

College Name: _____

Student Name: _____ Seat No: _____

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**KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION JUNE 2016; AFFILIATED COLLEGE
MANAGERIAL ACCOUNTING; BA (M)-602 (PART B)
MBA-IV**

Date: July 16, 2016

Max Time: 2 Hrs

Max Marks: 40

INSTRUCTIONS:

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

Q.1 Basheer Inc. produces and sells two products. Data concerning those products for the most recent month appear below:

	Product W07C	Product B29Z
Sales	\$25,000	\$27,000
Variable expenses	\$7,000	\$8,600

Fixed expenses for the entire company were \$32,860.

Required:

- a) Determine the overall break-even point for the company. Show your work!
- b) If the sales mix shifts toward Product W07C with no change in total sales, what will happen to the break-even point for the company? Explain.

Q.2 Pervez Company, which has only one product, has provided the following data concerning its most recent month of operations:

Selling price.....	\$121
Units in beginning inventory.....	400
Units produced.....	6,800
Units sold.....	6,900
Units in ending inventory.....	300
Variable costs per unit:	
Direct materials.....	\$35
Direct labor.....	\$36
Variable manufacturing overhead.....	\$3
Variable selling and administrative.....	\$4
Fixed costs:	
Fixed manufacturing overhead.....	\$197,200
Fixed selling and administrative.....	\$96,600

The company produces the same number of units every month, although the sales in units vary from month to month. The company's variable costs per unit and total fixed costs have been constant from month to month.

Required:

- a) What is the unit product cost for the month under variable costing?
- b) Prepare an income statement for the month using the contribution format and the variable costing method.

Q.3 Osaf Corporation, which makes helicopter rotors, has provided the following data for November:

Budgeted production	3,300	rotors
Actual production	3,500	rotors
Standard machine-hours per rotor	8.7	machine-hours
Budgeted machine-hours (8.7 × 3,300)	28,710	machine-hours
Standard machine-hours allowed for the actual output (8.7 × 3,500)	30,450	machine-hours
Actual machine-hours	31,010	machine-hours

Budgeted variable overhead cost per machine-hour:		
Indirect labor	\$1.00	per machine-hour
Power	\$2.50	per machine-hour

Actual total variable overhead costs:		
Indirect labor	\$32,673	
Power	\$70,913	

Required:

- Prepare a variable overhead performance report in good form showing the total variances, the spending variances, and the efficiency variances.

Q.4 Danish Corporation uses the following activity rates from its activity-based costing to assign overhead costs to products.

Activity Cost Pools		Activity Rate
Setting up batches	\$98.54	per batch
Processing customer orders	\$42.00	per customer order
Assembling products	\$3.53	per assembly hour

Data concerning two products appear below:

	Product K52W	Product X94T
Number of batches	55	73
Number of customer orders	9	17
Number of assembly hours	697	402

Required:

- How much overhead cost would be assigned to each of the two products using the company's activity-based costing system?

Q5. a) Fill in the missing figures with calculation must be shown.

	A	B	C	D	E
Selling price per unit Rs.	?	50	20	?	30
Variable cost as % of selling price	60	?	75	75	?
No. of units sold	10000	4000	?	6000	5000
Contribution Margin Rs.	20000	80000	?	25000	50000
Fixed costs Rs.	12000		120000	10000	?

b) Prove which cost structure has more operating leverage and risky. Prove with help of DOL, Breakeven point and Margin of safety

- (1) Total cost = 6X + 40000
- (2) Total cost = 4X + 80000

Q6. a) Define committed and discretionary fixed cost. Now a day's Third party contract is popular method of hiring, how this method provides the flexibility to cost managers to change the cost structure according to the business trend?

- b)** How the time and legal factors affect on the behavior of the cost?
- c)** Define CVP analysis. Discuss about the assumptions of breakeven analysis.
- d)** Define relevant range, degree of operating leverage and relevant information.

END OF SUBJECTIVE PAPER