 of variable costs and Rs 60,000 of fixed costs.

Required:

- a) Calculate the break-even point in units and sales rupees.
- b) Calculate the safety margin.
- c) Basit & Shakir received an order for 6,000 units at a price of Rs 25.00. There will be no increase in fixed costs, but variable costs will be reduced by Rs 0.54 per unit because of cheaper packaging. Determine the projected increase or decrease in profit from the order.

- Q.4 Tabish Company has the following historical collection pattern for its credit sales:

70% collected in month of sale
15% collected in the first month after sale
10% collected in the second month after sale
4% collected in the third month after sale
1% uncollectible

Budgeted credit sales for the last six months of the year follow.

July	Rs 30,000
August	35,000
September	40,000
October	45,000
November	50,000
December	42,500

Required:

- a) Calculate the estimated total cash collections during October.
- b) Calculate the estimated total cash collections during the year's fourth quarter.

- Q.5 Upstate manufactures a product that has the following standard costs:

Direct materials: 40 yards at Rs 2.70 per yard	Rs 108
Direct labor: 8 hours at Rs 18.00 per hour	<u>144</u>
Total	<u>Rs 252</u>

The following information pertains to July:

Direct material purchased: 42,500 yards at Rs 2.78 per yard, or Rs 118,150
Direct material used: 36,000 yards
Direct labor: 7,500 hours at Rs 18.30 per hour, or Rs 137,250
Actual completed production: 1,050 units

Required:

- Calculate the direct-material price and quantity variances and the direct-labor rate and efficiency variances. Indicate whether each variance is favorable or unfavorable.

END OF SUBJECTIVE PAPER