

The sales price per unit would be Rs.16. The sales would be 80% in cash and 20% on credit which would realize in the next month.

The bank loan would mature on Baishak 1, of 2066

The investment would realize a profit of Rs.40,000 on sale in the beginning of Ashad 2066.

The desired minimum cash balance would be Rs.25,000. The previous negotiation with a local commercial bank for borrowing to meet cash, deficiency at 12% interest per annum due on monthly remains valid in 2066 also.

The borrowing needs to be made in a multiple of Rs. 10,000 and redemption in the multiple of Rs.5,000.

Required: (a) Cash collection and disbursement budget for the three months ended Ashad 31, 2066 (b) Budgeted Income Statement for the same period (c) Budgeted Balance Sheet as on Ashad 31, 2066.

[5+2+3]

Ans: (a) Rs. 27,000, Rs. 26,800 and Rs. 30,750 (b) Net profit Rs.Rs. 145,750 (c) B/S total = Rs. 6,692,750

13. 2065 Q.No. 6

A Merchandising Company's opening Balance Sheet and other operating budgets has been summarized below:

Opening Balance Sheet for year 5		Rs.
Equity share capital		200,000
Account payable		9,310
Note payable		48,000
Retained profit		50,440
		307,750
Cash		9,500
Account receivable		14,050
Inventory		6,200
Plant & machinery		278,000
		307,750

Merchandise purchase & sales budget for first three months of year 5.

Month:	January	February	March
Purchase units @ Rs. 0.95/unit	31,600	30,000	29,200
Sales units @ Rs. 2.00/unit	32,000	30,000	30,000

Desired ending inventory at the each month is 20% of next month's sales need and that gives opening stock of 6,400 units and closing stock 5,200 units.

Sales are made 20% for cash and 80% on credit. And 80% of credit sales are collected in the month of sales and rest in the month following the sales.

Purchases are paid 70% in the month of purchase made and balance in the month following the purchase.

Note payable, due on December 31, year 5, bears 12% in interest payable quarterly.

Monthly expenses to be paid as incurred are budgeted as follows:

Period expenses:	Salaries	Insurance	Depreciation	Utilities
Amount:	Rs. 3,900	250	2,200	850
Selling expenses:	5% of sales value each month			

The company expects to purchase a machine for Rs. 30,000 for cash down of Rs. 10,000 at January end and balance will be paid in two equal instalments in next two months.

The company is within 45% tax bracket and taxes will be paid at the end of each quarter.

The company will pay interim dividend equal to 20% of NIBT shown by March end Income Statement.

Required: (i) Projected Income Statement for March end (ii) Cash receive and payments budget for three months ending March (iii) Projected Balance Sheet for March end, year 5.

[3+4+3=10]

Ans: NIBT = Rs 64,240; March cash balance (end) = Rs 13,306; B/S = Rs 329,246

14. 2064 Q.No. 6

The summary Balance Sheet of a company as on 31st December last year was as under:

Liabilities	Rs.	Assets	Rs.
Share capital	400,000	Fixed assets	150,000
Retained earning	60,000	Inventory	270,000
Accounts payable	27,000	Accounts receivable	280,000
		Cash in hand	30,000
Total	730,000	Total	730,000

Additionally, you are informed:

a. Actual and budgeted sales for different months are:

Months	Nov	Dec	Jan	Feb	March	April
Actual sales (Rs.)	500,000	500,000	—	—	—	—
Budgeted sales (Rs.)	—	—	450,000	400,000	500,000	450,000

- Sales are 20% for cash and 80% on credit. 50% of credit sales will be realized in the month of sale; 30% in the next month of sales and the balance in the next following month of sales.
- b. Gross profit averages 40% of sales. Operating expenses and selling expenses will be 15% and 5% of sales respectively. All expenses are paid for at the time when they are due.
- c. Desired ending balance of inventory at the end of each month will be sufficient inventory to meet the following month sales. All purchases will be paid in the next month of purchase.
- d. Fixed assets costing Rs. 150,000 will be acquired on Jan 20th. The company has a policy of maintaining minimum cash balance of Rs. 25,000. The company arranged a loan from bank at 12% per annum. Amount of interest due are paid for the loan repaid with the repayment amount.

Required: (a) Inventory purchase budget for 3 months ending March

(b) Cash Budget for 3 months ending March.

(c) Balance Sheet at the end of March

[3+4+3]

Ans: (a) Total purchase = Rs. 810,000 (b) Ending cash = 165,300 (c) Total balance = Rs. 999,300

15. 2063 Q.No. 6 OR

The Opening Balance Sheet and other information necessary for preparing a master budget of a manufacturing company have been summarized below:

Balance Sheet on Jan 1, 2006

Equity capital	Rs. 100,000	Plant and machinery	Rs. 50,000
Retained earning	21,000	Inventory:	
		Raw material	11,000
Accounts payable	22,000	Finished goods	2,500
		Accounts receivable	26,000
		Cash at bank	25,000
	143,000		143,000

Sales and Production Budget

Particulars/ Moths	Nov.	Dec.	Jan.	Feb.	March	April
Sales unit	3,000	4,000	5,000	6,000	6,000	4,000
Sales revenue	30,000	40,000	50,000	60,000	60,000	40,000
Production budget units			5,500	6,000	5,000	4,500

Sales would be on credit. Credit sales would realize 50% in the month of sales, 30% in the next month and 18% in the following next month of sales. Bad debts would be 2% of sales. The inventory of finished goods and raw materials would be 50% of sales need of the next month and the material need for production of the next month respectively. Minimum need of cash balance would be Rs. 25,000. Purchases would be paid in the next month and other expenses would be paid in the same month when they become due.

Each unit of finished product would need two units of materials and material would cost Rs. 2 per unit. Labour cost per unit of output produced would be Rs. 3 and manufacturing overhead excluding depreciation of would be Rs. 2,000 would be Rs. 1 per unit of output produced. The company would purchase additional plant worth of Rs. 50,000 on Jan. 1st 2006.

Short-term loan in a multiple of Rs. 5,000 would be available at an interest rate of 18% p.a. to meet cash deficiency. Repayments of bank loan would be in a multiple of Rs. 1,000

- Required:** a. Material purchase budget
b. Cash collection and disbursement budget
c. Budgeted Balance Sheet on 31st March

[3+4+3]

Ans: Total Purchase = Rs. 62,000; Ending cost = Rs. 25,670; Balance = Rs. 195,670

16. 2062 Q.No. 1

The Balance Sheet and other operating budgets of a company has been summarized below:

Balance Sheet as at 31st Dec. 2004

Capital and Liabilities	Rs.	Assets	Rs.
Equity share capital	500,000	Machinery & plant	200,000
Accounts payable	300,000	Merchandise inventory	300,000
Retained earnings	50,000	Accounts receivable	
		50% December sales	240,000
		20% November sales	64,000
		Cash at bank	46,000
	850,000		850,000

Past Sales and Merchandise Sales Budget I:

Particulars/Months	Nov.	Dec.	Jan.	Feb.	March
Sales (Rs.)	400,000	600,000	500,000	600,000	800,000

Merchandise Purchase Budget II:

Particulars/Months	Dec.	Jan.	Feb.	March
Merchandise purchase budget (Rs.)	300,000	360,000	480,000	360,000

20% of the sales will be in cash and 80% on credit. Credit sales will be realized 50% in the month of sales, 30% in the next month of sales and 18% in the following next month of sales; and bad debts will amount to 2% of the credit sales. Purchases of merchandise will be paid in the next month of purchases. Administrative and distribution cost other than depreciation of Rs. 3,500 will be 30% of the gross sales value and they will be payable in the month when due. The company will maintain a minimum cash balance of Rs. 30,000 and merchandise inventory sufficient to meet next month's sales.

