

ST. PHILOMENA'S COLLEGE (AUTONOMOUS), MYSORE
PG DEPARTMENT OF COMMERCE

QUESTION BANK (Revised Curriculum 2018-20)
SECOND YEAR- THIRD SEMESTER (2018-20 Batch)

Sub: Code- C0330 COURSE TITLE (PAPER TITLE): MANAGEMENT ACCOUNTING- MARGINAL COSTING AND DECISION MAKING-PAPER A QP Code: 53205

UNIT	Sl. No.	QUESTIONS	MARKS									
1	1.	State the differences between Marginal Costing and Absorption Costing.	5									
1	2.	Distinguish between a.) Avoidable and unavailable Costs b.) Opportunity costs and imputed costs	5									
1	3.	Mention and explain the features of Marginal Costing	5									
1	4.	Mention and explain the advantages of Absorption Costing	5									
1	5.	Mention and explain the disadvantages of Marginal Costing	5									
1	6.	Mention the steps of preparation of Absorption costing	5									
1	7.	Mention and explain the disadvantages for Absorption Costing	5									
1	8.	Mention and explain the advantages for Marginal Costing	5									
2	9.	Determine the amount of fixed expenses from the following particulars Sales Rs 2,40,000 Direct Materials Rs 80,000 Direct Labour Rs 50,000 Variable Overheads Rs 20,000 Profit Rs 50,000	5									
2	10.	Calculate PV ratio from the following information A Given selling price Rs 10 Per unit Variable Cost per unit Rs 6 A given Profits and sales of two periods as under	5									
<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Sales (Rs)</th> <th>Profits (Rs)</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>1,50,000</td> <td>20,000</td> </tr> <tr> <td>2007</td> <td>1,70,000</td> <td>25,000</td> </tr> </tbody> </table>				Year	Sales (Rs)	Profits (Rs)	2006	1,50,000	20,000	2007	1,70,000	25,000
Year	Sales (Rs)	Profits (Rs)										
2006	1,50,000	20,000										
2007	1,70,000	25,000										
2	11.	From the following particulars a. Contribution b. PV ratio c. Break Even Point in units and in rupees d. What will be the selling price per unit if the breakeven point is brought down to 25,000 units?	5									
<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Particulars</th> <th>Rs</th> </tr> </thead> <tbody> <tr> <td>Fixed Expenses</td> <td>1,50,000</td> </tr> <tr> <td>Variable Cost Per unit</td> <td>10</td> </tr> <tr> <td>Selling Price per unit</td> <td>15</td> </tr> </tbody> </table>				Particulars	Rs	Fixed Expenses	1,50,000	Variable Cost Per unit	10	Selling Price per unit	15	
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2	12.	The following data are related to ABC Ltd for the year 2018 and 2019	5									
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Year	Sales	Profit/ Loss										
2018	12,00,000	(2,00,000)										
2019	20,00,000	2,00,000										
Assuming that the cost structure and selling price is the same. Determine fixed cost, variable cost and BEP.												
2	13.	From the following information relating to a company find out a)	5									

Contribution b) BEP in units c) Margin of safety d) profit

Total Fixed Costs	Rs 4500
Total Variable Costs	Rs 7500
Total Sales	Rs 15000
Units Sold	5000

Also calculate the volume of sales to earn profit of Rs 6000

- 2 14. **The following data are related to ABC Ltd for the year 2018 and 2019** 5

Year	Sales	Profit/ Loss
2018	15,00,000	(4,00,000)
2019	25,00,000	4,00,000

Assuming that the cost structure and selling price is the same. Determine fixed cost, variable cost and BEP.

- 2 15. **From the following particulars** 5

Contribution

PV ratio

Break Even Point in units and in rupees

What will be the selling price per unit if the breakeven point is brought down to 25,000 units?

Particulars	Rs
Fixed Expenses	2,00,000
Variable Cost Per unit	10
Selling Price per unit	15

- 2 16. **From the following particulars** 5

Contribution

PV ratio

Break Even Point in units and in rupees

What will be the selling price per unit if the breakeven point is brought down to 15,000 units?

