SNCC
Assignment 25-26
B. Com. (Hons.)
Semester-5
Management Accounting - 1
Course Code: DSC-C-ACC- 352

Unit-1 Introduction to Management Accounting

- Characteristics of Management Accounting
- Importance of Management Accounting
- Limitation of Management Accounting
- Role of Management Accountant

B) Financial Statement Analysis

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Unit-2 Ratio Analysis

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Unit-3 Cash Flow Statement

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Unit-4 Marginal Costing

(a) Theory

1. Discuss the advantages and limitations of Marginal Costing.
2. (a) What is Break-even Analysis? Discuss its utility.
   (b) Explain the term 'Margin of Safety' and 'Profit-Volume Ratio'.
   (c) Limitations of Marginal Costing.
3. What is 'Key Factor' in Marginal Costing? When a key factor exists, how will the sales mix be determined?
4. Explain the concept of 'Key factor'. - Explain with the help of imaginary figures as to how the key factor is used for determining the optimum production mix.
5. (a) What is 'Break-Even Point ? Which methods are used to find out the Break-Even Point?
   (b) Explain the term 'Angle of incidence.
   (c) Limitations of Marginal Costing.
6. Write short notes on:
   (1)Utility of Marginal Costing.
   (2) Break-even Analysis

(3)Profit Volume Ratio.
(4) Key Factor
(5) Margin of Safety

Practice all multiple choice questions

Examples of marginal costing

1. By making and selling 3,500 units of products a company would suffered a loss of Rs.5,000 while in case of 4,500 units it would make a profit of Rs.5,000.
   Calculate:
   (1) Fixed expenses (3) The profit or loss of 5,000 units.
   (2) Break-even point (4) The number of units for a profit of Rs.20,000.

2. The operating statements of Anish Ltd. exhibited the following result for the month of January, 2008 :

		Rs.
Net sales		1,00,000
Less : Cost of goods sold		60,000
Gross profit		**40,000**
Less:	Rs.	
Distribution cost	20,000	
+ Administrative cost	10,000	30,000
Net Profit		**10,000**

The break up of the various costs into fixed variable is as follows:

	Fixed (Rs.)	Variables (Rs.)
Cost of goods sold	20,000	40,000
Distribution cost	15,000	5,000
Administrative cost	10,000	——

From the above information ascertain:
(1) Break-even point for January, 2008.
(2) What effect on profit would be if variable cost comes to be 50% of sales?
(3) What effect on the profit would be if, sales increased by 10%?

3. If fixed costs are Rs.40,000, variable costs Rs.3,20,000 and break-even point is Rs.2,00,000. Find out:
   (i) Profit volume ratio
   (ii) Sales
   (iii) Net Profit
   (iv) Margin of safety

4. from the particulars given below calculate:
   (1) Bark-even point
   (2) P/V Ratio
   (3) Profit at budgeted sales
   (4) Profit at 100% capacity
   Particulars:
   (1) Budgeted sales during the year amounted to Rs.80, 000 (at 80% capacity)
   (2) Direct material Costs - 40% of sales.
   (3) Direct labour costs - 20% sales
   (4) Variable factory overheads - 10% of sales
   (5) Variable Administrative overheads - 5% of sales

(6) Fixed cost - Rs.10,000.

5. The following information is obtained from the record of a company:

Selling price per unit Rs.60
Variable expenses per unit Rs.36
Fixed expenses Rs.1,80,000
Actual Sales 25,000 units

From the above data, find out

(1) The sales to earn a profit of Rs.1,08,000.
(2) The sales to make a loss of Rs.1,08,000.
(3) The sales to earn a profit of Rs.8 per unit (in units)
(4) The sales to make a loss of Rs.8 per unit (in units)
(5) Margin of Safety

6. Mehul Ltd. suffers loss at 20% of sales in month of January. In February sales is double than that of January and earns profit at 5% of sale. .

In March, sales is twice that of February which is Rs.4, 00,000 and earns profit of Rs.70,0,00.

From above details, find out:

(1) Profit volume ratio.
(2) Fixed expenses.
(3) Break -even point.
(4) Sales for three months and profit/loss of each month.
(5) Margin of safety for month of March.
(6) Profit, when sale is Rs.6,00,000
(7) Sales required to earn profit equal to four times the profit of February.

7. Following informations are given :

Units of output	7,50,000
Fixed costs	Rs.11,25,000
Variable cost per unit	Rs.3
Selling price per unit	Rs.7.50

You are required to determine :

(1) The Break-even point (in value and in units).
(2) Profit volume ratio
(3) The sales needed for a profit of Rs. 9,00,000 (in value and in units)
(4) The profit, if 6,00,000 units are sold at Rs. 15 per unit.

8. Sidenham Mfg. Co. Ltd. manufactures three types of products A, B, and C. The following is the information for its budget of the month of January, 2009.

	A	B	C
Budgeted Sales	300 units	500units	200 units
Selling Price (per unit)	Rs.16	Rs.18	Rs.14
Variable Expenses (per unit):			
Material	Rs.8	Rs.6	Rs.2
Labour	Rs.4	Rs.6	Rs.9
Contribution (per unit).	**Rs.4**	**Rs.6**	**Rs.3**

In all the three products same type of raw-material is used and same type of labour works.

During the month of January, 2009 raw-material of Rs.4,800 and labour Rs.6,600 will be limited.