The company will buy a machine at a cost of Rs. 150,000 on Jan. 1st 2005, and pay a dividend of Rs. 50,000 in the month of Feb.

The company has entered into agreement with the Investment Bank for a soft loan to meet cash deficiency. The borrowing will be in a multiple of Rs. 10,000 and repayment is Rs. 1,000. The bank will charge 12% per annum as interest on the amount of loan due.

- Required:** a. Cash collection and disbursement budget for 1st three month of the year.
b. Income statement for 1st three month.
c. Balanced sheet on 31st March 2005.

[5+2+3]

Ans: (a) Closing balance = Rs. 37,600; Rs. 34,000; Rs. 30,000
(b) R/E = Rs. 102,200; (c) B/S total = Rs. 11,45,500

17. 2061 (I) Q.No. 1

The balance Sheet on 31st Dec. 2003 and the sales and production budgets of Nepal Manufacturing Ltd., have been summarized below:

Balance Sheet as at 31st Dec. 2003

Liabilities	Rs.	Assets	Rs.
Equity capital	1,000,000	Inventory	
Accounts payable	240,000	Finished goods	
Retained earning	240,000	30,000 units @ 14	420,000
		Raw Materials	
		80,000 units @ 3	240,000
		Accounts receivable	400,000
		Plant & machinery	400,000
		Cash at bank	20,000
	1,480,000		1,480,000

Sales and Production Budget:

Particulars/Months	Nov.	Dec.	Jan.	Feb.	March	April
Sales unit	25,000	30,000	30,000	40,000	45,000	40,000
Production units	30,000	30,000	40,000	45,000	40,000	-

Manufacturing overhead cost budget.

Particulars/Months	Jan.	Feb.	March
Production units	40,000	45,000	40,000
Variable manufacturing cost:			
Indirect materials @ Re. 1	Rs.40,000	Rs.45,000	Rs.40,000
Indirect labour @ Rs. 2	80,000	90,000	80,000
Depreciation	8,000	8,000	8,000
Rent and others	22,000	32,000	22,000
Total	150,000	175,000	150,000

Selling price per unit would be Rs. 20, 20% of the sales would be in cash and 80% on credit. Credit sales would realise 50% in the month of sales, 30% in the next month and the balance would be in the following next month of sales. One unit of finished product would need 2 units of raw materials and one unit of raw material would cost Rs. 3. Each unit of finished product would need one DLH and cost per DLH would be Rs. 5. The desired ending inventory of finished product and the raw material would be sufficient to meet next month's sales and production need respectively. A minimum balance of cash would be Rs. 20,000. All expenses including direct labour cost would be payable in the month when they become due. Purchases would be paid in the next month of purchase. The company would like to buy a new stamping machine at a cost of Rs. 200,000 in early January next year.

A line of credit to meet deficiency of cash would be available from a commercial bank at an interest rate of 12% p.a. The borrowing would be in a multiple of Rs. 10,000 and repayment would be in Rs. 5,000. The interest would be payable for the amount of loan repaid.

Required: a. Material Purchase Budget. b. Cash collection and disbursement budget.

c. Budget Balance Sheet on 31st March 2004.

[2+5+3]

Ans: (a) Rs. 270,000; Rs. 240,000 and Rs. 240,000;

(b) Closing balance Rs. 22,000; Rs. 23,900 and Rs. 202,950; (c) B/S total = Rs. 2,066,950

18. 2061 (II) Q.No. 1 OR

The past sales and sales budget for 1st three months of 2005 of a manufacturing company have been presented below:

Particulars/ Months	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Sales in unit	15,000	20,000	25,000	25,000	30,000	30,000	20,000
Sales budget Rs.	300,000	400,000	500,000	500,000	600,000	600,000	400,000

The sales will be 50% in cash and balance on credit. The credit sales will be collected, 60% in the month of sales and 40% in the next month of sales. Of the credit sales collected

in the month of sales 50% of the customers will enjoy a discount facilities of 2% for payment within fifteen days of sales, and remaining will be the full amount. Each unit of output will need 2 units of raw materials and 3 DLH. The material will cost Rs. 3.00 per unit of material and direct wages rate will be Rs. 3.00 per DLH. The manufacturing overhead cost including depreciation cost for 5000 will be Rs. 30,000, per month and selling and distribution overhead cost will be 10% of the gross sales.

The purchases and other expenses including wages cost will be paid in the month when they become due. The company will maintain sufficient inventories of finished goods and raw material necessary to meet next month's sales and production needs respectively. The company will also maintain a minimum cash balance of Rs. 20,000 per month. The inventory positions and the cash balance on 1st January 2005 have been given below:

Finished goods inventory	25,000 units
Raw material inventory	50,000 units
Cash at bank	Rs. 20,000

The company's debenture debts of Rs. 200,000 will be due for retirement on early January 2005 at par and the company will receive a dividend of 50,000 in March this year.

The company has reached into an agreement with a commercial bank for a line of credit to meet the cash deficiencies. However, the borrowing will be in a multiple of Rs. 10,000 and payments in the multiple of Rs. 1,000. The bank will charge an interest @ 18% p.a. for the portion of loan amount repaid.

- Required: a. Production budget for 1st three month
 b. Raw material purchase budget for three month.
 c. Cash collection and disbursement budget for three months.

[10]

Ans: (a) Rs. 25,000; Rs. 30,000; Rs. 30,000 (b) Rs. 180,000; Rs. 180,000;
 Rs. 120,000 (c) Closing balance = Rs. 28,500; Rs. 22,000; Rs. 20,540

19. 2060 Q.No. 6 OR

The Nepal Trading House Ltd., have collected the following information to prepare Master Budget.

Balance Sheet of January 1, 2004

Equity	1,50,000	Merchandise inventory	1,00,000
10% Debenture	20,000	Account receivable	
		November sales	16,000
		December sales	60,000
Retained	26,000	Cash at bank	20,000
	1,96,000		1,96,000

Merchandise Sales Budget

Particulars/Months	Jan.	Feb.	March	April
Sales revenue (Rs.)	2,00,000	3,00,000	3,50,000	3,00,000

Sales would be 20% in cash and 80% on credit. Credit sales would realise 50% in the month of sales. 30% in the next month; 16% in the following next month of sales and bad debts would be 4%. All expenses including purchases would be paid in the same month of expenses and purchases. Gross profit margin would be 50% on sales and administrative and distribution expenses would be 10% of gross sales.

Sufficient merchandise inventory would be maintained to meet next month's sales need. The company would desire to have minimum cash balance of Rs.20,000. The 10% Debenture would retire on January 1st, and payable at a premium of 10%.

A line of credit in a multiple of Rs.10,000 at an interest rate of 12% would be available to meet cash shortage and repayment would be in Rs.1,000 with the interest on principle repaid.

- Required: a. Merchandise purchase budget.
 b. Cash collection and disbursement budget
 c. Budgeted balanced sheet at the end of March

[3+4+3]

Ans: (a) Rs. 150,000; Rs. 175,000 and Rs. 150,000 (b) Rs. 26,800; Rs. 38,400 and Rs. 161,000 (c) Rs. 499,000

20. 2059 Q.No. 1

The Manufacturers Ltd. in the process of preparing master budget has gathered the following information:

Schedule I: Past Sales and Sales Forecasts

Months	Nov.	Dec.	Jan	Feb	March	April	May
Sales in unit	20,000	15,000	20,000	30,000	35,000	40,000	35,000
Sales revenue	400,000	300,000	400,000	60,000	700,000	800,000	700,000

Schedule II: Manufacturing Overhead Cost Budget.