Particulars	Rs
Fixed Expenses	4,00,000
Variable Cost Per unit	20
Selling Price per unit	25

- 2 17. **Determine the amount of fixed expenses from the following particulars** 5

Sales Rs 3,40,000

Direct Materials Rs 90,000

Direct Labour Rs 60,000

Variable Overheads Rs 25,000

Profit Rs 50,000

- 2 18. **Determine the amount of fixed expenses from the following particulars** 5

Sales Rs 5,40,000

Direct Materials Rs 70,000

Direct Labour Rs 50,000

Variable Overheads Rs 35,000

Profit Rs 60,000

- 2 19. **Calculate PV ratio from the following information** 5
 A Given selling price Rs 15 Per unit
 Variable Cost per unit Rs 8
 A given Profits and sales of two periods as under
- | Year | Sales (Rs) | Profits (Rs) |
|------|------------|--------------|
| 2017 | 2,50,000 | 30,000 |
| 2018 | 2,70,000 | 35,000 |
- 2 20. **Calculate PV ratio from the following information** 5
 A Given selling price Rs 10 Per unit
 Variable Cost per unit Rs 5
 A given Profits and sales of two periods as under
- | Year | Sales (Rs) | Profits (Rs) |
|------|------------|--------------|
| 2019 | 3,50,000 | 50,000 |
| 2020 | 3,70,000 | 55,000 |
- 2 21. A Ltd has earned contribution of Rs 4,00,000 and net profit of Rs 2,50,000 on sales of Rs 10,00,000. What is margin of safety? 5
 2 22. P Ltd has earned contribution of Rs 2,00,000 and net profit of Rs 1,50,000 on sales of Rs 15,00,000. What is margin of safety? 5
 2 23. X Ltd has earned contribution of Rs 2,00,000 and net profit of Rs 3,50,000 on sales of Rs 20,00,000. What is margin of safety? 5
 2 24. Define the term break even analysis? Enumerate its uses 5
 2 25. Distinguish between Contribution and profit. 5
 2 26. Define the margin of safety? How do you compute Margin of safety? 5
 2 27. Define the contribution? How does it help management in solving various problems? 5
 2 28. Write a note on a) Angle of incidence b) margin of safety 5
 2 29. Define break even analysis? What are the assumptions benefits and limitations of breakeven analysis? 5
 2 30. Distinguish PV charts from Break even charts. 5
 31. Briefly explain the assumptions underlying cost volume profit analysis? 5
 2 32. Give various uses of P/V Ratio 5
 3 33. Write short notes on Profit Planning and Decision Making 5
 3 34. In a purely competitive market 10,000 pocket transistors can be manufactured and sold and certain profit is generated. It is estimated that 2,000 pocket transistors need to be manufactured and sold in a monopoly market to earn the same profit. Profit under both the conditions is targeted at Rs.2,00,000. The variable cost per transistor is Rs.100 and the total fixed costs are Rs.37,000. You are required to find out unit selling prices both under monopoly and competitive conditions. 5
 3 35. In a purely competitive market 15,000 pocket transistors can be manufactured and sold and certain profit is generated. It is estimated that 4,000 pocket transistors need to be manufactured and sold in a monopoly market to earn the same profit. Profit under both the conditions is targeted at Rs.4,00,000. The variable cost per transistor is Rs.100 and the total fixed costs are Rs.27,000. You are required to find out unit selling prices both under monopoly and competitive conditions. 5
 3 36. K Limited produces varieties of products each heaving a no number of components parts. B takes 5 hours to process on a machine working to full capacity. B has a selling price of a Rs.50 and a marginal cost of Rs.30 per unit. 'A-

10' component parts used for product A could be made on same machine in 2 hours for a variable cost of Rs.5 per unit. The supplier's price is Rs.12.50. Should K Limited make or buy A-10 component. Assumed that machine hour is the limiting factor.

- 3 37. Ridewell Limited purchases 20,000 bells per annum from an outside supplier at 5
Rs.5 each. The management feels that these be manufactured and not purchased. A machine costing Rs.50,000 will be required to manufacture the item within the factory. The machine has the annual capacity of the 30,000 units and life of 5 years. The following additional information is available
Material cost per bell - Rs.2
Labour cost per bell - Rs.1
Variable overhead - 100% of Labour cost
You are required to advise whether
a.) the company should continue to purchase the bells from the outside supplier or should make them in the factory and,
b.) the company should accept an offer to supply 5,000 bells to the market at a selling price of Rs.4.50 per unit.

