UDHNA CITIZEN COMMERCE COLLEGE &
S.P.B. COLLEGE OF BUSINESS ADMINISTRATION &
SMT. DIWALIBEN HARJIBHAI GONDALIA COLLEGE OF BCA & IT
(Self Financed)
(Managed by Udhna Academy Education Trust)
214, Ranchhod Nagar, Opp. Swaminarayan Temple,Surat-Navsari Road, SURAT-394 210

Class: T.Y.B.Com. (Sem. 6)

Subject: Advanced Accounting & Auditing 8

Flexible Budget

QUESTIONS FOR PRACTICE-1

1.

Raja Ltd has production capacity of 5,00,000 units per annum. The estimated capacity utilized for next year will be for first six month 60%, for next four months 70% and for the balance part of year is 90%. Find out total production units produce for next year.

2.

Bhandari Ltd. produces at 80% capacity presently. Semi variable expenses (which include Marginal cost of Rs. 1800 per 450 units) Rs. 2,97,000.
You are to find out semi variable expenses at 96% Production capacity (43,200 units).

3.

Following information are obtained from the books of Gautam Ltd.

(1) Direct Material cost Rs. 15

(2) Direct labour cost Rs. 5.625 per hour and requires 3.6 hours to produce one unit of Product.

(3) Some information of 112% production capacity is as follows : Total Direct wages Rs. 63,78,750

From the above information, find out Production units at 96% and 110% Production capacity.

4.

Fill in the blanks :

Production capacity	60%	75%	90%
Production Units	-	9,000	-
Wages per unit (Rs.)	(?)	0.20	0.20
Depreciation per unit (Rs.)	0.45	(?)	0.30
Administrative expenses per unit (Rs.)	0.50	0.40	(?)

5.

Jaitra Ltd. provides the following information :

Production (in units)	5,000 (100%)	3,000
Sales expenses (Rs.)	38,000	30,000

Find out sales expenses at 80% production capacity.

6.

Calculate expenditures for 70% level. 100% level total production is 5,000 units.

Expenditure	60%	100%
Power and Fuel	18,750	28,750
Admini. Overhead Exp.	50,000	70,000
Sales – Overhead Exp.	30,000	40,000

7.

Prepare flexible budget of Jay Ltd. showing total cost for 80% and 100% production capacity from the following information.
At 60% level of production capacity 9,000 units are produced for which cost per unit is as follows:

Particulars	Per unit cost Rs.
Direct materials	80
Direct wages	40
Direct expenses	12
Factory expenses - Variable	25
Factory expenses - Fixed	30
Administration expenses — Fixed	10
Sales expenses (85% Variable)	20
Distribution expenses (90% Variable)	13
Total cost	230
Profit	20
Sales	250

Additional information:

(1) Direct materials reduce by 2.5% at 80% level of production and 5% at 100% level of production.

(2) Direct labour reduces by 5% at 100% level of production.

(3) Fixed sales expenses increase by 10% above 70% level of production.

(4) Sales price decrease by 2% at 80% level of production and 4% at 100% level of production.

8.

Krishna Co. Ltd. operates a system of flexible budgetary control. A flexible budget is required to show levels of activity at 70%, 80% and 90%. The following data are available.

(1) Sales: 3,500 units (70% level of activity) at Rs. 1,000 each. If output is increased to 80% and 90% capacity, selling prices are to be increased by 2.5% and 5% of the original selling price respectively.

(2) Variable cost: Rs. 200 per unit, out of these are 60% is the cost of raw material, 30% is the cost of wages and 10% is the cost of other variable.
In case output reaches 75% level of activity or above, the effective purchase of raw material and wages will be increased by 5%, while 85% level of activity or above the effective purchase of raw material and wages will be increased by 10%.

(3) Variable overheads : Salesman's commission is 5% of sales.

(4) Semi-Variable overheads :

Particulars	40% (Rs.)	60% (Rs.)
Factory overheads	5,60,000	6,40,000
Sales-distribution overheads	4,16,000	4,64,000

(5) Fixed expenses :

Particulars	40% (Rs.)	60% (Rs.)
Office expenses	4,80,000	4,80,000
Depreciation	60,000	60,000

Fixed expenses remain stable between 65% to 75% capacity. But it increased by 5% of above amount between 75% to 85% capacity, while between 85% to 100% capacity it increases by 10% of above amount.

9.

Dhruvi corporation produces 4,000 units of a specified commodity at the efficiency level of 100%. From account books, following informations are available: 13

Month	January 2020	March 2020
Production Capacity	70%	90%
Expenses:	(₹)	(₹)
Repair and maintenance	50,000	56,000
Power	1,80,000	2,00,000
Labour of production Branch	70,000	90,000
Consumable stores	1,40,000	1,80,000
Salary	1,00,000	1,00,000
Inspection	20,000	24,000
Depreciation	1,40,000	1,40,000

The rate of production per hour is 10 units. The cost of direct material per unit is Rs. 10 and direct labour per hour is Rs. 40.

Calculate under flexible budget, the cost of production at the efficiency levels of 100% , 80% and 60%

10.

Following is the flexible budget of Shri Avichal Co. Ltd. (1

Activity Level	80%	100%
Expenses :		
Direct Materials	1,28,000	1,60,000
Direct Wages	1,60,000	2,00,000
Direct Expenses	64,000	80,000
Factory Overheads	72,000	84,000
Office Overheads	1,04,000	1,12,000
Selling Overheads	34,000	38,000

At 50% level the total sale of the production is Rs. 5,00,000. All types of fixed overheads included in Semi-variable costs are increased by 20% only after 75% of level of production.

It is estimated that if the selling price is reduced by 5% after 50% of level of production the company can increase its sale volume and hence the company can work at 50%, 60% and 75% level of production.

Prepare a flexible budget at 50%, 60% and 75% level of production and find out the profit.