* H C - 1 9 B B A 6 0 4 *

Seat No. _______________

HC-19BBA604

B. B. A. (Sem. VI) Examination

April - 2023

Accounting For Managerial Decisions

Time : $2\frac{1}{2}$ Hours / Total Marks : **70**

Instructions : (1) All the questions are compulsory.
(2) Figures to the right side indicate marks.
(3) All working notes should form part of your answer.

1 (a) From the following information of Ruhi Ltd. calculate : **10**

(i) P/V Ratio

(ii) Break Even Point (in Rs.)

(iii) Probable Profit on Sales of Rs. 30,00,000/-

(iv) Probable Sales when loss is Rs. 80,000/-

(v) Margin of Safety 2021-22

Years	**Cost**	**Profit/Loss (Rs.)**
2020-21	16,40,000	(40,000)
2021-22	22,40,000	1,60,000

(b) The following information is obtained from the record of Ruchi Ltd. **10**

Selling price per unit	Rs. 160/-
Variable Expenses per unit	Rs. 96/-
Fixed Expenses	Rs. 4,80,000

From the above data find out :

(i) The sales in units to earn a profit of Rs. 32/unit

(ii) The sale in units to make a loss of Rs. 32/unit

(iii) The sales in units to earn a profit of Rs. 2,40,000/-

(iv) The sale in units to make a loss of Rs. 2,40,000/-

OR

1 The following information is available for Roomi Ltd. **20**

Profit Volume Ratio 50%

Profit Rs. 10,00,000/-

Calculate the following :

(1) Present Sales and Break-even Sales when margin of safety is 80% of sales.

(2) Fixed out PVR and BEP, if selling price is increased by 20%, variable cost is increased by 60% and fixed cost are also increased by 20%.

(3) Find out PVR and what percentage of BEP will go higher, if selling price is decreased by 20% and variable costs are increased by 20%.

(4) Find out Margin of Safety and Sales when there is a profit of Rs. 25,00,000/-

2 Amish Mfg. Company manufactures three products, X, Y and Z and their standard costs are as follows : **20**

Particulars	**X (Rs)**	**Y (Rs.)**	**Z (Rs.)**
Material	46	2.4	55
Direct Wages:			
- Grade I	15	11	5
- Grade II	3	9	27

The budgeted fixed costs for the coming year are Rs. 12,00,000. The workers of Grade I are paid Rs. 10 per hour, while the workers of Grade II are paid Rs. 6 per hour. The budgeted sales as estimated by marketing department are as under :

X : 16000 units, per unit Rs. 112

Y : 28,000 units, per unit Rs. 62

Z : 15,000 units, per unit Rs. 102

On receiving the sales budget information, the production and engineering director stated that :

(A) Only 50,000 hours of Grade I workers would be available during the coming year and overtime work is impossible.

(B) The labour of Grade II workers for the coming year will be 1,20,000 hours.

You are required to :

(1) Advice of the directors as to the number of units of each product to be produced, so as to maximize the profit of Amish Mfg. Company. Also give full details of the calculation on which your opinion is based.

(2) Prepare a profitability statement as per budget, assuming that your budget is accepted.

OR

2 Shri Mahesh has entered into the business since last two years and is manufacturing three products, RUSHI, MUSHI and KHUSHI. He thinks that the performance can be improved. The summary of his accounts for two years prepared by his accountant is given below : **20**

Particulars	**RUSHI**	**MUSHI**	**KHUSHI**	**Total**
Sales of 2021	7,20,000	4,00,000	8,40,000	19,60,000
Less : Cost of Sales	8,48,000	1,60,000	7,20,000	17,28,000
Gross Profit	(1,28,000)	2,40,000	1,20,000	2,32,000
Less: Administrative Overheads				1,60,000
Profit				72,000
Sales of 2022	21,60,000	4,80,000	14,00,000	40,40,000
Less: Cost of Sales	23,52,000	1,76,000	11,20,000	36,48,000
Gross Profit	(1,92,000)	3,04,000	2,80,000	3,92,000
Less: Administrative Overheads				1,76,000
Profit				
				2,16,000

Each product is sold in set and the selling price of set RUSHI is Rs. 45. The price of set MUSHI is Rs. 10 and that of set KHUSHI is Rs. 35. Shri Mahesh has not raised his price for the last two years, because he thinks that the price of equipment has not increased. The administrative overheads have increased 10% between 2021 and 2022 and there is a possibility that it will increase by 10% again in 2023.

The figures of cost of sales consists of two elements fixed cost and variable cost. The total fixed cost are Rs. 2,96,000/- which the accountant has allocated between three products. The actual cost allocated among three products is same in 2021 and 2022.

Shri Mahesh has certain ideas for development of business during 2023 which are based on above results. They are as under :

(1) To continue the present position, in which case the sale of each product will increase. But this time, the sale of each item will increase by 8000 units only.

(2) To stop production of RUSHI. In that case, the sale of other two products will increase by 8000 units each.

(3) To stop production of RUSHI. So that some part of markets will be lost and the sale of remaining two items will remain at the same level of 2022 only.

(4) To stop production of RUSHI and increase production of KHUSHI in which case the sale of KHUSHI will be double than the level of 2022, But the sale of MUSHI will be on the same level.