- 3 38. Jayanthi Ltd manufactures a product Alfa. The present cost structure is Rs.40 per unit including Rs.16 fixed cost with 30,000 units of manufacturing. Normal selling price is Rs.60. Total capacity is 40,000 units but the market is very limited. Factory manager is interested to supply 4,000 units to another factory. Quote the minimum possible price assuming that contribution ratio to marginal cost should be the same as earned on usual sales. 5

- 3 39. Z limited producers and uniform type of article and has a capacity on producing 1,500 units per week of 48 hours. The following information shows the different elements off cost for the three consecutive weeks of 48 hours each, when the output has changed from week to week. 5

Units produced	Materials (Rs.)	Labour(Rs.)	Factory overhead(Rs.)
400	800	1,600	3,800
500	1,000	2,000	4,000
800	1,600	3,200	4,600

You are asked to find out selling price per unit when the weekly output will be 1,000 units and a profit of 10% on selling price will have to be made

- 3 40. A new product was manufactured by Shobha Ltd and was placed for sale in three regional markets for launching it nationally. Three prices were selected for testing each market. From the following particulars ascertain the price to give maximum profitability: 5

Selected prices (per unit)	10	12.5	15
Estimated sales(Nos.)	800	600	300
Variable costs (Total):			
Production (Rs.)	2,520	1,890	945
Selling (Rs.)	400	350	200
Traceable Fixed Cost (Rs.)	700	700	600

- 4 41. Define Value Analysis. Briefly explain its importance 5
4 42. Briefly explain the objectives of the reporting 5
4 43. Define Value Engineering and Briefly explain the merits of Value Analysis 5
4 44. Briefly explain modes of reporting 5

- 1 45. Following data relate to XYZ Company: 10

Normal capacity 60,000 units per month
 Variable cost @ Rs.30 per unit.
 Actual production 66,000 units.
 Sales– Nil.
 Fixed manufacturing overheads Rs.3,00,000 per month or Rs.4.50 per unit at normal capacity.
 Other fixed expenses Rs.10,000.

You are required to prepare income statement under:

- (a) Absorption costing and
- (b) Marginal costing.

1 46. Following data relate to XYZ Company: 10

Output and sales 60,000 units. Sale price per unit Rs.15. Material and Labour cost per unit Rs. 8 Production overheads: Variable Rs.2 per unit Fixed Rs.40,000. Other fixed overheads Rs.2,00,000.

Prepare income statement under:

- (a) Absorption costing and
- (b) Marginal costing.

1 47. ABC Ltd supplies you the following data for the year ending 31st March 2019 10

Production 2200 units and sales 2000 units
 Variable manufacturing cost per unit Rs 28
 Total fixed manufacturing cost overhead Rs 8800
 Variable selling and administration overhead Rs 2 per unit.
 Fixed selling and administration over head Rs 1600.
 Selling Price per unit is Rs 50

Prepare

- An income statement under marginal costing
- An income statement under absorption costing

1 48. PQR Ltd supplies you the following data for the year ending 31st March 2020 10

Production 2400 units and sales 2000 units
 Variable manufacturing cost per unit Rs 48
 Total fixed manufacturing cost overhead Rs 9800
 Variable selling and administration overhead Rs 2 per unit.
 Fixed selling and administration over head Rs 1600.
 Selling Price per unit is Rs 40

Prepare

- An income statement under marginal costing
- An income statement under absorption costing

1 49. From the information given below, prepare income statements for the month of June 2019 under absorption Costing technique 10

Selling Price	Rs 50
Direct Material cost per unit	Rs 18
Direct Labor Cost per Unit	Rs 4
Variable production overheads per unit	Rs 3
Monthly Costs	
Fixed Production overheads	Rs 99000
Fixed Administration expenses	Rs 25000
Production during the month	12000 units
Sales during the month	10000 units

2 50. Star Ltd Manufactures and sells a standard product at fixed selling price. The 10

budgeted figures for the year 2006 are as under

Particulars	
Production and sales	2,00,000 units
Variable Cost	Rs 56000 per unit
Fixed Cost	Rs 4,80,0000 per annum
Profit Margin	33 $\frac{1}{3}$ % of selling price

You are required to determine selling price per unit and sales at break-even point in terms of quantity and value at the above selling price for the budgeted year.

- 2 51. **A Limited has two factories X and Y producing the same article whose selling price is Rs 150 per unit. The following are the other particulars** 10

Particulars	Factory X	Factory Y	Total
Capacity (units)	10,000	15,000	25,000
Variable Cost per unit	Rs 100	Rs 120	-
Fixed Expenses	Rs 3,00,000	Rs 2,10,000	Rs 5,10,000

Determine the BEP for the two factories and for the company as a whole assuming (a) constant mix sales (b) variables Sales Mix.

