

**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

QUESTIONS FOR PRACTICE-2

Flexible Budget

1. Ishita Ltd. Provides the following information:

Production capacity	100%	60%
Production in units	1000	600
Sales expenses	38000	30000

Find out sales expenses at 80% production capacity.

(April 2014)

2. Find out missing figures:

Production capacity	70% (Rs.)	80% (Rs.)	90% (Rs.)
Power	?	2000	2175
Indirect Labour	1050	?	1350
Repairs	190	200	?
Salaries	?	1000	1000

3. The budgeted level of activity of production department is 14000 hours from the following information find out repairs expenses at 80% and 110% production level capacity.

	Repairs Expense	Rs.
1	Upto 5200 hours	120
2	Additional each extra 1200 hours upto 11200 hours	40
3	Additional 11201 to 13400 hours	30
4	Additional about 13400 hours	25

- 4 Present level of production cost of a machine by varsha co. ltd. Is Rs. 2710 per unit if there is increase or decrease by 20% in production in relation to the present level, what will be the difference in cost? Find out cost of production per unit on basis of particulars given below about the cost at present production level.

Particulars	Cost @ present production level	Expected position from point of view of acc. production
Material	5000000	100% variable
Wages	4000000	50% variable
Power	250000	80% variable
Other materials	200000	80% variable
Supervision charges	100000	20% variable
Repair charges	400000	75% variable
Depreciation	2000000	100% fixed
Administrative Exp.	1000000	25% variable
Selling exp.	600000	50% variable
	13550000	

April-2007

5. M.M. & sons can produce 4000 units of a certain product at 100% capacity. The following info. Is obtained from books of A/c.

Particulars	70% Jan 08	90% March 08
Production	2800 units	3600 units
Repair / maintenance	Rs. 5000	Rs. 5600
Power	Rs. 18000	Rs. 20000
Shop. Labour	Rs. 7000	Rs. 9000
Consumable stores	Rs. 14000	Rs. 18000
Salary	Rs. 10000	Rs. 10000
Inspection	Rs. 2000	Rs. 2400
Dep.	Rs. 14000	Rs. 14000.

The rate of production per hour is 10 units. Direct material cost per unit is Rs. 10 & direct wages per hour is Rs.40.

Compute cost of production at 100%, 80% & 60% capacity.

April-2008

6. The following data are available are available in a Videocon Company for a year by period.

Particulars	Rs.(Lakhs)
Fixed expenses	
Wages and Salaries	9.5
Rent, Rates and taxes	6.6
Depreciation	7.4
Sundry administrative	6.5
Semi Variable expenses (at 50% capacity)	
Maintenance and repairs	3.5
Indirect labour	7.9
Sales department salaries	3.8
Sundry administrative expenses	2.8
Variable expenses (at 50% capacity)	
Materials	21.7
Labour	20.4
Other expenses	7.9
	98.0

Assume that the fixed expenses remain constant for all levels of production; semi variable expenses remain constant between 45% and 65%, semi variable expenses increasing by 10% between 65% and 80% capacity and by 20% between 80% and 100% capacity.

Sales at various levels are	Rs.(lakhs)
50% capacity	100
60% capacity	120
75% capacity	150
90% capacity	180
100% capacity	200

Prepare flexible budget for the year and forecast profit at 60%, 75%, 90% and 100% of capacity.

April-2009

- 7 The production capacity of Pandav Co. Ltd. is 10000 units at 100% capacity. The particular of production in the year 2009 is as follows.
 Sales (selling price per unit Rs. 200) Rs. 1000000
 Rate of profit on cost 25%
 Factory overhead expenses:
- | | |
|------------------------------|-----|
| Fixed | 40% |
| variable (20% of prime cost) | 30% |
| Semi variable | 30% |

Office overhead expenses (70% fixed) 200000
 Selling overhead expenses (50% fixed) 100000

The proportion of material and wages is equal. Factory semi variable cost is increased by 50% up to the 80% production level and there after it is increased by 100%. Per unit selling price will remain a uniform rate.

Prepare flexible budget at 50%, 75% and 100 % production level.

(March 2010)

- 8 Saraswati Manufacturing Company has an installed capacity of 100000 units per annum. The cost structure of the product manufactured is as under:

1. Variable Cost	Per Unit Rs.
Materials	20
Wages	10 (subject to a minimum of Rs. 50000 per month)
Overheads	5

2. Fixed overheads Rs. 120000 per annum.

3. Semi variable overhead Rs. 60000 per annum at 50% capacity, which is increased by Rs. 12000 per annum for the increase of every 20% capacity or any part thereof.

The estimated capacity utilization for the next year is as follows:

50% for 6 months
 60% for 4 months
 84% for the balance part of the year.

Company expects to get Rs. 647000 total profit. Assume that there is no opening or closing stock. Prepare the budget to find out estimated selling price for each of the production.

(March 2011)

- 9 Following info. Available from the mfg. co. two levels of activity.

Particulars	50%	80%
Mfg. cost	7.50	7.50
Labour	3.50	3.50
Power	0.40	0.37
Stores	0.60	0.60
Maintenance	0.20	0.125
Inspection	0.20	0.14
Dep.	3	1.875
Administrative overhead	4	2.80
Selling overhead	0.60	0.487
	20	17.397

Total production at 50% cap. is 5000 units. Prepare a flexible budget per unit at 40% ,100% capacity.

- 10 Krishna ltd. Manufacture single production which is in great demand in the market. The manager submitted the following information & requests you to construct a flexible budget for 50%, 75% & 90% capacity.

(1) At 100% level of capacity, no of units 12000.

(2) Information at various level of production.

Particulars	40%	60%
<u>Variable exp.</u>		
Material	240000	360000
Wages	144000	216000
Overheads	84000	126000
<u>Semi – variable O.H.</u>		
Salary	312000	348000
Production exp.	420000	480000
<u>Fixed exp.</u>		
Dep.	80000	80000
Advertisement Exp.	10000	10000

(3) Variable exp. Decreased by 5% above 60% of capacity.