ST. PHILOMENA’S COLLEGE (AUTONOMOUS), MYSORE

PG DEPARTMENT OF COMMERCE

QUESTION BANK {Revised Curriculum (LOCF) - 2020-22 Batch }

SECOND YEAR- THIRD SEMESTER (2020-22 Batch)

Sub: Code- C0510COURSE TITLE (PAPER TITLE): MANAGEMENT ACCOUNTING- MARGINAL COSTING AND DECISION MAKING-PAPER A QP Code: 83351

<table>
<tr><th>UNIT</th><th>Sl. No.</th><th>QUESTIONS</th><th>MARKS</th></tr>
<tr><td>1</td><td>1.</td><td>State the differences between Marginal Costing and Absorption Costing.</td><td>5</td></tr>
<tr><td>1</td><td>2.</td><td>Distinguish between
a.) Avoidable and unavailable Costs
b.) Opportunity costs and imputed costs</td><td>5</td></tr>
<tr><td>1</td><td>3.</td><td>Mention and explain the features of Marginal Costing</td><td>5</td></tr>
<tr><td>1</td><td>4.</td><td>Mention and explain the advantages of absorption costing</td><td>5</td></tr>
<tr><td>1</td><td>5.</td><td>Mention and explain the disadvantages of Marginal Costing</td><td>5</td></tr>
<tr><td>1</td><td>6.</td><td>Mention the steps of preparation of Absorption costing</td><td>5</td></tr>
<tr><td>1</td><td>7.</td><td>Mention and explain the disadvantages for Absorption Costing</td><td>5</td></tr>
<tr><td>1</td><td>8.</td><td>Mention and explain the advantages for Marginal Costing</td><td>5</td></tr>
<tr><td>2</td><td>9.</td><td>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</td><td>5</td></tr>
<tr><td>2</td><td>10.</td><td>Calculate PV ratio from the following information
a. A Given selling price Rs 10 Per unit
b. Variable Cost per unit Rs 6
c. A given Profits and sales of two periods as under
<table>
<tr><th>Year</th><th>Sales (Rs)</th><th>Profits (Rs)</th></tr>
<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>
</table></td><td>5</td></tr>
<tr><td>2</td><td>11.</td><td>From the following particulars
a. Contribution
b. PV ratio
c. Break-Even Point in units and rupees
d. What will be the selling price per unit if the breakeven point is brought down to 25,000 units?
<table>
<tr><th>Particulars</th><th>Rs</th></tr>
<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>
</table></td><td>5</td></tr>
</table>

<table>
<tr><td>2</td><td>12.</td><td>The following data are related to ABC Ltd for the year 2018 and 2019

<table>
<tr><th>Year</th><th>Sales</th><th>Profit/ Loss</th></tr>
<tr><td>2018</td><td>12,00,000</td><td>(2,00,000)</td></tr>
<tr><td>2019</td><td>20,00,000</td><td>2,00,0000</td></tr>
</table>
Assuming that the cost structure and selling price is the same. Determine fixed cost, variable cost, and BEP.</td><td>5</td></tr>
<tr><td>2</td><td>13.</td><td>From the following information relating to a company find out a) Contribution b) BEP in units c) Margin of safety) profit
<table>
<tr><td>Total Fixed Costs</td><td>Rs 4500</td></tr>
<tr><td>Total Variable Costs</td><td>Rs 7500</td></tr>
<tr><td>Total Sales</td><td>Rs 15000</td></tr>
<tr><td>Units Sold</td><td>5000</td></tr>
</table>
Also, calculate the volume of sales to earn a profit of Rs 6000</td><td>5</td></tr>
<tr><td>2</td><td>14.</td><td>The following data are related to ABC Ltd for the year 2018 and 2019

<table>
<tr><th>Year</th><th>Sales</th><th>Profit/ Loss</th></tr>
<tr><td>2018</td><td>15,00,000</td><td>(4,00,000)</td></tr>
<tr><td>2019</td><td>25,00,000</td><td>4,00,0000</td></tr>
</table>
Assuming that the cost structure and selling price is the same. Determine fixed cost, variable cost, and BEP.</td><td>5</td></tr>
<tr><td>2</td><td>15.</td><td>From the following particulars

Contribution
PV ratio
Break-Even Point in units and rupees
What will be the selling price per unit if the breakeven point is brought down to 25,000 units?