Months	January	February	March
Indirect materials	Rs.30,000	Rs.35,000	Rs.40,000
Indirect labour	60,000	70,000	80,000
Supervision	15,000	17,500	20,000
Repairs & maintenance	15,000	17,500	20,000
Depreciation	5,000	5,000	5,000
Total	125,000	145,000	165,000

50% of sales will be in cash and balance on credit. Credit sales will be collected as 50% in the month of credit sales, 30% in the next month of sales and balance the next following month of sales. Purchase will be paid in the next month purchases and all other expenses will be paid in the month when they are due. Selling and other expenses will be Rs.1 per unit of sales. Each unit of output will require 1 unit of material and 2 hours of direct labour hour Rs. Direct labour hour will cost Rs.2 per hour and each unit of material will cost Rs.4. The raw material inventory and finished goods inventory will be equal to next month's production need and sales need respectively. Company will keep minimum cash balance Rs.10,000 each month and in Dec. last year the cash balance was Rs.10,000 finished goods and raw material inventory at the end of December were 20,000 units each. Creditors payable for December purchases were of Rs.80,000.

The company will have to retire debenture debts of Rs.100,000 in the month of January. Soft loan will be available at an interest rate of 12 % per annum from the commercial banks. Borrowing will be in a multiple of Rs.10,000 and repayment will be in Rs.5,000. The interest will be paid at the time of repayment on the amount of loan.

- Required: a. Material purchase budget for 1st three months
 b. Cash collection and disbursement budget for 1st three months.
 c. Budgeted income statement at the end of March

[3+3+4]

Ans: (a) 180,000; 160,000; 140,000 (b) Profit = 578,700;
 (b) Closing balance = Rs. 15,000; Rs. 14,000 and Rs. 143,700

21. 2058 Q.No. 3 OR

Nepal Batteries Ltd. prepares its master budget on a quarterly basis. The following data have been assembled to assist in preparation of the master budget for the second quarter of 19x8:

- i. As of March 31, 19x8 (The end of the prior quarter), the company's balances were as follows:

Cash	Rs.9,000	
Accounts receivable	48,000	
Inventory	12,600	
Plant and equipment	2,00,000	
Accounts payable		Rs.18,300
Capital stock		180,000
Retained earnings		71,300
	Rs.269,600	Rs.269,600

- ii. Actual sales for March and budgeted sales for April, July are as follows:

March	April	May	June	July
Rs.60,000	70,000	85,000	90,000	50,000

- iii. Sales are 20% for cash and 80% on credit. All credit sale term are net 30. The

accounts receivable on March 31 are a result of March credit sales.

- iv. The company's gross profit rate is 40% of sales.
- v. Monthly expenses are budgeted as follows:

Salaries and wages, Rs.7,500 per month;	Freight-out 6% of sales;
Advertising, Rs.6,000 per month;	Depreciation Rs.2,000 per month;
Other expenses, 4% of sales.	
- vi. At the end of each month, inventory is to be on hand equal to 30% of the following month's sales needs, stated at cost.
- vii. Half a month's inventory purchases are paid for in the month of purchase and half in the following month.
- viii. Equipment purchases during the quarter will be as follows:
April, Rs.11,500; May, Rs.8,250.
- ix. Dividends totaling Rs.4,000 will be declared and paid in June.
- x. The company must maintain a minimum cash balance of Rs.8,000. An open line of credit is available at a local branch of Nepal Bank Ltd. All borrowing is done at the beginning of a month, and all repayments are made at the end of a month. Borrowings and repayments of principal must be made in multiple of Rs.1,000. Loan repayments are on a FIFO basis. Interest is paid only at the time of repayment of principal. However any interest on unpaid loans should be properly accrued when statements are prepared. The interest rate is 12% per annum.
(Figure interest on whole month, e.g. 1/12, 2/12)

- Required:**
- a. Cash budget and financial requirement
 - b. Projected income statement for the quarter ending June 30.
 - c. Projected balance sheet as of June 30.

[5+2.5+2.5]

Ans: (a) Borrowing Rs. 10,000 in April, Rs. 6,000 in May and Repayment Rs. 10,000 plus interest Rs. 300 in June; (b) Net income = Rs. 22,580; (c) B/S Total = Rs. 303,400

22. 2057 Q.No. 1

Kathmandu Trading Company in its process of preparing a master budget has gathered the following information.

Beginning balance from the last year

Schedule I		Schedule II: Forecasted Sales	
Computing machine	Rs. 50,000	Baishakh	Rs.200,000
Merchandise inventory	Rs.120,000	Jestha	Rs.300,000
Account receivable (50% of Chaitra sales)	Rs.150,000	Ashadh	Rs.300,000
		Shrawan	Rs.200,000
Cash at bank	Rs.20,000	Schedule III: Merchandise purchase budget	
Accounts payable (Chaitra purchase)	Rs.120,000	Baishakh	Rs.180,000
		Jestha	Rs.180,000
		Ashadh	Rs.120,000

The gross profit margin in sales will be 40% of merchandise sales. Administrative and selling and distribution expenses will be 20% of sales revenue of the month. Sales are all credit sales; merchandise purchase will be paid in the following months of purchase. All other expenses will be paid in the month when they will be due. The company has intended to purchase additional unit of computing machine at a cost of Rs.80,000 in the month of Baishakh. The minimum cash balance required for the months under review will be Rs.20,000. Merchandise inventory at the end of Ashadh will be Rs.1,20,000. The company has an agreement with Nepal Bank Ltd. for a temporary loan to meet cash deficiency of any months at an interest rate of 12% p.a. payable for the amount of loan repaid. The borrowing will be in a multiple of Rs.5,000 and payment in a multiple of Rs.1,000.

- Required:**
- a. Budgeted income statement for three months ending Ashadh.
 - b. Cash collection and disbursement budget for three months.
 - c. Budgeted balance sheet at the end of Ashadh.

[2+4+4]

Ans: (a) Net income = Rs. 160,000 (b) Cash balance = Rs. 30,000; Rs. 40,000 & Rs. 100,000
(c) B/S Total = Rs. 500,000

MBA

1. 2064 Q.No. 1

The balance sheet of a company as on 31st December, Last year is given below :

Liabilities	Rs.	Assets	Rs.
Share capital	4,00,000	Fixed Assets	7,27,000
Retained earning	80,000	Inventory	1,92,000
12% Bank loan	4,00,000	Sundry debtors	1,28,000
Sundry creditors	1,92,000	Cash	25,000
	10,72,000		10,72,000

Actual Sales and forecasted sales are as under:

Months	December	January	February	March	April
Sales (Rs.)	3,20,000	3,20,000	4,00,000	4,80,000	4,80,000

Of the sales 80 % are on credit and 20 % for cash. Experience shows that 50 % of credit sales are collected in the month of sales and the rest in the next month. Margin on sales is 40%. All purchases are paid on the following month of purchase. The company has a policy of maintaining sufficient inventory of merchandise to meet the following month sale need.

The expenses which are payable on the month of their being due are as under.

	January	February	March
Expenses (Rs.)	96,000	1,20,000	1,44,000

The company has been thinking to buy a machine in the month of January at a cost of Rs. 75,000. Company has a policy to keep minimum cash balance of Rs. 20,000 and for the deficit cash balance there is an arrangement with the bank for short-term loan. According to the agreement all borrowing will be in a multiple of Rs. 5,000 and payment is Rs. 1,000 with an interest of 12 % per annum for the amount of loan repaid.

