



SNS College of Technology

Coimbatore - 35



23BAT605 – FINANCIAL STATEMENT ANALYSIS
Unit IV – DECISION MAKING TOOLS

Topic: Guess?????



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1st Indian Institution to Implement Design Thinking Curriculum
Redesigning Common Mind and Business Towards Excellence



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Topic....





MEANING & DEFINITION

- It is the additional cost of producing an additional unit of a product.

Marginal cost = prime cost + total variable overheads

- J. BATTY: ' a technique of cost accounting which pays special attention to the behavior of costs with changes in the volume of output'.






$$\text{Marginal Cost Formula} = \frac{\text{Change in Total Cost}}{\text{Change in Quantity}}$$

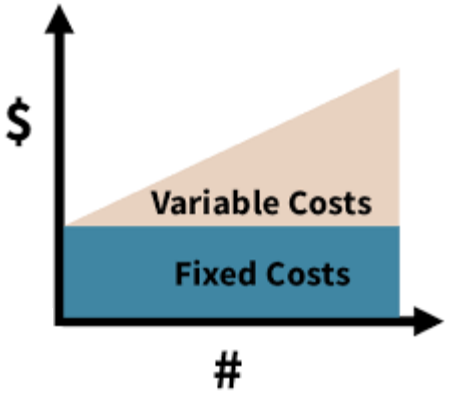





Assumptions of Marginal Costing



vs





Product Risk Unaltered

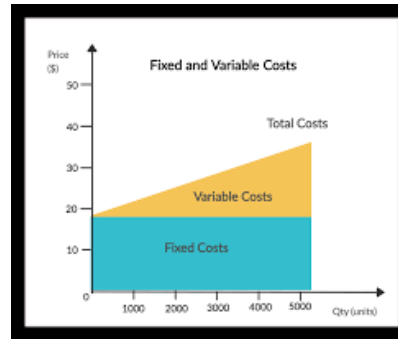


CONSTANT





Features of Marginal Costing



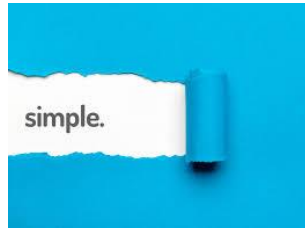


PRICE DETERMINATION





Advantages of Marginal Cost





Contd.,





Contd.,

**REMOVES
COMPLEXITIES**





DISADVANTAGES OF MARGINAL COSTING

Unrealistic Assumption

Semi-Variable Expenses
is not considered

Suitably for short term
basis





Contd.,,

Unrealistic – Under highly
fluctuations

Not effective to measure
performance

Affect Pricing Decisions





Time for the assessment...



List out any two advantages of marginal costing





Summary

Marginal Cost

SUMMARY





References...



- <https://www.accountingtools.com/articles/what-is-marginal-cost.html>
- <https://freebcomnotes.blogspot.com/2017/07/advantages-and-disadvantages-of.html>



Thank
you





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