- 2 52. The following data are obtained from the records of a factory 10

Particulars	Rs	Rs
Sales 4000 units at Rs 25 per unit		1,00,000
Materials Consumed	40,000	
Variable Overheads	20,000	
Labor Charges	10,000	
Fixed Overheads	18,000	
Total		88,000
Net Profit		12,000

Calculate

Number of units by selling which company will neither lose nor gain anything.

Sales needed to earn a profit of 20% on sales.

Extra units which should be sold to obtain the present profit if it is proposed to reduce the selling price by 20% and 25%.

Selling Price to be fixed to bring down its BEP to 500 units under present conditions

- 2 53. **A company has fixed expenses of Rs 90,000 with sales at Rs 3, 00,000 and a profit of Rs 60,000 during the first half year. If in the next half year, the company suffered a loss of Rs 30,000. Calculate** 10

The P/V ratio, break-even point and margin of safety for the first half year

Expected sales volume for the next half year assuming that selling price and fixed expenses remain unchanged.

The break-even point and margin of safety for the whole year.

- 2 54. **Assuming that the cost structure and selling prices remain same in periods I and II find out** 10

PV ratio

Fixed Cost

Break- even Point for Sales

Profit when sales are Rs 1,00,000

Sales required to earn a Profit of Rs 20,000

Margin of Safety at a Profit of Rs 15,000
Variable Cost in Period II

Period	Sales	Profit
I	1,20,000	9,000
II	1,40,000	13,000

- 2 55. 'XYZ' manufacture company produces chairs. An analysis of their accounting reveals. 10

Fixed Cost Rs 5, 00,000 for the year

Variable cost Rs 200 per chair

Capacity 2,000 chairs per year

Selling price Rs 700 per Chair

a) Find BEP

b) Find the number of chairs to be sold to get profit of Rs 3, 00,000

c) What will be the answer for (a) and (b) if the selling price changes to Rs 600 per chair?

- 2 56. E Ltd Manufactures and sells a single product X whose price is Rs 40 per unit and variable cost of Rs 16 per unit. If the fixed costs for the year are Rs 4, 80,000 and the annual sales are at 60% Margin of Safety. Calculate the rate of return on sales, assuming an income tax level of 35%. 10

- 2 57. From the following data Calculate 10

a) Break Even point expressed in amount of sales in rupees and

b) Number of units that must be sold to earn profit of Rs 1, 60,000 per year.

Selling Price Rs 20 per unit;

Variable manufacturing cost Rs 11 per unit;

Variable Selling Cost Rs 3 per unit;

Fixed factory overheads Rs 5, 40,000 per year and

Fixed Selling cost Rs 2, 20,000 per year.

- 2 58. RS manufacturing Ltd budgets production of Rs 3, 00,000 units at a variable cost of Rs 10 each. The fixed costs are Rs 20, 00,000. The selling price is fixed to yield 20% on cost. 10

You are required to calculate a) PV ratio and b) break even production units.

- 2 59. From the following data, calculate 10

Breakeven point expressed in amount of sales in rupees

Number of units that must be sold to earn a profit of Rs 1, 20,000 per year.

How many units are to be sold to earn a net income of 15% of sales?

Selling Price per unit	Rs 40
Variable manufacturing cost per unit	Rs 22
Variable Selling cost per unit	Rs 3
Fixed Factory overheads	Rs 1,60,000
Fixed Selling Cost	Rs 20,000

- 2 60. The sales turnover and profit during two years were as follows: 10

Year	Sales (Rs)	Profit (Rs)
1988	1,50,000	20,000
1989	1,70,000	25,000

You are required to calculate

The PV ratio

The Breakeven point

The sales required to earn a profit of Rs 40,000

The profit made when sales are Rs 2,50,000
 The Margin Safety at profit of Rs 50,000
 Variable Cost of two years

- 2 61. **Indian Plastics make plastic buckets. An analysis of their accounting reveals** 10
 Variable cost Rs 20
 Fixed Cost Rs 50,000 for the year
 Capacity 2,000 buckets per year
 Selling price Rs 70
 a. Find Break Even Point
 b. Find the number of buckets to be sold to get profit of Rs 30,000
 c. If the company can manufacture 600 buckets more per year with an additional fixed cost of Rs 2000. What should be the selling price to maintain the profit per bucket as at (b?)

