

**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 JUNE 2015; AFFILIATED COLLEGE
MANAGERIAL ACCOUNTING; BA (M)-602 (PART B)
MBA-IV**

Date: June 20, 2015

**Max Time: 1.5 Hrs
Max Marks: 30**

INSTRUCTIONS:

- 1. Attempt any 3 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-A The Dean Company produces and sells a single product. The following data refer to the year just completed:

Beginning inventory.....	0
Units produced.....	20,000
Units sold	19,000
Selling price per unit.....	\$350
Selling and administrative expenses:	
Variable per unit	\$10
Fixed (total).....	\$225,000
Manufacturing costs:	
Direct materials cost per unit	\$190
Direct labor cost per unit	\$40
Variable manufacturing overhead cost per unit	\$25
Fixed manufacturing overhead (total).....	\$250,000

Assume that direct labor is a variable cost.

Required:

- a. Compute the cost of a single unit of product under both the absorption costing and variable costing approaches.
 - b. Prepare an income statement for the year using absorption costing.
 - c. Prepare an income statement for the year using variable costing.
 - d. Reconcile the absorption costing and variable costing net operating income figures in (b) and (c) above.
- b In the most recent month, Sardella Corporation's total contribution margin was \$46,200 and its net operating income \$13,200.

Required:

- a. Compute the degree of operating leverage to two decimal places.
- b. Using the degree of operating leverage, estimate the percentage change in net operating income that should result from a 10% increase in sales.

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Q.2 Assign overhead costs to products.

Activity Cost Pools	Activity Rate
Setting up batches	\$32.22 per batch
Assembling products	\$6.13 per assembly hour
Processing customer orders	\$72.75 per customer order

Data concerning two products appear below:

	Product S96U	Product Q06F
Number of batches	78	24
Number of assembly hours	412	178
Number of customer orders	53	18

Required:

- a. How much overhead cost would be assigned to Product S96U using the company's activity-based costing system? Show your work!
- b. How much overhead cost would be assigned to Product Q06F using the company's activity-based costing system? Show your work!

Q.3 The following labor standards have been established for a particular product:

Standard labor hours per unit of output	4.0 hours
Standard labor rate	\$18.35 per hour

The following data pertain to operations concerning the product for the last month:

Actual hours worked	9,300 hours
Actual total labor cost	\$171,585
Actual output	2,300 units

Required:

- a. What is the labor rate variance for the month?
- b. What is the labor efficiency variance for the month?

Q.4 One quarter gram of a rare seasoning is required for each bottle of Dipping Oil, a very popular product sold through gourmet shops that is produced by The Lucas Company. The cost of the seasoning is \$16 per gram. Budgeted production of Dipping Oil is given below for the second quarter, and the first month of the third quarter.

	April	May	June	July
Required production bottles	5,000	8,000	15,000	10,000

The seasoning is so difficult to get that the company must have on hand at the end of each month 20% of the next month's production needs. A total of 250 grams will be on hand at the beginning of April.

Required:

- a. Prepare a direct materials budget for the seasoning, by month and in total for the second quarter. Be sure to include both the quantity to be purchased and its cost for each month.

END OF SUBJECTIVE PAPER