College Name: _____

Seat No: _____ Student's Name: _____

Copy No: _____

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION DECEMBER 2017; AFFILIATED COLLEGES
MANAGERIAL ACCOUNTING; BA (H)–562
BBA – VI

Date: January 16, 2018 **Max Time: 2 Hrs**
Max Marks: 40

INSTRUCTIONS:

1. **Attempt any 4 questions. Do not write anything on the question paper. EXCEPT the initials mentioned above.**
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) Marshall Company manufactures and sells product X. The standards for materials and labor costs to manufacture one unit of product X are as follows:

- Direct materials: 6lbs. @ $2 per lb.
- Direct labor: 1 hour @ $8 per hour
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Marshall Company purchased 26,000 pounds of direct materials for $27,300 and manufactured 4,000 units of product X during January 2012.
The following variances data belong to the January 2012:

- Materials price variance: $2,600 Unfavorable
- Materials quantity variance: $2,000 Unfavorable
- Direct labor rate variance: $1,520 Unfavorable
- Direct labor efficiency variance: $1,600 Favorable

Required:

1. Compute standard quantity of direct materials allowed (in pounds) for January production.
2. Compute the actual quantity of materials used (in pounds) for January production.
3. Compute the standard direct labor hours allowed for January production.
4. Compute actual direct labor hours worked for January production.
5. Compute actual direct labor rate.

Q.2) Following is the contribution margin income statement of a single product company:

Sales	$ 1,200,000	$80
Less variable expenses	840,000	56
Contribution Margin	360,000	24
Less fixed expenses	300,000	
Net operating income	60,000	

Required:

1. Calculate break-even point in units and dollars.
2. What is the contribution margin at break-even point?
3. Compute the number of units to be sold to earn a profit of $36,000.
4. Compute the margin of safety using original data.
5. Compute CM ratio. Compute the expected increase in monthly net operating if sales increase by $160,000 and fixed expenses do not change.

Q.3) AGA company manufactures and sells a product for $20 per Kg. The data for the year 2016 is given below:

- Sales in kgs: 75,000 kgs
- Finished goods inventory at the beginning of the period: 12,000 kgs
- Finished goods inventory at the closing of the period: 17,000 kgs

Manufacturing costs:

- Variable cost: $8 per Kg
- Fixed manufacturing overhead cost: $320,000 per year

Marketing and administrative expenses:

- Variable expenses: $2 per Kg of sale
- Fixed expenses: $300,000 per year

Required:

1. Income statement using absorption and variable costing methods.
2. Explanation of the cause of difference in net operating income under two concepts.

Q.4) Galaxy Lighting Company manufactures and sells lighting fixtures. Estimated sales for the next three months are:

September	$350,000
October	500,000
November	400,000

Sales for August were $400,000. All sales are on account. Galaxy Lighting Company estimates that 60% of the accounts receivable are collected in the month of sale with the remaining 40% collected the following month. The units sell for $30 each. The cash balance for September 1 is $100,000.

Generally, 60% of purchases are due and payable in the month of purchase with the remainder due the following month. Purchase cost per unit for materials is $18. The company maintains an end-of-the-month inventory of 1,000 units plus 10% of next month's unit sales.

Required:
Prepare a cash receipts schedule for September and October and a purchases budget for August, September, and October.

Q.5) Company ɑ wants to determine the cost-volume relation between its factory overhead cost and number of units produced. The volume and the corresponding total cost information of the factory for past eight months are given below:

Month	**Units**	**FOH**
1	1,520	$36,375
2	1,250	38,000
3	1,750	41,750
4	1,600	42,360
5	2,350	55,080
6	2,100	48,100
7	3,000	59,000
8	2,750	56,800

Required:

1. Use the high-low method to split its factory overhead (FOH) costs into fixed and variable components and create a cost volume formula.
2. What are the limitations of high low method?

END OF SUBJECTIVE PAPER