- 2 62. **From the following data calculate** 10
 Break -even point expressed in amount of sales in rupees.
 Number of units that must be sold to earn a profit of Rs 60,000 per year.
 How many units are to be sold to earn a net income of 10% of sales?

Sales Price	Rs 20 per unit
Variable manufacturing costs	Rs 11 per unit
Variable Selling cost	Rs 3 per unit
Fixed Factory overheads	Rs 5,40,000 per year
Fixed Selling Cost	Rs 2,52,000 per year

- 2 63. A company budgets for a production of 1,50,0000 units. The variable cost per unit is Rs 14 and fixed cost is Rs 2 per unit. The company fixes its selling price to fetch a profit of 15% on cost. 10
 a. What is the breakeven point?
 b. What is the profit volume ratio?
 c. If it reduces it's selling price by 5 % how the revised selling price affects the breakeven point and profit volume ration?
 d. If profit increases of 10% are desired more than the budget, what should be the sales at the reduced prices

- 2 64. **Find out** 10
 BEP sales if budgeted output is 60,000units fixed cost is Rs 4, 00,000 sales per unit is Rs 10.
 Calculate sales, if marginal cost id Rs 3400 and PV ratio is 20%
 Find out the margin of safety if profit is Rs 30,000 and PV ratio is 40%.
 Find PV ratio, if fixed cost is Rs 15,000 and Break even Sales are Rs 25,000.

- 2 65. **Find out** 10
 BEP sales if budgeted output is 80,000units fixed cost is Rs 3, 00,000 sales per unit is Rs 15.
 Calculate sales, if marginal cost id Rs 2400 and PV ratio is 20%
 Find out the margin of safety if profit is Rs 20,000 and PV ratio is 30%.
 Find PV ratio, if fixed cost is Rs 10,000 and Break even Sales are Rs 25,000.

- 2 66. The price structure of a Cycle made by the Cycle Company Ltd is as follows 10

Particulars	Per Cycle (Rs)
Materials	60
Labor	20
Variable Overheads	20

Fixed Overheads	50
Profit	50
Selling Price	200

This is based on the manufacture of the one lakh cycle per annum. The company expects that due to competition they will have to reduce selling prices, but they want to keep the total profits intact.

How many cycles will have to be made to get the same amount of profit if:

- The selling price is reduced by 10%
- The selling price is reduced by 20%

- 3 67. A company produces and markets industrial containers and packing cases. Due to competition the company purposes to reduce the selling price. If the present level of profit is to be maintained, indicate the number of units to be sold if the proposed reduction in selling price is 10

- 5%
- 10%
- 15%

Particulars	Rs.	Rs.
Sales turnover (30,000 units)		3,00,000
Variable cost (30,000 units)	1,80,000	
Fixed cost	70,000	
Total cost		2,50,000
Profit		50,000

- 3 68. A company has a capacity of producing 1,00,000 units of a certain product a month. The sales department reports that following schedule of selling price is possible: 10

Volume of production	Selling price per unit
60%	0.90
70%.	0.80
80%.	0.75
90%.	0.67
100%.	0.61

The variable costs of manufacture between these levels are Rs.0.15 per unit and fixed costs Rs.40,000. At what volume (level) of production will the profit be maximum?

- 3 69. Indian Rupee Ltd. has three departments, each of which makes a different product. 10
 Cost and related data for the last year (not expected to change next year) are as follows:

Particulars	Department		
	A(Rs.)	B(Rs.)	C(Rs.)
Sales	80,000	40,000	60,000
Marginal costs:			
Direct materials	10,000	5,000	10,000
Direct labour	4,000	5,000	16,000
Variable overheads	10,000	5,000	20,000
Fixed costs Rs.50,000			

The manager of C department is very perturbed by the result. The product being made has as assured market and there is no other product which could be substituted for the product already being made. Prime and variable costs are down to a low level and there is little hope of these being reduced further. The fixed costs traceable to a particular department are:

A - Rs.14,000; B - Rs.8,000; C- Rs.16,000

The balance of fixed costs is common to all the departments. You are required to present the information in the most suitable manner indicating whether or not department C should be closed down.

