International Islamic University Chittagong
Department of Business Administration
Program: BBA Semester: Autumn 2022
Advanced Managerial Accounting (ACC-4808)
Mid-term Examination

Time: 1.5 hours | Full Marks: 30

Answer all of the following questions.

Question No. 1 CLO 02 2+8 = 10

a) What is mean by CM ratio? How is this ratio useful in making decision?

b) Samsung Company manufactures and sells a telephone answering machine. The company's contribution format income statement for the most recent year is given below:

Sales (20000 units)	$1,200,000	$60
Less: Variable Expense	900,000	45
Contribution Margin	300,000	$15
Less: Fixed Expense	240,000	
Net Income	60000	

Management is anxious to improve the company's profit performances and has asked for an analysis of a number of items.

Required: i.Compute the company's CM ratio and variable expense ratio. ii. Compute the company's break-even point in both units and sales dollars and show the graph. iii. Assume that sales increase by $250,000 next year, by how much will the company's net income increase? iv. Assume that next year management wants to earn a minimum profit of $60000. How many units will have to be sold to achieve this target profit? v. Compute the company's margin of safety in both dollars and percentage form. vi. Compute the company's degree of operating leverage at present level of sales. vi. Assume that sales increase by 20% next year, by how much will the company's net income increase? vii. Assume that variable expense increase by $3 per unit and fixed cost decrease by $ 40000. What will the new break-even point if these changes are adopted?

Question No. 2 CLO 01 2+2+ 6=10

a) Why self-imposed budget is better than other budget?
b) Describe the components of master budget.
c) The production department of Priston Company has submitted the following forecast of units to be produced by quarter for the upcoming fiscal year.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Units to be produced	4500	5000	7500	3000

In addition, the beginning raw materials inventory for the 1st quarter is budgeted to be 4800 pounds. Each unit requires four pound of raw materials that costs $2.5 per pound. Management desires to end each quarter with an inventory of raw materials equal to 25% of the following quarter's production needs. The desired ending inventory for the 4th quarter is 3700 pounds. Prepare a direct materials budget.