- Required: 1. Material Purchase Budget for three months Jan, Feb and March
 2. Cash Budget for three months Jan, Feb, and March,
 3. Budgeted Income statement for three months ended 31st March
 4. Budgeted Balance Sheet as on 31st March

[3+8+4+5 =20]

2. 2061 (I) Q.No. 4 a

The historical and predicated sales of a firm are:

Months	Magh	Falgun	Chaitra
Sales in Rs.	1,60,000	2,00,000	2,40,000

Predicated sales

Months	Baishakh	Jestha	Ashadh	Shrawan
Sales in Rs.	2,60,000	2,60,000	2,40,000	2,00,000

The actual and budgeted expenses are:

Months	Rent (Rs.)	Wages and salaries	Other expenses (Rs.)
Chaitra	6,000	36,000	26,000
Baishakh	6,000	36,000	26,000
Jestha	8,000	36,000	24,000
Ashadh	8,000	32,000	22,000

Additional information:

- Of the sales, 40% is collected in the month of sale, 30% one month after sale and the remaining two months after sales.
- Gross margin on sales is 30%. The goods are purchased one month before the sales month and is paid for in the month sales.
- Wages and salaries are paid fortnightly with a time lag of 15 days. The rents are paid monthly and other expenses are paid one month lag.
- Annual depreciation expenses is Rs. 24,000 per year.

- e. The company keeps minimum cash balance of Rs. 10,000. The company has entered into an agreement with a bank for the loan facilities at an effective rate of interest of 12% p.a. to meet the cash deficiencies. Loans are received and paid in a multiple of Rs. 1,000. The interest is payable with the content of refinement of principal.

Required: Cash budget for the three months Baishakh, Jestha and Ashadh.

Ans: Ending cash = Rs. 88,000

3. 2061 (f) Q.No. 7 b

A company manufactures a single period. The budgeted sales for the coming months are as follows:

Months	Jan	Feb	March	April
Sales units	2,000	3,000	2,000	4,000

It is assumed that there will be no work-in-progress at the end of the month and finished units equal to half the sales need for the next month (including December last year)

Required: Production budget for Jan, Feb & March.

[5]

Ans: Total production = 8,000 units

4. 2060 Q.No. 1

The actual and forecasted sales of a firm are given below:

Months	Chaitra	Baishakh	Jestha	Ashadh	Shrawan	Bhadra
Sales in units	22,000	20,000	25,000	30,000	20,000	24,000

The sales price per unit is Rs. 15. Cash sales are 40% and rest are on credit and are receivable in the following month.

The firm has opening balances of Rs. 25,000 cash, 10,000 units of finished goods and 45,000 kg of raw material on Baishakh 1. Minimum cash balance required is Rs. 20,000 each month, inventory at the end of each month should not fall below 50% of the next month's sales and 100% of the next month's raw material requirements.

One unit of finished goods needs 2 kg of raw material. The cost price per kg of raw material is Rs. 3 payable in the same month. Wages and other expenses are paid in the same month at the rate of Rs. 4 per unit of output.

The firm has Rs. 2,00,000 outstanding amount payable to the seller of the plant purchased previously. The amount is payable in two equal installments.

One on Baishakh 1 and the next on Ashadh 1 of the current year.

Loans are available in the multiple of Rs. 5,000 at the end of the month and repayment in the multiple of Rs. 1,000 with 12% p.a. at the time of repayment.

Required: a. Sales budget for the three month ending Ashadh 31

b. Production budget for the same period

c. Raw material purchase budget for the same period

d. Budgeted income statement for the same period

e. Cash collection and disbursement budget for the same period.

[2+3+3+4+8]

Ans: (a) Total sales = Rs. 11,25,000 (b) Total production = Rs. 75,000 (c) Total purchase = Rs. 8,94,000 (d) Net income = Rs. 3,40,800 (e) Ending cash = Rs. 21,500

5. 2059 Q.No. 7 b

A company has policy of maintaining 50% of the next month's sales requirements as ending inventory for each month.

The sales forecasts for the next three months are follows"

Baishakh	1,00,000 units
Jestha	1,20,000 units
Ashadh	1,20,000 units
Shrawan	1,30,000 units

Ending inventory of the last year was 40,000 units.

Required: Production budget for Baishakh, Jestha and Ashadh.

Ans: 1,20,000 units; 1,20,000 units; 1,25,000 units

6. 2059 Q.No. 5 a

The purchase and sales forecast of a factory are presented below:

Months	Falgun	Chaitra	Baishakh	Jestha	Ashadh
Sales in units	60,000	50,000	50,000	40,000	42,000
Purchases in kg	-	1,00,000	1,20,000	75,000	90,000

Sales price per unit is Rs. 20. Cash sale is 40% and credit sale is 60%, out of the credit sale, 50% will be collected in next month and remaining 50% in the next two months.

Cost of raw material per kg Rs. 10, 50% of the purchase are paid in same month and remaining 50% in the next month

Monthly wages will be Rs. 25,000 for Baishakh.

Rs. 20,000 for Jestha and Rs. 22,000 for Ashadh.

Miscellaneous expenses per month will be Rs. 20,000 including depreciation of Rs. 10,000 per month.

The factory has finalized negotiations with a commercial bank for obtaining and repaying loan in the multiple of Rs. 1,000. The negotiated interest rate is 12% p.a. payable at the time of repayment.

Minimum cash balance required is Rs. 10,000 and the factory has Rs. 10,000 opening cash balance on Baishakh 1.

Required: Cash budget.

[4+8]

Ans: Rs. 10,450

7. 2058 Q.No. 1

The budget officer of a company is preparing various budgets for three months commencing from Baishakh and has assembled the following data:

(i) Assets and Liabilities 31st Chaitra, last year.

	Liabilities (Rs.)	Assets (Rs.)
Accounts payable	2,80,000	
Accrued operating expenses	80,000	
Loan on mortgage	4,92,000	
Shareholder's equity	4,00,000	
Cash balance		1,00,000
Inventory		5,60,000
Accounts receivable		3,92,000
Fixed assets		2,00,000
Total	12,52,000	12,52,000

(ii) Gross profit averages 30 percent of sales. The company has a policy of maintaining sufficient inventory to meet the following month's sale. Experience has shown that 50% of the purchases are paid in the month of purchase and balance only in the next month.

(iii) The actual and budgeted sales for different months are as under:

Months	Sales units	Sales (Rs.)
Falgun (Actual)	18,000	7,20,000
Chaitra (Actual)	20,000	8,00,000
Baishakh	20,000	8,00,000
Jestha (Budgeted)	18,000	7,20,000
Ashadh (Budgeted)	16,000	6,40,000
Shrawan (Budgeted)	19,000	7,60,000

60% of sales are collected in the month of sale, 30% in the next month and remaining 10% in the following next month of sales.

(iv) Operating expenses are 10% of gross sales, which are payable after one month. And selling and distribution expenses are 5% of gross sales which are payable in same month.

(v) With an expansion purpose, the company is going to purchase a machine in Baishakh costing Rs. 2,00,000

(vi) The company keeps minimum cash balance of Rs. 1,00,000. Cash in excess of Rs. 1,50,000 is invested in government securities. Cash deficiencies are made up by bank loan which are repaid at earliest available opportunity

- Required: a. Inventory purchase budget b. Cash budget
c. Budgeted income statement d. Budgeted balance sheet [20]

Ans: (a) Purchase of Ashadh = Rs. 5,32,000 (b) Rs. 1,50,000 (c) Rs. 3,24,000 (d) Rs. 15,46,000

8. 2057 Q.No. 1

A manufacturing company is in the process of preparing master budget. The actual sales of last 2 months and estimated sales for coming 4 months are as under:

Months	Sales units
Falgun (Actual)	9,000
Chaitra (Actual)	11,000
Baishakh	8,000
Jestha (Budgeted)	10,000
Ashadh (Budgeted)	12,000
Shrawan (Budgeted)	10,000

The policy of the company is to be have an ending inventory of finished goods to replenish 30% of expected sales orders in the next month. Each unit of finished product needs 5 units of raw material. The cost per unit of raw material is Rs. 5. It is planned that closing stock of raw material at the end of each month should be maintained at a level equal to half the consumption for the next month.

Wages and other manufacturing expenses are Rs. 10 per unit and operating expenses are 10% of gross sale. All expenditures are paid for at the time when they are due. Of the sales 20% is for cash, 50% of the credit sales are collected in one month and the balance on two month of sales. There are no bad debt losses. 40% of purchases are on cash basis and credit purchases are paid after one month.

