

**CHAPTER-12**

**BUDGETARY CONTROL**

**Ans.1.**

**Flexible Budget**

Particulars	Basis	Level of Activity			
		80%	90%	100%	110%
Sales		6,00,000	6,75,000	7,50,000	8,25,000
Administrative Costs					
Office Salaries	Fixed	90,000	90,000	90,000	90,000
General Expenses	2% of Sales	12,000	13,500	15,000	16,500
Depreciation	Fixed	7,500	7,500	7,500	7,500
Rates & Taxes	Fixed	8,750	8,750	8,750	8,750
<b>Total Admn. Costs</b>	<b>(A)</b>	<b>1,18,250</b>	<b>1,19,750</b>	<b>1,21,250</b>	<b>1,22,750</b>
Selling Costs					
Salaries	8% of Sales	48,000	54,000	60,000	66,000
Travelling Expenses	2% of Sales	12,000	13,500	15,000	16,500
Sales Office Expenses	1% of Sales	6,000	6,750	7,500	8,250
General Expenses	1% of Sales	6,000	6,750	7,500	8,250
<b>Total Selling Costs</b>	<b>(B)</b>	<b>72,000</b>	<b>81,000</b>	<b>90,000</b>	<b>99,000</b>
Distribution Costs					
Wages	Fixed	15,000	15,000	15,000	15,000
Rent	1% of Sales	6,000	6,750	7,500	8,250
Other Expenses	4% of Sales	24,000	27,000	30,000	33,000
Total Distribution Costs	(C)	45,000	48,750	52,500	56,250
<b>Total Costs</b>	<b>(A) + (B) + (C)</b>	<b>2,32,250</b>	<b>2,49,500</b>	<b>2,63,750</b>	<b>2,78,000</b>

**Note :** In the absence of specific information, it is assumed that Office Salaries, Depreciation, Rates & Taxes and Wages remain the same at 110% level of activity also. But, in practice, these costs may change when existing capacity is increased.

**Ans.2.1. Production Budget (in units)**

Quarter	I	II	III	IV	Total
Budg. Sales (given)	30,000	37,500	41,250	45,000	1,53,750
<b>Add : Clg. Stock</b>	11,500	12,250	13,000	(given) 16,250	16,250
	41,500	49,750	54,250	61,250	1,70,000
<b>Less : Opg. Stock</b>	(given) 10,000	11,500	12,250	13,000	10,000
<b>Budgeted Prodn.</b>	<b>31,500</b>	<b>38,250</b>	<b>42,000</b>	<b>48,250</b>	<b>1,60,000</b>
(Q. 4. production is bal. figure)	(80% of 30,000)	(80% of 30,000)	(80% of 30,000)	(80% of 30,000)	(80% of 30,000)
	+	+	+	+	+
based on Total Column)	20% of 37,500)	20% of 37,500)	20% of 37,500)	20% of 37,500)	20% of 37,500)

**Note :** Opening and Closing Stock of Finished Goods for the variou Quarters are filled up as balancing figures.

**2. Raw Material Consumption Budget in Quantity**

Quarter	I	II	III	IV	Total
Budgeted Production Quantity	31,500	38,250	42,000	48,250	1,60,000
Raw Material Consumption p.u.	2 Kg.	2 Kg.	2 Kg.	2 Kg.	----
Budgeted RM Consumption	<b>63,000 Kg.</b>	<b>76,500 Kg.</b>	<b>84,000 Kg.</b>	<b>96,500 Kg.</b>	<b>3,20,000 Kg.</b>

**3. Raw Material Purchase Budget (in quantity)**

Budgeted Raw Material Consumption	3,20,000 Kg.
Add : Closing Stock of Raw Material	5,000 Kg.
	3,25,000 Kg.
Less : Opening Stock of Raw Material	10,000 Kg.
Budgeted Raw Material Purchases	<b>3,15,000 Kg.</b>

**4. Raw Material Purchase Budget (in Quantities and Values)**

Quarter	% of Annual Requirement (Qty.) for purchasing RM	Quantity of RM to be purchased	Rate per kg.	Cost of RM Purchase
I	30%	3,15,000 x 30% = 94,500 Kg.	Rs.2 / Kg.	₹ 1,89,000
II	50%	3,15,000 x 50% = 1,57,500 Kg.	Rs.3 / Kg.	₹ 4,72,500
III	20%	3,15,000 x 20% = 63,000 Kg.	Rs.4 / Kg.	₹ 2,52,000
<b>Total</b>		<b>3,15,000 Kg.</b>		<b>₹ 9,13,500</b>

**5. Priced Stores Ledger Card of the Raw Material (using FIFO method)**

Qtr.	Opening Stock			Purchases			Consumption			Closing Stock		
	Kg.	Rate	Value	Kg.	Rate	Value	Kg.	Rate	Value	Kg.	Rate	Value
I	10,000	2	20,000	94,500	2	1,89,000	63,000	2	1,26,000	41,500	2	83,000
II	41,500	2	83,000	1,57,500	3	4,72,500	41,500	2	83,000			
							35,000	3	1,05,000	1,22,500	3	3,67,500
III	1,22,500	3	3,67,500	63,000	4	2,52,500	84,000	3	2,52,000	38,500	3	1,15,500
										63,000	4	2,52,000
IV	38,500	3	1,15,500	----	----	----	38,500	3	1,15,500			
	63,000	4	2,52,000				58,000	4	2,32,000	5,000	4	20,000

**Ans.3. 1. Production Budget**

Particulars	Product A (units)	Product B (units)
Sales (for 12 x 5 = 60 days)	(given) 3,600	(given) 4,800
<b>Add</b> : Closing Stock (for 15 and 20 days)	3,600 x 15/60 = 900	4,800 x 20/60 = 1,600
<b>Less</b> : Opening Stock	(given) 1,020	(given) 2,400
Budgeted Production	<b>3,480</b>	<b>4,000</b>
Raw Materials required per unit	5 kg.	3 kg.
Budgeted Raw Materials usage	3,480 x 5 = 17,400 kg.	4,000 x 3 = 12,000 kg.
Direct Labour Hours required per unit	5 hrs.	4 hrs.
Std. Hours for budgeted production	3,480 x 5 = 17,400 hrs.	4,000 x 4 = 16,000 hrs.

**2. Material Purchase Budget**

Budgeted Raw Materials Usage = 17,400 + 12,000	= 29,400 kg. (for 60 days)
Add : Closing Stock (for 10 days consumption) = 29,400 x 10 / 60	= 4,900 kg.
Less : Opening Stock of Raw Materials = Given	= 4,300 kg.
Cost of Materials to be purchased at Rs.12 per kg.	= ₹ 3,60,000

**3. Labour Hours and Cost Budget**

Standard Hours for Budgeted Production = 17,400 + 16,000	= 33,400 hours
Revised Hours for Production at 80% efficiency = 33,400 80%	= 41,750 hours
Add : Non - productive Downtime 20% of 41,750	= 8,350 hours
Hours Required to be worked / paid for	= 50,100 hours
Less : Normal Working Hours (90 workers x 60 days x 8 hours)	= 43,200 hours
Balance Overtime hours required	= 6,900 hours
Total Wages Payable : Normal Time at ₹ 8 p.h. = 43,200 x ₹ 8	= ₹ 3,45,600
Overtime at ₹ 12 p.h. = 6,900 x ₹ 12	= ₹ 82,800
<b>Total</b>	<b>₹ 4,28,400</b>