JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

IInd TRIMESTER (Batch 2016-18)

END TERM EXAMINATIONS

Course Name	Management Accounting and Control	Course Code	FA504
Max. Time	2 hours	Max. Marks	40

Q1. Computer Village sells computer equipment and home office furniture .Currently the furniture product line takes up approximately 50% of the company's retail floor space. The president of Computer Village is trying to decide whether the company should continue offering furniture or concentrate on computer equipment. Below is a product line income statement for the company. If furniture is dropped, salaries and other fixed costs can be avoided. In addition, sales of computer equipment can increase by 13% without affecting direct fixed costs. Allocated fixed costs are assigned based on relative sales. **(10)**

	Computer Equipment ($)	Home Furniture ($)	Total ($)
Sales	1400000	1100000	2500000
Less: Cost of goods sold	900000	800000	1700000
Contribution margin	500000	300000	800000
Less: Direct Fixed Costs			
Salaries	175000	175000	350000
Other	60000	60000	120000
Less: Allocated Fixed Cost			
Rent	13440	10560	24000
Insurance	3360	2640	6000
Clearing	3920	3080	7000
President's Salary	72800	57200	130000
Other	6720	5280	12000
Net Income	164760	13760	151000

Determine whether Computer Village should discontinue the furniture line and the financial benefit (Cost) of dropping it.

Q2. The following are six cost pools established for a company using activity based costing. The pools are related to the company's products using cost drivers.

Cost pools:

1. Inspection of raw materials
2. Production equipment repairs and maintenance
3. Raw materials storage
4. Plant, heat ,light, water and power
5. Finished product quality control

As a management accountant you are required to identify a possible cost driver for each of the preceding cost pools. **(5)**

Q3. "Management accounting is the adoption and analysis of accounting information and its diagnosis and explanation in such a way as to assist management'. Do you agree with this statement? Give reasons in support of your answer. **(5)**

Q4.The soft flow ink Ltd.'s income statement is presented below. Except as noted, the cost/revenue relationship for the coming year is expected to follow the same pattern as in the preceding year. Incomė statement for the year ending March 31st is as follows: **(10)**

Particular	Amount(Rs)
Sales(20,00,000 bottles @25paise each)	5,00,000
Variable Costs	3,00,0000
Fixed Costs	1,00,000
Pretax Profit	1,00,000
Less: Taxes	35000
Profit after tax	65000

As a manager you are required to do the following

1. Determine the level of break - even point in amount and units.
2. Suppose that a plant expansion will add Rs 50000 to fixed costs and increase capacity by 60%.How many bottles would have to be sold after the addition to break even?
3. The Company's management feels that is should earn atleast Rs 10000 (pre-tax per annum) on the new investment. What sales volume is required to enable the company to maintain existing profits and earn the minimum required return on new investments?
4. Suppose that the plant operates at full capacity after the expansion, what profit will be earned?

Q5.The accountant at Supreme audio resigned while in the midst of preparing the budget for 2016.His work papers indicated the following: **(10)**

Budgeted Sales and Inventory Purchases for 2016

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Sales in 2015	$ **256000**	$ 300000	$ 290000	$ 368000	$ 1214000
Expected sales in 2016	$ 320000	$	$	$	$
Cost of Sales	$ 192000	$	$	$	$
Beginning Inventory	$ 69500	$	$	$	$
Ending Inventory	$	$	$	$	$
Purchases	$	$	$	$	$

Assumptions:

Sales will increase by 25% over 2015.

Cost of sales equals to 60% of sales.

For 2016, ending inventory should equal 35% of the cost of sales for the next quarter.

Sales in the first quarter of 2017 will be $3,00,000.

As a Management accountant you are required to determine the sales and purchases budgets for 2016.