The minimum cash balance to be maintained throughout the period is Rs. 50,000 and for the deficit cash balance there is an arrangement with the bank for short-term loan. The selling price per unit is Rs. 50.

The balance sheet of the company as on 31st Chaitra, last year is as under:

Liabilities	Rs.	Assets	Rs.
Creditors	144,750	Inventory:	
10% Debentures	1,50,000	Finished goods (2,400 units)	84,000
Shareholder's equity	7,66,750	Raw material (21,500 units)	1,07,500
		Sundry debtors	6,20,000
		Cash	50,000
		Plant & machinery	2,00,000
	10,61,500		10,61,500

The debentures are to be redeemed in Baishakh.

Required: The following budgets for three months ending on Ashadh

- a. Production budget b. Material purchase budget
c. Cash budget d. Budgeted income statement
e. Budgeted balance sheet

[3+3+6+4+4]
Ans: (a) Total production = Rs. 30,600 (b) Total purchase = Rs. 7,82,500 (c) Ending cash = Rs. 1,18,000
(d) Net income = Rs. 2,98,750 (e) Balance = Rs. 12,26,000

9. 2056 Q.No. 1

The beginning balance sheet and other related information necessary to prepare a master budget have been given below:

Liability	Rs.	Assets	Rs.
Account payable	100,000	Inventory:	
Owner's equity	494,000	Finished product 20,000 units	280,000
Debenture loan	100,000	Raw materials 50,000 units	100,000
		Account receivable	208,000
		Fixed assets	96,000
		Cash at bank	10,000
	694,000		694,000

Schedule 1: Past and forecasted sales

Months	Nov.	Dec.	Jan.	Feb.	March	April	May
Sales in units	15,000	20,000	20,000	25,000	30,000	35,000	40,000
Sales in revenue	300,000	400,000	400,000	500,000	600,000	700,000	800,000

Schedule 2: Manufacturing overhead cost budget

Months	Jan	Feb	March
Indirect material	50,000	60,000	70,000
Indirect wages	25,000	30,000	35,000
Depreciation	2,000	2,000	2,000
Others	48,000	48,000	48,000
Total	125,000	140,000	155,000

Of the total sales 20% will be in cash and 80% on credit. 50% of credit sales will be realized in the month of sales, 30% in the next month of sales and the balance in the next following month of sales. Bad and uncollectible debts will be negligible.

Each unit of finished product will need 2 units of raw materials at a cost of Rs.4 and direct labor hour of 2 at the rate of Rs.3.5 per direct labor hour. The selling and distribution cost will be 10% of sales revenue. All direct labor costs and overhead costs will be paid in the month when they become due. All purchases will be paid in the next month of purchases.

Desired ending balance of raw material and finished goods at the end of each month will be sufficient inventory units to meet the next month's sales and need; and a minimum cash and bank balance of Rs.10,000. Debenture debts will mature in early January next year.

The company has entered into an agreement with a commercial bank for the line of credit to make up the deficiency of cash. According to the agreement all borrowings will be in a multiple of Rs.5000 and payment in Rs.1000 with an interest rate of 12% for the amount of loan repaid

- Required: a. Material purchase budget
 b. Direct labor cost budget.
 c. Cash collections and disbursement budget.
 d. Budgeted income statement.
 e. Budgeted balance sheet at the end of March.

[10]

Ans: (a) Total purchase = Rs. 4,20,000 (b) Total costs = Rs. 6,30,000 (c) Ending cash = Rs. 14,000 (d) Net income = Rs. 1,43,600 (e) Balance = Rs. 10,74,000

10. 2055 Q.No. 1

A trading company is in the process of preparing the master budget gathered the following information about its assets and liabilities and also about the past and future sales.

Inventory of merchandise 20,000 units @Rs.4		Actual and forecasted sales	
		November	Rs.120,000
Account receivable:	80,000	December	160,000
Nov. sales	30000	January	160,000
Dec. sales	80,000	February	200,000
Cash in hand	10,000	March	240,000
Total assets	200,000	April	280,000
Account payable	Rs.80,000		

The company's sales are mostly on credit. Experience shows that 50% of credit sales are collected in the month of sales and the remaining 50% are collected following two months of sales equally. Bad debts and uncollectible debts are negligible. All purchases are paid on the following month of purchase. Margin on sales is 50%. Operating and distribution expenses are 30% of the month's sales. Expenses are payable on the month of their being due. The company has a policy of maintaining a sufficient inventory of merchandise to meet the following months' sales and a minimum cash balance of Rs 10,000. The company has been thinking of buying a computing machine in the month of January at a cost of Rs.80,000.

The company has reached an agreement with a bank for a soft loan at 12% interest. Loans are received in the multiple of Rs.5000 and payments are made in Rs.1000. Amount of interest due are paid for the loan repaid with the repayment amount to a nearest of Rs.100

- Required: a. Merchandise purchase budget b. Operating expenses budget
c. Cash receipt and disbursement budget
d. Budgeted income statement. e. Budgeted balance sheet at the end of March. [10]

Ans: (a) Total purchase = Rs. 3,60,000 (b) Total expenses = Rs. 1,80,000 (c) Ending cash = Rs. 10,900 (d) Net income = Rs. 1,18,410 (e) Total balance = Rs. 4,00,900

11. 2054 Q.No. 7 b

The sales forecasts of company are:

Baishakh 20,000 units, Jestha 25,000 units, Ashadh 25,000 units & Shrawan 30,000 units, company's policy requires to keep ending inventory in each month which will be sufficient to meet next month's need. Ending inventory at the end of last year was 20,000 units.

Required: The preparation of production budget for the first three months. [5]

Ans: Rs. 80,000

12. 2054 Q.No. 3 a

A manufacturing company in a process of preparing master budget forecasted the following sales and also collected the actual related figures of last year.

Beginning inventories		Beginning balances	
i. Finished goods	10,000 units	Account payable	Rs. 50,000
ii. Material A	30,000 units	Cash balance	Rs. 20,000
iii. Material B	40,000 units	Accounts receivable	Rs. 40,000
		(Rs. 10,000 of Falgun and of Rs. 30,000 Chaitra sales)	

Sales Forecast

Months	Baishakh	Jestha	Ashadh	Shrawan	Bhadra
Sales in units	10,000	15,000	15,000	20,000	20,000

Sales are mostly on credit 50% of sales will realize on the month of sales, 30% in the next month and remaining 20% in the following next month of sales. Suppliers will be paid for in the next month of purchase and other expenses including wages will be paid for at the time when they are due. Normal selling price will be Rs. 10 per unit. Each unit of finished product will need 3 units of materials of materials A at a cost of 3 and 4 units of material B at a cost of Rs. 2, other expenses and wages cost will be Rs. 2 per unit.

Company has a policy to keep minimum cash balance of Rs. 20,000 finished goods and raw material inventories to meet next month's sales and production needs respectively.

