MANAGEMENT ACCOUNTING FOR FINANCIAL SERVICES – STAGE-III

ISQ Examination (Summer-2010)

Q.1 Please write the alphabet of the selected choice in the answer column:

Q.2 State True or False in the answer column.

Q.3 Commander Company Limited manufactures various types of toys for the children. Survey conducted by the marketing team indicates a sales forecast of 290,000 dolls. A closing inventory of 10,000 dolls is also planned. Planning department works out that 10,000 Kilograms of granules @ Rs.75 per Kg and 5,000 litres of painting material @ Rs.250 per litre shall be sufficient to produce 300,000 dolls.

Budgeted factory overhead expenses for the above are as follows:

	Rupees
Depreciation – Building	40,000
Depreciation – Machinery & Equipment	100,000
Insurance (Rs.12000)	10,000
Rent, rates & taxes (Rs.27,000)	27,000
Supervisor's salaries	200,000

<u>Variable Factory Overhead</u>

Indirect Wages	Rs.5 per direct labour hour
Supplies	Rs.0.08 per unit
Fuel & Power	Rs.0.15 per unit
Others	Rs.1.00 per direct labour hour

<u>Labour hours and rates</u>

Moulding	7,000 hours @ Rs.150 per hour
Painting	5,000 hours @ Rs.100 per hour

<u>You are required to prepare</u>

(i) A manufacturing budget

(ii) The factory overhead rate based on direct labour hours.

Q.4 A summary of certain records of Manufacturing Company shows the followin

Department	Number of Employees	Labour Hours	Direct Labour Cost (Rs.)	Departmental Overhead Rs.
A	15	1,200	0	1,200
B	100	12,000	0	2,080
C	75	11,400	0	3,720
D	80	12,000	0	1,413
E	45	8,000	0	2,990
X	20	5,500	9,230	2,745
Y	45	7,500	10,416	4,939
Z	35	3,200	6,400	3,359

Department A serves all other departments according to the number of employees. Department B serves all other departments except Department A according to the number of labour hours. Department C serves Department Y and Z only on the basis of direct labour costs. Department D serves Department X only. Department E's overheads are transferred to Department X, Y, and Z in the ratio of 2:2:1.

You are required to prepare:
(A) A work sheet for the distribution of service departments' overheads.
(B) Write a short note on responsibility accounting.

Q.5 XYZ Ltd. furnished you the following information relating to the half year ended June 30, 2009:

	(Rs.)
Fixed Expenses	45,000
Sales Value	150,000
Profit	30,000

During the second half of the year, the company has projected a loss of Rs 10,000.

Required:
Calculate:

(i) The break-even point & margin of safety for the first half of the year.

(ii) Expected Sales for the second half of the year assuming that P/V ratio &fixed expenses remain constant in the second half of the year.

(iii) The break-even point & margin of safety for the whole year.

Q.6 Hamid Manufacturing Company incurred direct labor costs of Rs. 453,600, its total cost of goods manufactured was Rs. 1,480,000 for 2004. Manufacturing overhead costs are a constant percentage of direct labor costs. The beginning inventories included raw materials, (Rs. 90,000), work-in-process (Rs. 99,600), and finished goods (Rs. 150,000). The ending inventories include the following costs:

	Raw Materials	WIP	Finished Goods
Raw material	94,000	34,020	49,860
Direct labor	0	30,600	49,800
Manufacturing overhead	0	39,780	?
Total ending inventory	94,000	104,400	

Required:

Prepare a schedule showing cost of goods sold for 2004.

Q.7 Evan Company wants to prepare flexible budget cost estimates for the following items within a range of 10,000 to 12,000 direct labor costs:

	Fixed Cost	Variable Cost per
Maintenance	3,600	30
Depreciation	9,000	
Supplies	840	45
Utilities	1,800	15
Rent	2,400	
Insurance	3,600	
Indirect labor	7,200	60

Required:

A) Prepare a flexible overhead budget for 10,000; 11,000; and 12,000 direct labor hours.

B) Calculate the fixed, variable, and total predetermined overhead rates if 10,000 direct labor hours are chosen as normal capacity.

C) Calculate the fixed, variable, and total predetermined overhead rates if 12,000 direct labor hours are chosen as normal capacity.

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