Chapter wise Test (1011)
Budget and Budgetary Control

Instructions
- All questions are compulsory.
- Test Duration will be 45 minutes, starting from 11:00 AM to 11:45 PM
- 5 minutes reading time will be provided before 11, i.e. question paper will be shared by 10:55 AM.
- Share your scanned answer sheets by 12:00 on below link https://forms.gle/wLRZWiTvMELNpCeC6

1. [8 marks] TQM Ltd. has furnished the following information for the month ending 30th June:

	Master Budget	Actual	Variance
Units produced and sold	80,000	72,000	
Sales (₹)	3,20,000	2,80,000	40,000 (A)
Direct material (₹)	80,000	73,600	6,400 (F)
Direct wages (₹)	1,20,000	1,04,800	15,200 (F)
Variable overheads (₹)	40,000	37,600	2,400 (F)
Fixed overhead (₹)	40,000	39,200	800 (F)
Total Cost	2,80,000	2,55,200	

The Standard costs of the products are as follows:

	Per unit (₹)
Direct materials (1 kg. at the rate of ₹1 per kg.)	1.00
Direct wages (1 hour at the rate of ₹ 1.50)	1.50
Variable overheads (1 hour at the rate of ₹ 0.50)	0.50

Actual results for the month showed that 78,400 kg. of material were used and 70,400 labour hours were recorded.

Required:

(i) Prepare Flexible budget for the month and compare with actual results.

(ii) Calculate Material, Labour, Sales Price, Variable Overhead and Fixed Overhead Expenditure variances and Sales Volume (Profit) variance.

2. [10 Marsk] A single product company estimated its quarter-wise sales for the next year as under:

Quarter	Sales (Units)
I	30,000
II	37,500
III	41,250
IV	45,000

The opening stock of finished goods is 6,000 units and the company expects to maintain the closing stock of finished goods at 12,250 units at the end of the year. The production pattern in each quarter is based on 80% of the sales of the current quarter and 20% of the sales of the next quarter. The company maintains this 20% of sales of next quarter as closing stock of current quarter.

The opening stock of raw materials in the beginning of the year is 10,000 kg. and the closing stock at the end of the year is required to be maintained at 5,000 kg.
Each unit of finished output requires 2 kg. of raw materials.

The company proposes to purchase the entire annual requirement of raw materials in the first three quarters in the proportion and at the prices given below:

Quarter	**Purchase of raw materials % to total annualrequirement in quantity**	**Price per kg. (₹)**
I	30%	2
II	50%	3
III	20%	4

The value of the opening stock of raw materials in the beginning of the year is ₹ 20,000. You are required to Prepare the following for the next year, quarterwise:

(i) Production budget (in units).
(ii) Raw material consumption budget (in quantity).
(iii) Raw material purchase budget (in quantity and value)
(iv) Priced stores ledger card of the raw material using First in First out method.

3. [7 Marks] Following is the data at 50% capacity:

	Amount
Sales	10,00,000
Direct Cost	4,00,000
Factory Overheads	2,00,000
Office Overheads	1,00,000
Selling Overheads	1,50,000
Profit	1,50,000

Every 10% increase in sales beyond 50% capacity is possible only after reducing the price by 1% on the base level of 50% capacity. Direct material cost is 25% of the total direct cost at 50% capacity. With every 10% increase in capacity above this level, the price of direct materials comes down by 2%. 50% of the factory overheads are fixed and rest are variable. Office overheads are of step character. Every 10% increase in output results in 2% increase in office overheads over 50% capacity. Selling overheads increase in proportion of sales value.
Prepare a flexible budget at 80% and 100% capacity.