- Required: a. Material purchase budget for 1st three months
b. Cash receipt and disbursement budget to ascertain bank borrowing if needed for 1st three months. [5]

Ans: Total purchase = Rs. 3,00,000 (b) Ending cash = Rs. 20,000

13. 2053 Q.No. 1

A company in its planning process prepared various budgets and also furnished the balance sheet of the first year as follows:

Beginning Balance Sheet of 1st Baishakh			
Shareholders equity	Rs.440,000	Inventory of finished goods 10,000 units	Rs.100,000
Accounts payable	60,000	Raw materials Inventory 30,000 units	120,000
Bank loan (payable every month Rs. 10,000 with interest 12%)	200,000	Account receivable	60,000
		Cash	20,000
		Other fixed assets	400,000
	700,000		700,000

Sales Forecast for 1st three Months and for Shrawan					
Months	Baisakh	Jestha	Ashad	Shrawan	Total
Sales in units	10,000	12,000	12,000	15,000	34,000
Sales revenue	Rs. 200,000	Rs. 240,000	Rs. 240,000	Rs. 300,000	Rs. 680,000

Production Budget				
Months	Baisakh	Jestha	Ashad	Total
Units produced	12,000	12,000	15,000	39,000

Material Purchase Budget				
Months	Baisakh	Jestha	Ashad	Total
Units purchased	30,000	37,500	30,000	97,500
Purchase price	Rs. 120,000	Rs. 150,000	Rs. 120,000	Rs. 390,000

Wages and other manufacturing expenses are Rs. 6 per unit, and operating expenses are 10% of gross sales figure. 80 percent of sales are in cash and the remaining 20 percent on credit of 30 days. Credit sales are collected in the next month of sales. 50% of the purchases are paid in the month of purchase and balance only in the next month. Wages and other expenses are paid for at the time when they are due. Each unit of finished product needs 2.5 units of raw materials.

- Required: a. Statement of cost-of-goods-sold budget [3]
 b. Budgeted income statement. [5]
 c. Cash collection and disbursement budget [6]
 d. Budgeted balance sheet at the end of Ashadh. [6]

Ans: (a) Rs. 4,84,000 (b) Rs. 1,22,300 (c) (Rs. 15,700) (d) Rs. 8,08,000

14. 2051 Q.No. 3

The Nepal Training Ltd. a company engaged in retail business seeks for your assistance to prepare its master budget for next three months. The company has gathered some pertinent information to make your job simple. The data relating to past and current sales are presented below:

Balance from last year:		Recent and expected sales:	
Account receivable	Rs. 2,08,000	Falgun last	Rs. 1,50,000
Account payable	2,00,000	Chaitra last	2,00,000
Cash balance	20,000	Baishakh next	4,00,000
		Jestha next	4,50,000
		Ashadh next	4,00,000
		Shrawan next	5,00,000

Credit sales are 80 percent of total sales and 60 percent of credit are collectible in the following month of sales and remaining 40 percent in the next following month of sales. The amount of bad debts is negligible. All purchases are credit purchases and creditors are paid in the following month of purchases.

The company has a policy to keep enough inventory each month to meet the sales forecast of next month. The gross profit margin in sales is 50%.

The other operating expenses including salaries, wages, rent and taxes are Rs. 30,000 per month. The expenses are payable in the month they become due. The company has plan to acquire a machine at a payment of Rs. 2,00,000 on Baishakh, and company's policy requires it to maintain a minimum cash balance of Rs. 20,000.

The company has entered into an agreement with the Nepal Bank Ltd. for the short term borrowing facilities at an effective rate of interest of 20 percent to meet its cash deficiencies. All borrowing are to be assumed as borrowed on the first day of the month and all payments are to be made on the last day of the month. Loans are received and paid in a multiple of Rs. 10,000 and all interest is rounded up to nearest Rs. 100. The interest is payable with the principle to the extent of refinement of the principles.

Required: A budgeted income statement of the next three month, and cash receipt and disbursement for three month and a purchase budget for three month. [10]

Ans: Net income = Rs. 5,26,000/ Ending cash = Rs. 90,000; Total purchase = Rs. 6,75,000

15. 2050 Q.No. 7 a)

A Ltd Company prepares business budget exercise control over operations. The sales figure and purchases figure for recent month and expected for next month are as follows:

Sales for	Baishakh	Rs. 2,00,000	Purchases	
	Jestha	Rs. 3,00,000	Jestha	Rs. 1,75,000
	Ashadh	Rs. 3,50,000	Ashadh	Rs. 3,00,000

Credit sales are 80% of total sales, 50% of credit sales are collected in the following month and balance 50% in the next following month of sales. All purchases are credit purchases. Payable in the following month of purchases. Bank loan due for Ashadh is Rs. 60,000 and interest due is Rs. 6,000. Duration for Ashadh Rs. 10,000 wages due for Ashadh but payable next month Rs. 50,000 and other expenses due and payable is Ashadh Rs. 60,000. Cash balance on 31st Jestha Rs. 50,000.

Required: Cash budget showing cash receipt and disbursement for the month of Ashadh [10]

Ans: Ending cash balance = Rs. 19,000

16. 2048 Q.No. 2

Nepal Readymade Garments Company of Biratnagar produce 5 standard dresses. Shirt, Trousers, Safari suits, Coats and Punjabi dresses. The Company has 4 sales division area in 4 difference zones, Purbanchal, Madhyamanchal, Paschimanchal and Sudur Paschimanchal. The following figures relate to sales budget for 6 months to 30th Chaitra 2047 are actual sales upto date. On the basis of the historical facts and taking into account the further information you are required to prepare a sales budget in suitable form for the half year to 30th Chaitra 2048.

Division	Purbanchal		Madhyamanchal		Paschimanchal		Sudur Paschima.	
	Budget Rs.	Actual Rs.	Budget Rs.	Actual Rs.	Budget Rs.	Actual Rs.	Budget Rs.	Actual Rs.
Shirt	60,000	64,000	18,000	20,000	12,000	15,000	13,000	10,000
Trousers	20,000	22,000	30,000	36,000	15,000	14,000	12,000	10,000
Safari suits	24,000	22,000	30,000	32,000	16,000	16,000	5,000	4,000
Coats	25,000	30,000	30,000	30,000	8,000	4,000	3,000	3,000
Punjabi dresses	40,000	36,000	48,000	40,000	10,000	6,000	4,000	2,000

The following information is relevant:

- In Purbanchal zone 10 industries are to be established in the budget period. About 2,000 employee are seems to be engage for those industries. 60% of the employees will be male and remain female. Out of the male staffs 20% will be the top level staffs and company expects that the sale of the coats and trousers increase at the rate of two pieces for them. The price of the coat is Rs. 500 per unit and trouser Rs. 300 per unit. Out of the female staffs, only 50% is unmarried and the company expects that they will buy Punjabi dresses and sales increased by 10%.
- Because of the increase in price of shirt, a decline of 10% expected in all divisions.
- The company could not produce new design of Punjabi dresses last year. Thinking of market, this year company plans to produce new design of Punjabi dresses last year. Thinking of market, this year company plans to produce modern punks design Punjabi dresses and expected to increase in demand to the extent of 25% in Purbanchal, 50% in Madhyamanchal, 20% in Paschimanchal & 5% in Sudur Paschimanchal.
- Because of wrong decision, the company has sufficient stock of trousers and cannot produce neither new designs of trousers with two crease nor zean trousers. So, it is expected that there will be a general decline in demand by 10%.
- In Madhyamanchal, there will be trade fair, in Falgun of 2048 B.S. The company also participates in that fair and expected to increase the sales in that area by 20%.

