

CMA		CA R. K. Mehta
Test - 5		
Time Allowed : 50 min.	July 15, 2018	Total Marks: 30 Marks

Q.1: Fixed Budget v/s Flexible Budget. **(5 Marks)**

Q.2: AK Limited produces and sells a single product. Sales budget for calendar year 2012 by quarters is as:

Quarters	I	II	III	IV
No. of units to be sold	18,000	22,000	25,000	27,000

The year is expected to open with an inventory of 6,000 units of finished products, and close with inventory of 8,000 units. Production is customarily scheduled to provide for 70% of the current quarter's sales demand plus 30% of the following quarter demand. **Prepare** quantity production budget for the year.

(5 Marks)

Q.3: X Ltd. manufacturing three products, has the following direct labour requirements for the products: -
Direct Labour time per unit (in minutes)

Product	1	2	3
Operation I	18	42	30
Operation II	---	12	24
Operation III	9	6	---

The factory works 8 hours per day, 6 days in a week. Each budget quarter has 13 weeks and in terms of leave, holidays and other causes, 124 hours are lost in each quarter. Operations I, II and III have the budgeted hourly rates for workers at ₹ 16, ₹ 20 & ₹ 24 respectively. The budgeted sales of the products during the quarter are: - Product 1: 9,000 units, Product 2: 15,000 units, Product 3: 12,000 units
There were opening stocks of 5,000 units of Product 2 and 4,000 units of Product 3 and it is proposed to have closing stock at the end of the budget quarter as follows: -

Product 1 1,000 units, Product 3 2,000 units

Required: - **1.** Production Budget **2.** Direct Labour Hours Budget **3.** Available Labour Hours per worker per quarter **4.** Number of workers required **5.** Direct Labour Cost Budget. **(10Marks)**

Q.4: A company manufactures and sells a single product and has estimated a sales revenue to ₹ 126 lakhs this year based on the 20% profit on selling price. Each unit of the product requires 3 lbs. of material P and 1.5 lbs. of material Q for manufacture as well as a processing time of 7 hours in the machine shop and 2 ½ hours in the Assembly section. Overheads are absorbed at a rate of 33 1/3% on Direct Labour. The factory works 5 days of 8 hours a week in a normal 52 weeks a year. On the average statutory holidays, leave and absenteeism and idle time amount to 96 hours, 80 hours and 64 hours respectively in a year. The other details are as under: -

Purchase Price : Material P ₹ 6 per lb. and Material Q ₹ 4 per lb.
Labour Rate : Machine Shop ₹ 4 per hour and Assembly ₹ 3.20 per hour
No. of Employees : Machine Shop 600 and Assembly 180 employees

Particulars	Finished Goods	Material P	Material Q
Opening Stock	20,000 units	54,000 lbs.	33,000 lbs.
Closing Stock (Estimated)	25,000 units	30,000 lbs.	66,000 lbs.

You are **required** to calculate: -

- The number of units of the product proposed to be sold.
- Purchases to be made of Materials P and Q during the year in rupees.
- Capacity utilization of Machine Shop and Assembly Section, along with your comments. **(10 Marks)**