- 3 70. 10

Particulars	Rs.	Rs.
Direct Materials		5
Direct Wages		3
Factory Overheads		
Fixed	0.5	
Variable	0.5	1
Administrative Expenses		0.75
Selling and Distribution O/H		
Fixed	0.25	
Variable	0.25	0.5
Total cost		10.25

Selling price per unit is Rs.12. The above figures are for an output of 50,000 units. The capacity of the firm is 65,000 units. A foreign customer desires to buy 15,000 units at Rs.10 per unit. Advise the manufacturer whether the order should be accepted. What would be your advice if the order was from my local Merchant?

- 3 71. The Everest snow company manufactures and sells direct to customers of 10,000 jars of 'Everest Snow' per month at Rs.1.25 per jar. The company's production capacity is 20,000 jars of Snow per month. An analysis of cost for 10,000 jars given below: 10

Particulars	Rs.
Direct Materials	1,000
Direct Labour	2,475
Power	140
Miscellaneous expenses	430
Jars	600
Fixed expenses of selling	7955
Total	12,600

The company has received an offer for the export under a brand name of 1,20,000 jars of Snow and 10,000 jars per month at Rs.0.75 per jar. Give your view on acceptance or non-acceptance of the offer.

- 3 72. A Firm is producing a product and it is expecting to sell at Rs.120 per unit. The cost breakup is as follows: 10

Material - Rs.20

Labour -Rs. 10

Variable overhead - Rs.5

Fixed manufacturing overhead - Rs. 10

Fixed administration overhead - Rs.40

At present the firm is operating and selling 50,000 units though the installed capacity is 80,000 units. A foreign dealer is demanding 30,000 units at Rs.80 per unit instead of Rs.120 per unit. Advice the management regarding the acceptance of the offer.

- 3 73. Sri Ram prasad manufactures lighters. He sells his product at Rs.20 each and makes a profit of Rs. 5 on each lighter. He worked 50% capacity of his machinery capacity at 50,000 lighters. The cost of each lighter is as under 10

Particulars	Rs.
Direct material	6
Wages	2
Works overhead	5(50% fixed)
Selling expenses	2 (25% variable)

His anticipation for the next year is that the cost will go up as under:

Fixed charges - 10%

Direct Labour- 20%

Material - 5%

There will not be any change in the selling price. There is an additional order for 20,000 lighters in the next year. What is the lowest rate he can quote so that he can earn the same profit as the current year?

- 4 74. Explain several types of reports prepared at various levels. 10

- 4 75. Briefly explain the procedures underlying Value analysis. 10

- 4 76. Define the term "Reporting to Management" and the essential characteristics of a good report? 10

- 4 77. Explain methods of presentation of reports to the Management.

- 1 78. Your company has a production capacity of 2, 00,000 units per year. Normal capacity utilization is reckoned as 90%. Standard variable production costs are Rs 11 per unit. The fixed factory costs are Rs.3, 60,000 per year. Variable selling 15

costs are Rs.3 per unit and fixed selling costs are Rs.2, 70,000 per year. The unit selling price is Rs.20. In the year just ended on 30th June, 2010, the production was 1, 60,000 units and sales were 1, 50,000 units. The closing inventory on 30-6-2010 was 20,000 units. The actual variable production costs for the year were Rs.35,000 higher than the standard.

- (i) Calculate the profit for the year
 (a) By the absorption costing method, and
 (b) By the marginal costing method.
 (ii) Explain the difference in the profits.

- 3 79. A Ltd manufactures and sells 4 types of product under the brand name A, B, C and D. The mix in the value comprises of 33.3333%, 41.6667%, 16.6667%, and 8.3333% of A, B, C and D. The total budgeted sale is (100%) are Rs.60,000 per month. 15

Variable cost are:

- A – 60% of selling price
 B – 68% of selling price
 C – 80% of selling price
 D – 40% of selling price

Fixed cost - Rs.14,700 per month

- a.) Calculate BEP for the products on overall basis
 b.) It has been proposed to change the sale mix as under.

The total sales per month remaining Rs.60,000.

- A – 25%
 B – 40%
 C – 30%
 D – 5%

Assume that the proposal is implemented, Calculate BEP.