(5) To implement proposal 4, but the sale of KHUSHI will increase only if its selling prices reduced from Rs. 35 to Rs. 29.

You are required to determine the profit under all the five schemes.

3 M/s. Diva Limited provides the following balance sheets. You are required to prepare the cash-flow statement as per AS-3. All the calculations will be part of your answer : **15**

Liabilities	31-Mar-22	31-Mar-21	Assets	31-Mar-22	31-Mar-21
(A) **Equity and Liabilities**			(B) **Assets :**		
(1) **Shareholder's Funds**			(1) **Non-Current Assets**		
(a) **Share Capital** :			(a) **Fixed Assets :**		
Eq. shares			Goodwill	25,000	40,000
			Land and Building	75,000	60,000
(Rs. 10 each)	200,000	150,000	Machinery	180,000	100,000
Red. Pref. shares	20,000	50,000	Patents &		
(b) **Reserve and**			Trademark	117,000	106,000
Surplus			Furniture	18,000	30,000
General Reserve	15,000	40,000	(b) **Non-**		
Capital Reserve	3,000	-----	**Current Invest.**		
Capital Red.			Investments	30,000	20,000
Reserve	10,000	-----	(c) **Other Non-**		
Profit and			**Current Assets**		
Loss A/c.	37,000	20,000	Preliminary Exp.	8,000	10,000
(2) **Non-Current**			Debenture Discount	12,000	15,000
Liabilities			(2) **Current Assets**		
12% Debentures	80,000	1,00,000	Debtors	25,000	40,000
(3) **Current**			Stock	15,000	30,000
Liabilities			Bills Receivables	10,000	20,000
Creditors	50,000	40,000	Cash Balance	5,000	10,000
Bills Payable	10,000	12,000	Bank Balance	15,000	5,000
Machinery					
Dep.fund	30,000	20,000			
Unpaid Exp.	20,000	14,000			
Provision for Tax	40,000	25,000			
Proposed					
Dividend	20,000	15,000			
	5,35,000	**4,86,000**		**5,35,000**	**4,86,000**

Additional Information :

(1) Bonus shares of one share for every five equity shares were issued by capitalizing general reserve during the year.

(2) During the year Machinery costing Rs. 30,000/- on which accumulated depreciation was Rs. 5,000/- was sold for Rs. 20,000/-.

(3) Furniture whose original cost of Rs. 15,000/-, WDV worth Rs. 10,000 has been sold for Rs. 18,000/-. Out of the same, capital profit has been transferred to capital reserve and revenue profit has been transferred to Profit and Loss Account. Moreover, depreciation of Rs.2,000/- charged for the year.

(4) $1/5^{th}$ of debentures were redeemed at 4% discount during the year.

(5) Dividend and income tax were paid amounting to Rs. 10,000/- and Rs. 30,000/- respectively during the year.

OR

3 M/s. Viha Limited provides the following balance sheets. You are required to prepare the cash-flow statement as per AS-3. All the workings will be part of your answer. **15**

Liabilities	31-Mar-21	31-Mar-22	Assets	31-Mar-21	31-Mar-22
(A) **Equity and Liabilities**			(B) **Assets :**		
(1) **Shareholders' Funds**			(1) **Non-Current Assets**		
(a) **Share capital :**			(a) **Fixed Assets :**		
			Goodwill	48,000	30,000
Eq. Shares			Land and Building	19,20,000	25,05,000
(Rs. 10 each)	11,70,000	15,60,000	Machinery	12,00,000	12,00,000
(b) **Reserve and Surplus**			(b) **Non-Current Invest.**		
General Reserve	6,63,000	7,80,000	Investments	3,90,000	312,000
Capital Reserve	-------	39,000	(c) **Current Assets**		
Profit and			Stock	7,50,000	8,40,000
Loss A/c.	234,000	292,500	Bills Receivables	3,42,000	3,69,000

(c) **Non-Current Liabilities**			Cash Balance	30,000	87,000
Debentures	7,80,000	5,46,000			
(d) **Current Liabilities**					
Creditors	3,00,000	2,07,000			
Bills Payable	1,68,000	3,00,000			
Provision for Tax	3,51,000	331,500			
Provision for Dep. on Fixed Assets	8,97,000	11,31,000			
Proposed Dividend	1,17,000	1,40,400			
Unpaid Dividend	-------	15,600			
	46,80,000	**53,43,000**		**46,80,000**	**53,43,000**

During the year, the company -

– Sold one machine for Rs. 97,500, the cost of which was Rs. 195,000/- and the depreciation provided on it was Rs. 81,900/-. Furthermore, a machine costing Rs. 54,000/- is to be written off as the same has been fully depreciated.

– Depreciation provided on Land and Building was Rs. 129,900/- and machinery was Rs. 240,000/-

– Redeemed debentures at 5% premium.

– Sold some investment at a profit, which was credited to Capital Reserve.

– Decided to value stock at cost, whereas previously the practice was to value the stock at cost less 20%. The closing stock was correctly valued at cost.

– Proposed dividend of last year was paid and Income tax of Rs. 240,000 of last year was also paid.

4 Explain the various types of responsibility centres in detail. **15**

OR

Explain advantages and limitations of responsibility accounting in detail.