9. Prepare budget in such a manner that it will result in maximum profit.

(A) From the following information calculate:

(1) The break-even sales in units

(2) The P/V ratio

(3) Margin of Safety,

(4) The sales to earn a profit of Rs.50,000 (in Rs.). At present sale is Rs.5,00,000 (Rs.20 per unit) Fixed expenses Rs.1,50,000. Variable expenses Rs. 12 (per unit).

10. Keshav Ltd. manufactures two products 'A' and 'B'. The following details relate to two products as under:

Particulars	Product A	Product B
Sales price	Rs.232	Rs.392
Direct material	Rs.78	Rs.110
Wage rate per hour	Rs.2	Rs.3
Required labour hours	35	48
Variable overheads (% on direct labour)	70%	75%
Total Fixed overheads		Rs.18,000

If the labour is in short supply, then production of which type of product is profitable? If the production capacity of the factory is 1,200 units of 'A' and 1,500 units of 'B' and the labour hours available are 99,984 then how much of each product should be manufactured to get the maximum profit?

11.

The following information has been Obtained from the books of Pritam Ltd. :

(1) Total production and sales 10.000 units.

(2) Variable Expenses per unit Rs. 12.

(3) Total Fixed' Expenses Rs. 1.20.000.

(4) Selling price per unit Rs. 20. Thus Pritam Ltd. has incurred loss of Rs. 40.000, i.e. at 20% on their sales of 10.000 units.

From the above information. answer the following questions with necessary calculations :

(1) What should be the new selling price per unit, to eliminate that loss of 20% ?

(2) If it is not possible to increase the selling price per unit, what should be the necessary sales in units and in amount, to eliminate that loss of 20% ?

(3) What should be the new selling, price per unit, to earn 20% profit instead of 20% loss ?

(4) If it is not possible to increase the selling price per unit, what should be the new estimates of sales in units and in amount to earn 20% profit, instead of 20% loss ?

(5) Find out the P/V ratio.

12 Bible Co. Ltd. gives the following information for the year ending on 31-3-2008 :

Profit volume ratio	50%
Profit rate on sales	25%
Costs on present sales	Rs. 9,00,000

Calculate the following :

(1) Break-even sales

(2) Profits on sales of Rs. 15,00,000

(3) Profit or loss on sales of Rs. 5,00,000

(4) If the present selling price is reduced by 20%

(a) New profit volume ratio

(b) Required sales to maintain the present profits.

(5) Required sales to maintain the present profits even if the selling price is to be increased by 30%, variable costs are increased by 30% and fixed costs are increased by 33 1/3%.

(6) Margin of safety at a profit of Rs. 5,00,000 (In rupees and in percentage).

13 Following information is obtained From Jaybhavani Ltd.:

Particulars	31-3-2008 First Year	31-3-2009 Second Year
Margin of safety ratio	25%	40%
Profit volume ratio	40%	25%
Sales	Rs.5,00,000	Decrease in S.P and Fixed cost is the only change

Calculate:

(1) Profit and Break-even point sales for the first year .

(2) Sales and Fixed costs for the second year.

(3) Profit and Break-even point sales for, the second year.

14. Following information is obtained from Gayatri Ltd.

Selling price per ton	Rs.	500
Variable price per ton	Rs.	300
Total .fixed costs	Rs.	4,00,000

Break-even sales is 40.% of the total capacity. If other 40% capacity production is to be increased, then calculate the additional profits in the following stages:

(1) In the first 20% production the selling price is to be reduced by 20%.

(2) In the second 20% production, the selling price is to be reduced by 30%.

15 The following particulars relate to the manufacture of production X and Y. Both the products use same raw materials.

	Product X (Per unit) Rs.	Product Y (Per unit) Rs.
Selling Price	500	800
Direct Material (Rs.75 per kg.)	150	300
Direct Labour (Rs.5 per hour)	100	180
Variable Overheads	50	80

Fixed Costs Rs. 3,80,000

Assuming raw materials as the key factor and availability of which is 16,000 kgs. and the maximum sales potential of each product being 4,000 units, find the product .mix which will yield maximum profit.

16.

The following information is obtained from the records of Neha Limited.

Year	Total Cost Rs.	Total Sales Rs.
2008-2009	4,30,000	4,00,000
2008-2010	5,50,000	6,00,000

Calculate:

(1) Profit Volume Ratio

(2) Fixed costs and variable costs in the year 2000-2001.

(3) Break-even point (in rupees)

(4) Probable profit on sale of Rs.8,00,000

(5) Probable sale when the loss is Rs.10,000

(6) Reduction in sale price by 20% in the year 2001-2002 and necessary sale to earn double the profit in relation to the year 2000-2001.

17. The P/V Ratio of Company is 60% and total variable cost is Rs.80,000. Sales value at BEP is Rs.1,50,000 Calculate:
   (i) Total actual sale of company
   (ii) Net Profit

18. The present sale of the company is 20,000 units, at Rs 25 per unit its variable cost is Rs 20 per unit, its total fixed cost for the year is Rs 50,000. Find out existing profit. If company gets one order from Canada for 10,000 units to be supplied at Rs 22, company should accept such order?

(a)Explain with reasons.

(b) If Company gets above order at Rs 23, and if Extra Variable cost is Rs 3 and Extra Fixed cost is Rs 5,000 what will be you advice to the company?