<table>
<tr><th>Particulars</th><th>Rs</th></tr>
<tr><td>Fixed Expenses</td><td>2,00,000</td></tr>
<tr><td>Variable Cost Per unit</td><td>10</td></tr>
<tr><td>Selling Price per unit</td><td>15</td></tr>
</table></td><td>5</td></tr>
<tr><td>2</td><td>16.</td><td>From the following particulars

Contribution
PV ratio
Break-Even Point in units and rupees
What will be the selling price per unit if the breakeven point is brought down to 15,000 units?

<table>
<tr><th>Particulars</th><th>Rs</th></tr>
<tr><td>Fixed Expenses</td><td>4,00,000</td></tr>
<tr><td>Variable Cost Per unit</td><td>20</td></tr>
<tr><td>Selling Price per unit</td><td>25</td></tr>
</table></td><td>5</td></tr>
<tr><td>2</td><td>17.</td><td>Determine the amount of fixed expenses from the following particulars

Sales Rs 3,40,000
Direct Materials Rs 90,000
Direct Labour Rs 60,000
Variable Overheads Rs 25,000
Profit Rs 50,000
</td><td>5</td></tr>
</table>

<table>
<tr><td>2</td><td>18.</td><td>Determine the amount of fixed expenses from the following particulars
Sales Rs 5,40,000
Direct Materials Rs 70,000
Direct Labour Rs 50,000
Variable Overheads Rs 35,000
Profit Rs 60,000</td><td>5</td></tr>
<tr><td>2</td><td>19.</td><td>Calculate PV ratio from the following information
A Given selling price Rs 15 Per unit
Variable Cost per unit Rs 8
A given Profits and sales of two periods as under
<table><tr><th>Year</th><th>Sales (Rs)</th><th>Profits (Rs)</th></tr><tr><td>2017</td><td>2,50,000</td><td>30,000</td></tr><tr><td>2018</td><td>2,70,000</td><td>35,000</td></tr></table></td><td>5</td></tr>
<tr><td>2</td><td>20.</td><td>Calculate PV ratio from the following information
A Given selling price Rs 10 Per unit
Variable Cost per unit Rs 5
A given Profits and sales of two periods as under
<table><tr><th>Year</th><th>Sales (Rs)</th><th>Profits (Rs)</th></tr><tr><td>2019</td><td>3,50,000</td><td>50,000</td></tr><tr><td>2020</td><td>3,70,000</td><td>55,000</td></tr></table></td><td>5</td></tr>
<tr><td>2</td><td>21.</td><td>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 the margin of safety?</td><td>5</td></tr>
<tr><td>2</td><td>22.</td><td>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 the margin of safety?</td><td>5</td></tr>
<tr><td>2</td><td>23.</td><td>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 the margin of safety?</td><td>5</td></tr>
<tr><td>2</td><td>24.</td><td>Define the term break-even analysis? Enumerate its uses</td><td>5</td></tr>
<tr><td>2</td><td>25.</td><td>Distinguish between Contribution and profit.</td><td>5</td></tr>
<tr><td>2</td><td>26.</td><td>Define the margin of safety? How do you compute the Margin of safety?</td><td>5</td></tr>
<tr><td>2</td><td>27.</td><td>Define the contribution? How does it help management in solving various problems?</td><td>5</td></tr>
<tr><td>2</td><td>28.</td><td>Write a note on a) Angle of incidence b) margin of safety</td><td>5</td></tr>
<tr><td>2</td><td>29.</td><td>Define break-even analysis? What are the assumptions benefits and limitations of breakeven analysis?</td><td>5</td></tr>
<tr><td>2</td><td>30.</td><td>Distinguish PV charts from Break-even charts.</td><td>5</td></tr>
<tr><td>2</td><td>31.</td><td>Briefly explain the assumptions underlying cost volume profit analysis?</td><td>5</td></tr>
<tr><td>2</td><td>32.</td><td>Give various uses of P/V Ratio</td><td>5</td></tr>
<tr><td>3</td><td>33.</td><td>Write short notes on Profit Planning and Decision Making</td><td>5</td></tr>
<tr><td>3</td><td>34.</td><td>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 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.</td><td>5</td></tr>
<tr><td>3</td><td>35.</td><td>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</td><td></td></tr>
</table>

