

Marginal Costing

Time Allowed : 35 Minutes

TEST-10

Total Marks: 20 Marks

Q.1 Define break-even point, write down its formula and give its diagrammatic presentation.

(5 Marks)

Q.2 During a particular period ABC Ltd has furnished the following data:

(5 Marks)

Sales ₹ 10,00,000

Contribution to sales ratio 37% and

Margin of safety is 25% of sales.

A decrease in selling price and decrease in the fixed cost could change the “contribution to sales ratio” to 30% and “margin of safety” to 40% of the revised sales. Calculate:

(i) Revised Fixed Cost. (ii) Revised Sales and (iii) New Break-Even Point.

Q.3 Jolly Fabrics manufactures quality napkins at its unit in Tirupur.

(10 Marks)

The unit has a capacity of 60,000 napkins per month. Present monthly production for April is 40,000 napkins. Costs incurred for production are as below: →

Direct Material	₹ 6	→ No fixed cost
Direct Labour	₹ 2	→ Fixed cost 75%
Manufacturing overhead	₹ 4	→ Variable 25%
Total	12 p.u.	

The marketing costs per unit is ₹ 7 (₹5 is variable). Present selling price is ₹ 22.50 per unit.

Due to a strike at its existing napkins supplier, a hotel group has offered to buy 10,000 napkins from Jolly Fabrics @ ₹ 11 per napkin for the month of May. No further sales to the hotel are anticipated. The acceptance of the special order is not expected to affect the selling price to regular customers.

No marketing costs are involved in special order. Calculate:

(i) Actual profit during the month of April

(ii) Budgeted profit during the month of May separately showing contribution from existing and new customers

Should Jolly Fabrics accept the special order from the hotel or not?