- vi. It is felt that in Sudur Paschimanchal, the dresses have not become quite popular. So, the company decides to conduct sales campaign by different media. This is expected to increase in the sales by 20% in that area. [20]

Ans: Total sales for 6 months = Rs. 8,52,200

17. 2046 Q.No. 4

Historical and predicated sales:

	Historical		Predicated
April	Rs. 80,000	July	Rs. 1,30,000
May	1,00,000	August	1,30,000
June	1,30,000	September	1,20,000
		October	1,00,000

- The firm incurs and pays a monthly rent expenses of Rs. 3,000.
- Wages and salaries for the coming months are estimated as follows July Rs. 18,000; August Rs. 18,000; September Rs. 16,000.
- Of the firm's sales, 40 percent is collected in the month of sale, 30 percent one month after sale, and the remaining 30 percent two months after sale.
- Merchandise is purchased one month before the sales month and is paid for in the month it is sold. Purchased equal 80 percent of sales.
- Tax prepayments are made on the calendar quarter with a prepayment of Rs. 1,000 in July based on earning for the quarter ended June 30, 1985.
- Utilities for the firm average 2 percent of sales and are paid in the month of their incurrence.
- Depreciation expenses is Rs. 12,000 annually.
- Interest on a Rs. 40,000 bank note (due in November) is payable at 8 percent annual rate in September for the three month period just ended. Based on the above, prepare a monthly cash budget for the three-month period ended September 30, 1985. If the firms beginning cash balance, for the budget period is Rs. 5,000 and this is the minimum desired balance, determine when and how much the firm will need to borrow during the budget period. The firm has Rs. 80,000 line of credit with its bank with interest (12 percent annual) paid monthly. [20]

Ans: Ending cash = Rs. 5,850

18. 2042 Q.No. 7 b

The sales manager of manufacturing firm has been constantly approached by the budget committee wing to make sales forecast for the first six month ending June 30, 1984. He was also informed that the firm's six month's sales volume to be attained should be 33,75,000 units to generate expected amount of profit during the period under review. The details extraction of the past sales were as follows:

Months		Product wise sales in, '000 units			Total
		A	B	C	
July	0.83	150	75	25	250
Aug	0.83	180	90	30	300
Sep	0.83	210	105	35	350
Oct	0.83	240	120	40	400
Nov	0.83	270	135	45	450
Dec	0.83	300	150	50	500
					2,250
Unit selling price		Rs. 10	Rs. 15	Rs. 18	

The sales manager was satisfied on review of past sales that the product wise sales mix and the trend would remain unchanged and that necessary marketing strategies have been finalized to support sales. [10]

Ans: Total sales for 6 months = Rs. 41,512.50

19. 2041 Q.No. 7 b

The seasonal actual and budgeted sales of a firm were as follows:

July 1984	Rs. 80,000
Aug	Rs. 85,000
Sept	Rs 90,000
Oct	Rs 1,00,000 budgeted
Nov	Rs 1,20,000 budgeted
Dec	Rs 1,30,000 budgeted

The actual expenses were as follows:

Month	Purchase (Rs.)	Wages & Factory cost (Rs.)	Administration & Selling and Distribution cost (Rs.)
July '84	40,000	20,000	5,000
Aug '84	42,500	21,500	5,000
Sept '84	45,000	23,000	5,000

The budgeted expenditure for the next three months are:

Month	Purchase	Wages & Factory cost	Administration & Selling and Distribution cost
	Rs.	Rs.	Rs.
Oct '84	50,000	26,000	20,000
Nov '84	60,000	29,000	20,000
Dec '84	65,000	32,000	20,000

Additional information:

- 80% of sales and purchases are in cash.
- Credit purchases are settled after 2 months and credit sales are collected after 1 month.
- A dividend of Rs. 10,000 is receivable during Nov. 84 for that information has been received.
- Wages and other relevant expenses are paid in the relevant year.
- Income tax payable is Rs. 22,000 in Oct. 1984.
- The minimum bank and cash balances to be maintained through out the period are Rs. 10,000 and Rs. 2,000 respectively and cash in excess of requirement are to be banked.
- Cash in hand and bank balances on the last day of Sept. 1984 were Rs. 5,000 and Rs. 40,000 respectively.
- There is also an arrangement with the banker for taking good the deficient cost balance (overdraft arrangement).

Required: Monthly cash budget

[10]
Ans: Ending cash = Rs. 60,500

20. 2040 Q.No. 4

From the following budgeted figures, prepare a cash budget in respect of three months to June 30.

Months	Sales (Rs.)	Material (Rs.)	Wages (Rs.)	Overhead (Rs.)
January	60,000	40,000	11,000	6,200
February	56,000	48,000	11,600	6,600
March	64,000	50,000	12,000	6,800
April	80,000	56,000	12,400	7,200
May	84,000	62,000	13,000	8,600
June	76,000	50,000	14,000	8,000

Expected cash balance on 1st April Rs. 20,000

Other information:

- Materials and overheads are to be paid during the month following the month of supply.
- Wages are to be paid during the month in which they are incurred.
- Terms of sales:

- i. The terms of credit sales are paid by the end of the month following the month of sales. $\frac{1}{2}$ of the sales are paid when due, the other half to be paid during the next month.
- ii. 5% sales commission is to be paid within the month following actual sales.
- d. Preference dividend for Rs. 30,000 is to be paid on 1st May.
- e. Share call money for Rs. 25,000 is due on 1st April and 1st June.
- f. Plant and machinery worth Rs. 10,000 is to be installed in the month of January and the payment is to be made in the month of June. [20]

Ans: Ending cash = Rs. 20,000

7. MANAGEMENT CONTROL SYSTEMS AND RESPONSIBILITY ACCOUNTING

N/A

**8. STANDARD COSTING:
CONTROL OF DIRECT MATERIAL AND DIRECT LABOR COST****MBS****1. 2064 Q.No. 5**

A silicon chips manufacturing firm's actual costs for the actual production of 27,000 chips in a year are as follows:

Silicon material per chip	Rs. 11
Wages for 2.50 DLH per chip	Rs. 8
Manufacturing overhead per chip	Rs. 16 (75% fixed)
Variable selling and distribution overhead per chip	Rs. 5

The fixed administrative and selling and distribution overheads are Rs. 250,000.

The firm has beginning inventory of 6,000 chips.

The firm has sold 30,000 chips at Rs. 50 per chip during the year.

The normal capacity of the firm is 25,000 chips and standard fixed manufacturing overhead is Rs. 300,000. The firm's standard is 3 DLH per chip at Rs. 3 per DLH.

Required: (a) Income statement based on absorption costing technique.

(b) Labour rate of pay variance.

(c) Capacity variance

[4+1+1]

Ans: (a) Rs. 74,000 (b) Rs. 13,500 (U) (c) Rs. 24,000 (F)

2. 2063 Q.No. 5

The Absorption Costing Income Statement of Biscuit Company has been given under:

Production units			25,000
Sales unit			30,000
Sales revenue		@ Rs. 30	9,00,000
Less: Cost of goods sold:			
Direct material cost (made up as follows)		@ Rs. 10	2,50,000
Material A	4 lit	@ Rs. 0.50	2.00
Material B	4 kg	@ Rs. 1.00	4.00
Material C	2 units	@ Rs. 2.00	4.00
Direct labour cost		@ Rs. 8	200,000
Variable manufacturing overhead cost		@ Rs. 2	50,000
Fixed manufacturing overhead cost		@ Rs. 4	100,000
Total manufacturing cost		24	600,000
Add: Value of beginning inventory	10,000	@ Rs. 24	2,40,000
Less: Value of ending inventory	5,000	@ Rs. 24	(1,20,000)
Total cost of goods sold		@ Rs. 24	7,20,000
Gross margin before adjustment			1,80,000
Add: Fixed manufacturing overhead cost over absorbed			20,000
Gross margin after adjustments			200,000

Add: Other cost		
Variable selling and distribution cost	@ Rs. 3	90,000
Fixed selling and distribution cost		80,000
Total other cost		170,000
Net income /BT		30,000

The performance evaluation report revealed the following actual usage of direct material cost.

Material	Unit	Price	Cost
A	80,000 lits	Rs. 0.60	48,000
B	120,000 kgs	Rs. 1.00	120,000
C	60,000 units	Rs. 1.75	105,000
	260,000		273,000

- Required: a. Converted income statement under variable costing (ignore variances) [3]
 b. Direct material, yield, mix, price and cost variances. [3]
 Ans: (a) Rs. 50,000 (b) Rs. 10,000 (U); Rs. 20,000 (U); Rs. 7,000 (F) and Rs. 23,000 (U)

3. 2062 (I) Q.No. 3

The result of one hundred observation for material consumption in a food manufacturing company for the production of 10 units of popular brand and other related information have been provided below:

Consumption unit	% Observed
98 units	10
99 units	20
100 units	40
101 units	20
102 units	10

However, material price during the observation period remained fixed at Rs. 2 per unit. In a certain period the company produced 100 units of food product by consuming 1010 units of material at Rs. 1.80 per unit.