<table>
<tr><td></td><td></td><td>to be manufactured and sold in a monopoly market to earn the same profit. Profit under both 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.</td><td></td></tr>
<tr><td>3</td><td>36.</td><td>K Limited produces varieties of products each having several components parts. B takes 5 hours to process on a machine working to full capacity. B has a selling price of Rs.50 and a marginal cost of Rs.30 per unit. 'A-10' parts used for product A could be made on the 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 components? Assumed that machine hour is the limiting factor.</td><td>5</td></tr>
<tr><td>3</td><td>37.</td><td>Ridewell Limited purchases 20,000 bells per annum from an outside supplier at 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 an annual capacity of 30,000 units and a 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.</td><td>5</td></tr>
<tr><td>3</td><td>38.</td><td>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. The normal selling price is Rs.60. The total capacity is 40,000 units but the market is very limited. The 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.</td><td>5</td></tr>
<tr><td>3</td><td>39.</td><td>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 of cost for the three consecutive weeks of 48 hours each when the output has changed from week to week.
<table>
<tr><th>Units produced</th><th>Materials (Rs.)</th><th>Labour(Rs.)</th><th>Factory overhead(Rs.)</th></tr>
<tr><td>400</td><td>800</td><td>1,600</td><td>3,800</td></tr>
<tr><td>500</td><td>1,000</td><td>2,000</td><td>4,000</td></tr>
<tr><td>800</td><td>1,600</td><td>3,200</td><td>4,600</td></tr>
</table>
You are asked to find out the selling price per unit when the weekly output will be 1,000 units and a profit of 10% on the selling price will have to be made</td><td>5</td></tr>
<tr><td>3</td><td>40.</td><td>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:
<table>
<tr><td>Selected prices (per unit)</td><td>10</td><td>12.5</td><td>15</td></tr>
<tr><td>Estimated sales(Nos.)</td><td>800</td><td>600</td><td>300</td></tr>
<tr><td>Variable costs (Total):</td><td></td><td></td><td></td></tr>
<tr><td>Production (Rs.)</td><td>2,520</td><td>1,890</td><td>945</td></tr>
<tr><td>Selling (Rs.)</td><td>400</td><td>350</td><td>200</td></tr>
<tr><td>Traceable Fixed Cost (Rs.)</td><td>700</td><td>700</td><td>600</td></tr>
</table></td><td>5</td></tr>
</table>

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:** • 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 an income statement under: (a) Absorption costing and (b) Marginal costing.	10
1	46.	**Following data relate to XYZ Company:** Output and sales 60,000 units. The sale price per unit is 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.	10
1	47.	**ABC Ltd supplies you the following data for the year ending 31st March 2019** a. Production 2200 units and sales 2000 units b. Variable manufacturing cost per unit Rs 28 c. Total fixed manufacturing cost overhead Rs 8800 d. Variable selling and administration overhead Rs 2 per unit. e. Fixed selling and administration overhead Rs 1600. f. The Selling Price per unit is Rs 50 **Prepare** • An income statement under marginal costing • An income statement under absorption costing	10
1	48.	**PQR Ltd supplies you with the following data for the year ending 31st March 2020** a. Production 2400 units and sales 2000 units b. Variable manufacturing cost per unit Rs 48 c. Total fixed manufacturing cost overhead Rs 9800 d. Variable selling and administration overhead Rs 2 per unit. e. Fixed selling and administration overhead Rs 1600. f. The Selling Price per unit is Rs 40 **Prepare** • An income statement under marginal costing • An income statement under absorption costing	10

