

MANAGEMENT ACCOUNTING WRITTEN ASSIGNMENT 1

Q 1

P Company wants to effect a 10% reduction in the selling price of its product because it is felt that such a step may lead to increase in sale volume. It is expected that there will be no change in fixed or variable cost.

The following information is available:

Sales	10000 units	Rs. 200000
Variable cost	Rs. 14 per unit	
Fixed costs	Rs. 40000	

How the management should proceed to implement this decision if directors wish to maintain net profits at current level.

Q 2

X Ltd has earned contribution of Rs. 200000 and net profit of Rs. 150000 on sales of Rs. 800000. What is its margin of safety?

Q 3

A Ltd maintains a margin of safety of 40% with an overall contribution to sales ratio of 40%. Its fixed costs amount to Rs. 6 lakhs.

Calculate: i) Break-even sales ii) Total sales iii) Total variable costs (iv) Current profit
v) New Margin of safety if the sales volume is increased by 10%.

Q 4

A Ltd is working at 40% capacity and produces 10000 units per month. The present cost break-up for one unit is as under:

Materials	Rs 20	Labour	Rs 6	Overheads	Rs 10 (60% fixed)
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The selling price is Rs 40 per unit. If it is decided to work the factory at 50% capacity, the selling price falls by 3%. At 90% the selling price falls by 5% accompanied by a similar fall in the price of materials.

What will be the BEPs & profits at 50% and 90% levels?

Q 5

X Ltd manufactured & sold 1000 units last year at a price of Rs 800. The cost structure per unit is:

Material	Rs 200;	labour	Rs 100;	Variable overheads	Rs 50;
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Factory overheads (fixed)	Rs 200.
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Due to heavy competition company has to reduce the price to Rs 750 for coming year.

Assuming no change in costs, state the number of units that would have to be sold to earn the same amount of total profits as that of the last year.

MANAGEMENT ACCOUNTING WRITTEN ASSIGNMENT 2

Q 1

Sales at break even point are Rs 25000 and its fixed cost is Rs 10000. What is the total contribution?

Q 2

The cost of Engine is Rs.100000 and Rs 20000 for one bogie. Capacity of each bogie is 80 Passengers and each ticket for the journey is Rs 600. Calculate Break-even for the train (There are no other costs).

Q 3

The ratio of variable costs to sales is 70%. The break-even point occurs at 60% of the capacity sales. Fixed costs are Rs 90000. Find the capacity sales. Also compute profit at 75% of the capacity sales.

Q 4

The manager of ABC Ltd., provides you with the following information:

Sales			4,00,000
Costs			
Variable (60% of sales)	2,40,000		
Fixed	80,000	3,20,000	
Profit before tax			80,000
Income tax (60%)			48000
Net profit			32000

The company is thinking of expanding the plant. The fixed costs with the plant expansion will be increased by Rs 40,000. the company also wants to earn additional income after tax of Rs. 3,200 on investment. On the basis of computations, give your opinion on plant expansion.

Q 5

A producer installed a machine which can produce product 'A' as well as product 'B'. Annual maximum machine running capacity is 4000 hours. Cost details about the products are as follows:

	Product A	Product B
Selling price per unit	Rs 50	Rs 20
Variable cost per unit	Rs 30	Rs 12
Machine time	10 hrs	2 hrs
Max Sale quantity	300 units	1600 units
Annual fixed cost: Rs 10000		

Calculate optimum product-mix showing annual contribution and profit. Give necessary explanation. Also show that a product-mix other than that suggested by you will affect the profits.