- Required: a. Expected material standard for 10 units of output.
 b. Standard deviation of expected material use standard.
 c. Probability of material consumption of 1030 for 100 units of output.
 d. Material price and usage variance. [1+2+1+2]
 Ans: (a) 100 units (b) 1.095 (c) 0.4968 (d) Rs. 202 (F) and Rs. 20 (U)

MBA

1. 2064 Q.No. 5 a

The standard materials usage and their cost to produce 1 Kg of chemical X is :

- 0.3 Kg of material A @ Rs. 10 per Kg.
 0.4 Kg of material B @ Rs. 5 per Kg.
 0.6 Kg of material C @ Rs. 6 per Kg.

During a period 1,000 Kg of mixtures were produced. The actual material used for the production of 1,000 Kg were:

- 360 Kg of material A @ Rs. 9 per Kg
 420 Kg of material B @ Rs. 6 per Kg
 530 Kg of material C @ Rs. 7 per Kg,

Required: Material Variances [10]

2. 2060 Q.No. 5 a

Standard and actual cost figure of an industry are stated below:

Standard		
Material	Quantity	Rate
X	12 kg	Rs. 10
Y	6 kg	Rs. 12
Standard output is 20 units		

Actual		
Material	Quantity	Rate
X	65 kg	Rs. 9
Y	30 kg	Rs. 12.50
Actual output is 100 units		

Required: Material output, mix, usage, price and cost variances. [2x5]

Ans: MCV = Nil; MPV = Rs. 50 (F); MUV = Rs. 50 (U); MMV = Rs. 3.33 (F); MYV = Rs. 53.33 (U)

3. 2058 Q.No. 4 a)

A manufacturing company has adopted a standard cost system. The standard and actual data are as under:

Workers	Standard	Actual
Skilled	20 workers @ Rs. 10 per hour	10 workers @ Rs. 9 per hour
Semiskilled	30 workers @ Rs. 5 per hour	20 workers @ Rs. 6 per hour
Unskilled	60 workers @ Rs. 3 per hour	80 workers @ Rs. 2 per hour
	Standard output per hour = 50 units	Actual output = 1600 units Actual time = 40 hours

- Required: (a) Labour rate variance (b) Labour mix variance
(c) Labour off sub (yield) variance (d) Labour efficiency variance
(e) Labour cost variance

Ans: (a) LRV = Rs. 2,800 (F); (b) LMV = Rs. 3,600 (F); (c) LYV = Rs. 4,240 (U);
(d) LEV = Rs. 2,160 (F); (e) LCV = Rs. 2,160 (F) [2×5]

4. 2057 Q.No. 4 a)

The following information is provided:

Material required for 100 units of output – 1,000 kg

Actual usage of material for 1,000 unit of output – 11,000kg

Actual price paid for the materials – Rs. 99,000

Standard price per kg Rs.10

Required: Direct material variances

Ans: MCV = Rs. 1,000 (F); MUV = Rs. 10,000 (U); MPV = Rs. 11,000 (F) [5]

5. 2056 Q.No. 6 a)

The standard regarding the labour cost and the actual have been presented below:

Standard				Actual			
Types of labour	No.	Rate (Rs.)	Cost (Rs.)	Types of labour	No.	Rate (Rs.)	Cost (Rs.)
Skilled	2	5	10	Skilled	2	5	10
Semi skilled	3	3	9	Semi skilled	4	2.75	11
Unskilled	5	1	5	Unskilled	4	1.5	6
Total	10		24	Total	10		27
Standard output per gang hour 10 units				Actual output 430			
Weekly hours 40							

Required: Labour efficiency Sub. (Yield), Mix, total efficiency, Rate and cost variance. [1×5]

Ans: (i) LCV = Rs. 48 (U); (ii) LRV = Rs. 40 (U); (iii) LEV = Rs. 8 (U); (iv) LMV = Rs. 80 (U); (v) LYV = Rs. 72 (F)

6. 2055 Q.No. 7 b)

Materials standard and actual consumption have been given below:

Standard

Material A 60 units @ Rs. 3 Rs. 180

Material B 40 units @ Rs. 4 Rs. 160

Total 100 units Rs. 340

Less: Process loss 20 units

Output 80 units

Actual

Material A 50 units @ Rs. 3.20 Rs. 160

Material B 50 units @ Rs. 4 Rs. 200

Total 100 units Rs. 360

Less: Process loss 10 units

Output 90 units

Required: Material yield, mix, use, price and cost variance.

Ans: MCV = Rs. 22.50 (F) MPV = Rs. 10 (U) MUV = Rs. 32.50 (U) MYV = Rs. 10 (U) MYV = Rs. 42.50 (F) [1×5]

7. 2054 Q.No. 4 a)

Manufacturing company has adopted a standard cost system. The data relating to standard and actual for direct materials are given below:

Materials	Standard			Actual		
	Qty.	Rate	Cost	Qty.	Rate	Cost
A	5	Rs. 4	Rs. 20	45	Rs. 4	Rs. 180
B	6	Rs. 3	Rs. 18	60	Rs. 3.25	Rs. 195
C	9	Rs. 2	Rs. 18	105	Rs. 1.50	Rs. 157.50
	20		Rs. 56	210		Rs. 532.50
Standard output 10 units			Actual units produced 100 units			

Required: Material yield, mix usage, price and material cost variance. [2×5]

Ans: MCV = Rs. 27.50 (U); MPV = Rs. 37.50 (F); MUV = Rs. 10 (U); MYV = Rs. 18 (F); MYV = Rs. 28 (U)

8. 2052 Q.No. 6 a)

A company has adopted standard costing system for its direct material cost; the data relating to standard and actual are summarized below:

a. Standard material mix for 1 unit for output:

Material A2	Units @ Rs. 5	Rs. 10
Material B3	Unit @ Rs. 3	Rs. 9
Total	5	Rs. 19

b. Actual output 5,000 units

c. Actual material used:

Material A	11,000	Units @ Rs. 6	Rs. 66,000
Material B	16,000	Unit @ Rs. 2.50	Rs. 40,000
	27,000		1,06,000

Required: Material cost variance analysis showing material yield, mix material used price and material cost variances. [10]

Ans: MCV = Rs. 11,000 (U); MPV = Rs. 3,000 (U); MUV = Rs. 8,000 (U); MYV = Rs. 400 (U); MYV = Rs. 7,600 (U)

9. FLEXIBLE BUDGETING AND OVERHEAD COST CONTROL

MBS

1. 2071 Q.No. 1

A company with a normal capacity of 30,000 units production provides the following information.

Production (units)	15,000 units	30,000 units
Material and labour (Rs.)	105,000	210,000
Depreciation (Rs.)	50,000	50,000
Heat, light and power (Rs.)	20,000	35,000

Required: a. Budget for 20,000 units of production.

b. Material and labour cost variance at 20,000 units of production, if actual cost incurred is Rs. 150,000.

c. Explain briefly the over-absorption of manufacturing fixed overhead cost. [4+1+2=7]

Ans: (a) Rs. 215,000 (b) Rs. 10,000 (U)

2. 2069 Q.No. 1

A manufacturing company provides the following information:

Outputs	10,000	30,000
Indirect materials	10,000	30,000
Indirect labour	20,000	60,000
Supervision	40,000	80,000
Depreciation	40,000	40,000
	110,000	210,000

Other information:

Actual output 19,000 units

Actual hours worked 9,000 D.L.H.

D.L.H. required for 1 unit of output = 0.5 D.L.H.

Normal capacity 10,000 D.L.H.

Actual overhead cost Rs. 142,000