<table>
<tr><td>1</td><td>49.</td><td>
From the information given below, prepare income statements for the month of June 2019 under absorption Costing technique
<table>
<tr><td>Selling Price</td><td>Rs 50</td></tr>
<tr><td>Direct Material cost per unit</td><td>Rs 18</td></tr>
<tr><td>Direct Labour Cost per Unit</td><td>Rs 4</td></tr>
<tr><td>Variable production overheads per unit</td><td>Rs 3</td></tr>
<tr><td>Monthly Costs
Fixed Production overheads</td><td>
Rs 99000</td></tr>
<tr><td>Fixed Administration expenses</td><td>Rs 25000</td></tr>
<tr><td>Production during the month</td><td>12000 units</td></tr>
<tr><td>Sales during the month</td><td>10000 units</td></tr>
</table>
</td><td></td></tr>
<tr><td>2</td><td>50.</td><td>
Star Ltd Manufactures and sells a standard product at a fixed selling price. The budgeted figures for the year 2006 are as under
<table>
<tr><td>Particulars</td><td></td></tr>
<tr><td>Production and sales</td><td>2,00,000 units</td></tr>
<tr><td>Variable Cost</td><td>Rs 56 per unit</td></tr>
<tr><td>Fixed Cost</td><td>Rs 4,80,0000 per annum</td></tr>
<tr><td>Profit Margin</td><td>$33\frac{1}{3}$% of the selling price</td></tr>
</table>
You are required to determine the selling price per unit and sales at the break-even point in terms of quantity and value at the above selling price for the budgeted year.
</td><td>10</td></tr>
<tr><td>2</td><td>51.</td><td>
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
<table>
<tr><td>Particulars</td><td>Factory X</td><td>Factory Y</td><td>Total</td></tr>
<tr><td>Capacity (units)</td><td>10,000</td><td>15,000</td><td>25,000</td></tr>
<tr><td>Variable Cost per unit</td><td>Rs 100</td><td>Rs 120</td><td>-</td></tr>
<tr><td>Fixed Expenses</td><td>Rs 3,00,000</td><td>Rs 2,10,000</td><td>Rs 5,10,000</td></tr>
</table>
Determine the BEP for the two factories and the company as a whole assuming (a) constant mix sales (b) variables Sales Mix.
</td><td>10</td></tr>
<tr><td>2</td><td>52.</td><td>
The following data are obtained from the records of a factory
<table>
<tr><td>Particulars</td><td>Rs</td><td>Rs</td></tr>
<tr><td>Sales 4000 units at Rs 25 per unit</td><td></td><td>1,00,000</td></tr>
<tr><td>Materials Consumed</td><td>40,000</td><td></td></tr>
<tr><td>Variable Overheads</td><td>20,000</td><td></td></tr>
<tr><td>Labor Charges</td><td>10,000</td><td></td></tr>
<tr><td>Fixed Overheads</td><td>18,000</td><td></td></tr>
<tr><td>Total</td><td></td><td>88,000</td></tr>
<tr><td>Net Profit</td><td></td><td>12,000</td></tr>
</table>
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 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

</td><td>10</td></tr>
<tr><td>2</td><td>53.</td><td>
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
</td><td>10</td></tr>
</table>

<table>
<tr><td></td><td></td><td>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.</td><td></td></tr>
<tr><td>2</td><td>54.</td><td>Assuming that the cost structure and selling prices remain the same in periods I and II find out
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
The margin of Safety at a Profit of Rs 15,000
Variable Cost in Period II
<table><tr><th>Period</th><th>Sales</th><th>Profit</th></tr><tr><td>I</td><td>1,20,000</td><td>9,000</td></tr><tr><td>II</td><td>1,40,000</td><td>13,000</td></tr></table></td><td>10</td></tr>
<tr><td>2</td><td>55.</td><td>‘XYZ’ manufacture company produces chairs. An analysis of their accounting reveals.
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 a 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?</td><td>10</td></tr>
<tr><td>2</td><td>56.</td><td>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%.</td><td>10</td></tr>
<tr><td>2</td><td>57.</td><td>From the following data Calculate
a) Break-Even point expressed in amount of sales in rupees and
b) Number of units that must be sold to earn a 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.</td><td>10</td></tr>
<tr><td>2</td><td>58.</td><td>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. You are required to calculate a) PV ratio and b) break-even production units.</td><td>10</td></tr>
</table>

<table>
<tr>
<td>2</td>
<td>59.</td>
<td>From the following data, calculate

A breakeven point expressed in Rupees
How many units must be sold to earn a profit of Rs 1, 20,000 per year?
How many units are to be sold to earn s net income of 15% of sales?

