

CMA	CA R. K. Mehta
<b>Test - 6</b>	
Time Allowed : 50 min.	Total Marks: 30 Marks

**Q.1:** What are the benefits of study of marginal costing? (5 Marks)

**Q.2:** A radio manufacturing co. finds that while it costs ₹ 6.25 to make component R-518, the same is available in the market at ₹ 5.75 each, with an assurance of continued supply. The break-down of the cost is: -

Particulars	Amount (₹)
Materials	2.75 each
Labour	1.75 each
Other variables	0.50 each
Depreciation and other fixed costs	1.25 each
<b>Total</b>	<b>6.25 each</b>

(a) Should you make or buy?

(b) What would be your decision, if the supplier offered the component at ₹ 4.85 each?

(5 Marks)

**Q.3:** Quality Products Ltd. manufactures and markets a single product. The following data are available

Materials - ₹ 16 per unit	Fixed Cost - ₹ 5 lakhs
Conversion costs (variable) - ₹ 12 per unit	Present sales - 90,000 units
Dealer's margin (10% of selling price) - ₹ 4 per unit	Capacity utilization - 60%
Selling Price - ₹ 40 per unit	

There is acute competition. Extra efforts are necessary to sell. Suggestions have been made for increasing sales: - (a) By reducing selling price by 5%. (b) By increasing dealer's margin by 25% over the existing rate.

**Compute** units to be sold in both the suggestions if the company desires to maintain the present profit? Give reasons. (10 Marks)

**Q.4:** A company manufactures a product, currently utilizing 80% capacity with a turnover of ₹ 8,00,000 at ₹25 per unit. The **cost data** are as under: -

Material cost ₹ 7.50 per unit, labour cost ₹ 6.25 per unit.

Semi-variable cost (including variable cost of ₹ 3.75 per unit) ₹ 1,80,000.

Fixed cost ₹ 90,000 up to 80% level of output, beyond this an additional ₹ 20,000 will be incurred.

**Calculate:** - (a) Activity level at break-even-point (b) Number of units to be sold to earn a net income of 8% of sales (c) Activity level needed to earn a profit of ₹ 95,000 (d) What should be the selling price unit, if break-even-point is to be brought down to 40% activity level? (10 Marks)