



BUDGETARY CONTROL

Q. 1. A department of Company X attains sale of ₹ 6,00,000 at 80 per cent of its normal capacity and its expenses are given below :

Administration Costs :	₹
Office Salaries	90,000
General Expenses	2 per cent of sales
Depreciation	7,500
Rates and Taxes	8,750
Selling Costs :	
Salaries	8 per cent of sales
Travelling Expenses	2 per cent of sales
Sales office Expenses	1 per cent of sales
General Expenses	1 per cent of sales
Distribution Costs :	
Wages	15,000
Rent	1 per cent of sales
Other Expenses	4 per cent of sales

Draw up flexible administration, selling and distribution costs budget, operating at 90 per cent, 100 per cent and 110 per cent of normal capacity.

Q. 2. A single product company estimated its sales for the next year quarterwise as under :

Quarter	Sales units
I	30,000
II	37,500
III	41,250
IV	45,000

The opening stock of finished goods is 10,000 units and the company expects to maintain the closing stock of finished goods at 16,250 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 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 annual requirement 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 present 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.

Q. 3. P Ltd., manufactures two products using one type of material and one grade of labour. Shown below is an extract from the company's working papers for the next period's budget :

	Product A	Product B
Budgeted sales (units)	3,600	4,800
Budgeted material consumption per product (kg.)	5	3
Budgeted material cost ₹ 12 per kg.		
Standard hours allowed per product	5	4
Budgeted wage rate ₹ 8 per hour		

Overtime premium is 50% and is payable, if a worker works for more than 40 hours a week. There are 90 direct workers.

The target productivity ratio (or efficiency ratio) for the productive hours worked by the direct workers in actually manufacturing the products is 80% ; in addition the non - productive downtime is budgeted at 20% of the productive hours worked.

There are twelve 5 day weeks in the budget period and it is anticipated that sales and production will occur evenly throughout the whole period.

It is anticipated that stock at the beginning of the period will be :

Product A 1,020 units ; Product B 2,400 units ; Raw material 4,300 kgs.

The target closing stock expressed in terms of anticipated activity during the budget period are :

Product A 15 days sales ; Product B 20 days sales ; Raw material 10 days consumption.

Required : Calculate the material purchases budget and the wages budget for the direct workers, showing the quantities and values, for the next period.