<table>
<tr><td>Selling Price per unit</td><td>Rs 40</td></tr>
<tr><td>Variable manufacturing cost per unit</td><td>Rs 22</td></tr>
<tr><td>Variable Selling cost per unit</td><td>Rs 3</td></tr>
<tr><td>Fixed Factory overheads</td><td>Rs 1,60,000</td></tr>
<tr><td>Fixed Selling Cost</td><td>Rs 20,000</td></tr>
</table>
</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>60.</td>
<td>The sales turnover and profit during two years were as follows:
<table>
<tr><th>Year</th><th>Sales (Rs)</th><th>Profit (Rs)</th></tr>
<tr><td>1988</td><td>1,50,000</td><td>20,000</td></tr>
<tr><td>1989</td><td>1,70,000</td><td>25,000</td></tr>
</table>
You are required to calculate
<ol type="a">
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 a profit of Rs 50,000
Variable Cost of two years

</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>61.</td>
<td>Indian Plastics make plastic buckets. An analysis of their accounting reveals

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 a 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?)
</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>62.</td>
<td>From the following data calculate

Break-even point expressed in amount of sales in rupees.
How many units 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?

<table>
<tr><td>Sales Price</td><td>Rs 20 per unit</td></tr>
<tr><td>Variable manufacturing costs</td><td>Rs 11 per unit</td></tr>
<tr><td>Variable Selling cost</td><td>Rs 3 per unit</td></tr>
<tr><td>Fixed Factory overheads</td><td>Rs 5,40,000 per year</td></tr>
<tr><td>Fixed Selling Cost</td><td>Rs 2,52,000 per year</td></tr>
</table>
</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>63.</td>
<td>A company budget for the production of 1,50,0000 units. The variable cost per unit is Rs 14 and the fixed cost is Rs 2 per unit. The company fixes its selling price to fetch a profit of 15% on cost.
a. What is the breakeven point?
b. What is the profit volume ratio?
c. If it reduces its selling price by 5 % how the revised selling price affects the breakeven point and profit volume ratio?
d. If profit increases of 10% are desired more than the budget, what should be the sales at the reduced prices
</td>
<td>10</td>
</tr>
</table>

<table>
<tr><td>2</td><td>64.</td><td>Find out
BEP sales if the budgeted output is 60,000units fixed cost is Rs 4, 00,000 sales per unit is Rs 10, VC = Rs. 2.
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.</td><td>10</td></tr>
<tr><td>2</td><td>65.</td><td>Find out
BEP sales if the budgeted output is 80,000units fixed cost is Rs 3, 00,000 sales per unit is Rs 15, VC = Rs. 3.
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.</td><td>10</td></tr>
<tr><td>3</td><td>66.</td><td>A firm is producing a product and it is expecting to sell at 120/unit the cost breakup of product is as follows.
Material =Rs.20
Labour =Rs.10
Variable O/H= Rs.5
Fixed manufacturing O/H= Rs.10
Fixed administration O/H= Rs.40/unit
At the 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/unit instead of Rs.120/unit. Advice the management regarding the acceptance of the offer.</td><td>10</td></tr>
<tr><td>3</td><td>67.</td><td>The following is the cost breakup of a company manufacturing tractors<table><tr><th>Particulars</th><th>Amount (Rs. In crores)</th></tr><tr><td>Direct material</td><td>2.5</td></tr><tr><td>Direct Labour</td><td>1</td></tr><tr><td>Variable O/H</td><td>0.5</td></tr><tr><td>Fixed administration O/H</td><td>1.25</td></tr><tr><td>Fixed Factory O/H</td><td>0.25</td></tr><tr><td>Profit</td><td>2.5</td></tr></table>
Determine:
Break-even value
PV ratio
Profit when sales are increased by ¼
Profit when the fixed cost is increased by 50%
Contribution when the variable cost is decreased by 20%
Revised Break-even point when the fixed cost is increased by 20%
Revised Break-even point when the variable cost is decreased by 20%</td><td>10</td></tr>
<tr><td>3</td><td>68.</td><td>A firm is selling a product at ⅕th margin and cost breakup is as follows.
Material = ¼
Labour = ⅛
Variable O/H = ⅛
Fixed O/H = ½
Unit selling price is Rs.2000 when 10,000 units are sold.
Calculate:
a. Contribution
b. PV ratio
c. Break even units
d. Break even value
e. Required sales to earn Rs.50,00,000</td><td>10</td></tr>
</table>