- 3 80. Two businesses A and B Ltd sell the same type of product in the same type of market. Their budgeted profit and loss account for the coming year is as follows 15

Particulars	Y (Rs.)	Z (Rs.)
Sales	1,50,000	1,50,000
Less: Variable cost	1,20,000	1,00,000
Contribution	30,000	50,000
Less: Fixed cost	15,000	35,000
Budgeted net profit	15,000	15,000

You are required to

- a. Calculate the Break Even Point of each business
 b. Calculate the sales volume at which each business will earn Rs.5,000 Profit.
 c. Calculate at which sales volume both the firms will earn equal profits
 d. State which business is likely to earn greater profits in conditions of
- High demand for the product
 - Low demand for the product
- Briefly give your reasons

81. Present the following information to show the management.

1. The marginal product cost and the contribution per unit
2. Total contribution and the profit resulting from each of the sales mixtures
3. The proposed sales mixtures to earn a profit of Rs.250 and Rs.300 with total sales of A and B being 300 units.

Particulars	A	B
Direct Materials per unit	10	9
Direct Wages per unit	3	2
Sales price per unit	20	15

Fixed expenses Rs.800 (variable expenses are allocated to products as 100% of direct wages)

Sales mixture:

- (a) 100 units of Product A and 200 of B
- (b) 150 units of product A and 150 of B
- (c) 200 units of product A and 100 of B

Recommend which of the sales mixtures should be adopted.

Note: The attached question paper is to be taken as a model question paper and all the M. Com III semester Question papers will have the similar pattern.

Q.P Code: 53205

St. Philomena's College (Autonomous) Mysore
III Semester M.Com Final Examination : November- 2019

Subject: MANAGEMENT ACCOUNTING

Title: Marginal Costing and Decision Making (SC)

Time: 3 Hours

Max Marks:70

PART – A

Answer any FIVE of the following questions:

5×5=25

1. State the difference between Marginal Costing and Absorption Costing.
2. What are the assumptions underlying under Break Even Analysis?
3. What is Contribution? How is it useful in decision making?
4. State the Managerial applications of Marginal Costing as a tool to Management.
5. What is meant by make or buy decisions? How is it useful to management?
6. What is Angle of Incidence? Draw a chart.
7. Calculate Margin of safety from the following
Sales – Rs.5,00,000
Material – Rs.2,00,000
Wages – Rs.1,50,000
Shut down cost (Fixed cost) – Rs.1,00,000
8. Calculate BEP in units and sales value of AB Ltd
Selling price per unit Rs.1,000.
Marginal cost per unit Rs.710
Fixed cost Rs.2,00,000

PART – B

Answer any THREE of the following:

3×10=30

9. Define Marginal Costing? Briefly explain the advantages and disadvantages of Marginal costing.
10. What do you mean by Reporting? Explain the objectives of reporting and its need at various levels of Management?

PTO

11. The following particulars relates to the company for the year 2017 and 2018

Year	Sales	Profit/Loss
2017	60,000	10,000 (Loss)
2018	1,00,000	10,000 (Profit)

Assuming that the cost structure and selling price remains the same find out.

- P/V ratio
 - Fixed Expenses
 - BEP
 - Profit when sales is Rs.1,50,000
 - Sales required to earn a profit of Rs,50,000
 - Variable cost for both years.
12. MN. Company Ltd has prepared the following budget for the year 2018
Sales 15,000 units at Rs.10/unit
Fixed expenses Rs.34,000
Variable cost Rs.6 per unit
Find out P/V ratio, BEP and Margin of Safety.
Also calculate revised P/V ratio and BEP in each of the following cases
- Decrease of 10% in selling price
 - Increase of 10% in variable cost.
 - Increase of sale volume by 2000 units.
 - Increase of Rs.6,000 in fixed cost.
13. The following figures relate to one year's working at 100% capacity level in a manufacturing business.

Particulars	Rs
Fixed overheads	1,20,000
Variable overheads	2,00,000
Direct wages	1,50,000
Direct materials	4,10,000
Sales	10,00,000

From the above calculate BEP. Show it by means of graph also.

M.A

PART – C

Case Study: (Compulsory)

1×15=15

14. Present the following information to show clearly to management

- a) The marginal product cost and the contribution per unit.
- b) The total contribution and profits resulting from each of the following mixtures

	Product	Price/unit
Direct material	A	10
Direct material	B	9
Direct Wages	A	3
Direct wages	B	2

Fixed Expenses Rs.800

Variable expenses are allotted to the products as 100% of direct wages

	Product	Price/unit
Sale price	A	20
Sale price	B	15

Sales Mixtures:

- a) 100 units of product A and 200 of B
- b) 150 units of product A and 150 of B
- c) 200 units of product A and 100 of B

MA
