Material Costing		
Time Allowed : 35 Minutes	TEST-4	Total Marks: 20 Marks

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

Q.2: Your Company, manufacturing 1,00,000 units p.a., sells it at a price of ₹ 80 per unit. The variable cost per unit is ₹48 and the annual fixed cost amounts to ₹ 18 lakhs. Based on these data, you are **required -**

(i) Present P/V Ratio and break-even sales.

(ii) Increase in the volume of sales required if the profit is sought to be increased by ₹ 3.6 lakhs.

(iii) Percentage increase/decrease in sales quantity to offset an increase of ₹ 7 per unit in variable cost.

(5 Marks)

Q.3: A company can produce three different products from the same raw material using same production facilities. The requisite labour is available in plenty at ₹ 8 per hour for all products. The supply of raw material which is imported at ₹ 8 per kg., is limited to 10,400 kg., for the budget period. The variable overheads are ₹ 5.60 per hour. The fixed overheads are ₹ 50,000. The selling commission is 10% on sales.

(a) From the following information, you are required to suggest the most suitable sales mix, which will maximize the company's profit. Also, **determine** the profit that will be earned at that level.

Product	Market demand units	Selling price per unit (₹)	Labour hours per unit	Raw material required per unit (kg.)
X	8,000	30	1	0.7
Y	6,000	40	2	0.4
Z	5,000	50	1.5	1.5

(b) Assume, in above situation, if additional 4,500 kg. of raw material is made available for production, should the company go in for further production, if it will result in additional fixed overheads of ₹20,000 and 25% increase in the rates per unit for labour and variable overheads.

(10 Marks)