<table>
<tr><td>3</td><td>69.</td><td>Calculate Break-even point when the Labour is 2 times of material and Overheads are ¼ of labour. Profit on the sales is expected at 30% to equate to 100%. The selling price is Rs.5000/unit and 20,000 units are sold. Calculate Break even units and the value</td><td>10</td></tr>
<tr><td>3</td><td>70.</td><td>The trading details of the business is given below
<table>
<tr><th></th><th>2018</th><th>2017</th></tr>
<tr><td>Sales</td><td>50,00,000</td><td>30,00,000</td></tr>
<tr><td>Profit</td><td>4,00,000</td><td>-2,00,000</td></tr>
</table>
Calculate:
a) PV ratio
b) Break-even point
c) Margin of safety
d) Profit when sales are doubled
e) Required sales to double the Profit
f) Revised BEP when the contribution is changed by 10%</td><td>10</td></tr>
<tr><td>3</td><td>71.</td><td>The price structure of a Cycle made by the Cycle Company Ltd is as follows
<table>
<tr><th>Particulars</th><th>Per Cycle (Rs)</th></tr>
<tr><td>Materials</td><td>60</td></tr>
<tr><td>Labor</td><td>20</td></tr>
<tr><td>Variable Overheads</td><td>20</td></tr>
<tr><td>Fixed Overheads</td><td>50</td></tr>
<tr><td>Profit</td><td>50</td></tr>
<tr><td>Selling Price</td><td>200</td></tr>
</table>
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:
a. The selling price is reduced by 10%
b. The selling price is reduced by 20%</td><td>10</td></tr>
<tr><td>3</td><td>72.</td><td>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
a.)5%
b) 10%.
c.)15%
<table>
<tr><th>Particulars</th><th>Rs.</th><th>Rs.</th></tr>
<tr><td>Sales turnover (30,000 units)</td><td></td><td>3,00,000</td></tr>
<tr><td>Variable cost (30,000 units)</td><td>1,80,000</td><td></td></tr>
<tr><td>Fixed cost</td><td>70,000</td><td></td></tr>
<tr><td>Total cost</td><td></td><td>2,50,000</td></tr>
<tr><td>Profit</td><td></td><td>50,000</td></tr>
</table></td><td>10</td></tr>
<tr><td>3</td><td>73.</td><td>A company has a capacity of producing 1,00,000 units of a certain product a month. The sales department reports that the following schedule of the selling price is possible:
<table>
<tr><th>Volume of production</th><th>Selling price per unit</th></tr>
<tr><td>60%</td><td>0.90</td></tr>
<tr><td>70%.</td><td>0.80</td></tr>
</table></td><td>10</td></tr>
</table>

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 | 74. | Indian Rupee Ltd. has three departments, each of which makes a different product. Cost and related data for the last year (not expected to change next year) are as follows: | 10

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 the C department is very perturbed by the result. The product is 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 | 75. | 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

The 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. Advice the manufacturer whether the order should be accepted. What would be your advice if the order was from my local Merchant?

<table>
<tr><td>3</td><td>76.</td><td>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 the cost for 10,000 jars is given below:
<table>
<tr><th>Particulars</th><th>Rs.</th></tr>
<tr><td>Direct Materials</td><td>1,000</td></tr>
<tr><td>Direct Labour</td><td>2,475</td></tr>
<tr><td>Power</td><td>140</td></tr>
<tr><td>Miscellaneous expenses</td><td>430</td></tr>
<tr><td>Jars</td><td>600</td></tr>
<tr><td>Fixed expenses of selling</td><td>7955</td></tr>
<tr><td>Total</td><td>12,600</td></tr>
</table>
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.</td><td>10</td></tr>
<tr><td>3</td><td>77.</td><td>A Firm is producing a product and it is expecting to sell at Rs.120 per unit. The cost breakup is as follows:
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.</td><td></td></tr>
<tr><td>3</td><td>78.</td><td>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
<table>
<tr><th>Particulars</th><th>Rs.</th></tr>
<tr><td>Direct material</td><td>6</td></tr>
<tr><td>Wages</td><td>2</td></tr>
<tr><td>Works overhead</td><td>5(50% fixed)</td></tr>
<tr><td>Selling expenses</td><td>2 (25% variable)</td></tr>
</table>
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?</td><td></td></tr>
<tr><td>4</td><td>79.</td><td>Explain several types of reports prepared at various levels.</td><td></td></tr>
<tr><td>4</td><td>80.</td><td>Briefly explain the procedures underlying Value analysis.</td><td></td></tr>
<tr><td>4</td><td>81.</td><td>Define the term “Reporting to Management" and the essential characteristics of a good report?</td><td></td></tr>
<tr><td>4</td><td>82.</td><td>Explain methods of presentation of reports to the Management.</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>1</td><td>83.</td><td>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</td><td>15</td></tr>
</table>

		per unit. The fixed factory costs are Rs.3, 60,000 per year. Variable selling 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	84.	A Ltd manufactures and sells 4 types of the product under the brand name A, B, C, and D. The mix in the value comprises 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. Variable costs are: A – 60% ofthe selling price B – 68% ofthe selling price C – 80% of the selling price D – 40% of the selling price Fixed cost - Rs. 14,700 per month a. Calculate BEP for the products on an overall basis b. It has been proposed to change the sale mix as under. The total sales per month remain Rs. 60,000. A. – 25% B. – 40% C. – 30% D. – 5% Assume that the proposal is implemented, Calculate BEP.	15
3	85.	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 <table><tr><th>Particulars</th><th>Y (Rs.)</th><th>Z (Rs.)</th></tr><tr><td>Sales</td><td>1,50,000</td><td>1,50,000</td></tr><tr><td>Less: Variable cost</td><td>1,20,000</td><td>1,00,000</td></tr><tr><td>Contribution</td><td>30,000</td><td>50,000</td></tr><tr><td>Less: Fixed cost</td><td>15,000</td><td>35,000</td></tr><tr><td>Budgeted net profit</td><td>15,000</td><td>15,000</td></tr></table>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	15
3	86.	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. <table><tr><th>Particulars</th><th>A</th><th>B</th></tr></table>	15

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.

MODEL QUESTION PAPER FOR M. Com

QP Code: 83351

ST. PHILOMENA'S COLLEGE (AUTONOMOUS), MYSORE

THIRD SEMESTER-MANAGEMENT ACCOUNTING- MARGINAL COSTING AND DECISION MAKING-PAPER A

Subject: MANAGEMENT ACCOUNTING

Title: MARGINAL COSTING AND DECISION MAKING-PAPER A

Time: 3 hours **Max Marks: 70**

PART-A

	Answer any FIVE of the following:	**5x5=25**
1	Mention and explain the advantages for Marginal Costing	
2	**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	
3	Distinguish between a.) Avoidable and unavailable Costs b.) Opportunity costs and imputed costs	
4	**From the following information relating to a company find out a) Contribution b) BEP in units c) Margin of safety) 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 a profit of Rs 6000	
5	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 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.

6 Write short notes on Profit Planning and Decision Making

7 Define Value Analysis**.** Briefly explain its importance

8 Briefly explain the objectives of the reporting

PART-B

Answer any THREE of the following: **3x10= 30**

9 Following data relate to XYZ Company:

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

You are required to prepare an income statement under:
(a) Absorption costing and
(b) Marginal costing.

10 **Star Ltd Manufactures and sells a standard product at a fixed selling price. The budgeted figures for the year 2006 are as under**

Particulars	
Production and sales	2,00,000 units
Variable Cost	Rs 56 per unit
Fixed Cost	Rs 4,80,0000 per annum
Profit Margin	$33_{1/3}$% of the selling price

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

11 A firm is selling a product at ⅕th margin and cost breakup is as follows.

- Material = ¼
- Labour = ⅛
- Variable O/H = ⅛
- Fixed O/H = ½
- Unit selling price is Rs.2000 when 10,000 units are sold.

Calculate:

a. Contribution
b. PV ratio
c. Break even units
d. Break even value
e. Required sales to earn Rs.50,00,000

12 Briefly explain the procedures underlying Value analysis.

13 Define the term "Reporting to Management" and the essential characteristics of a good report?

PART-C
CASE STUDY-COMPULSORY

14 Present the following information to show the management. **1x15=15**

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.

****