



SNS College of Technology

Coimbatore - 35



23BAT605 – FINANCIAL STATEMENT ANALYSIS
Unit IV – MARGINAL COSTING

Topic: Guess?????



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Design Thinker

1st Indian Institution to Implement Design Thinking Curriculum

Redesigning Common Mind and Business Towards Excellence



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Topic....

4.5 MARGINAL COSTING IN DECISION MAKING





FIXING SELLING PRICE





FACTORS TO CONSIDER WHILE FIXING THE PRICE OF A COMMODITY OR SERVICE.





Contd.,



CUSTOMER'S UTILITY

GOVERNMENT AND LEGAL REGULATIONS

MARKETING METHODS USED



MAKE OR BUY





FACTORS INFLUENCING MAKE - OR – BUY DECISIONS

Cost Considerations





Contd.,

CONTROL OF PRODUCTION

QUALITY CONTROL



business
process

outsourcing



GOOD IDEAS. GOOD BUSINESS.



ACCEPTING A FOREIGN ORDER

ACCEPTING FOREIGN ORDER - APPLICATION OF MARGINAL COSTING

Cost Of Production Per Unit	(Rs.)
Direct Materials	2
Direct Labour	1
Variable Overhead	3
Fixed Overhead	2

	8

Production Per Month	20,000 Units
Total Cost Of Production	Rs.1,60,000
Sale Price	Rs.1,40,000

Loss	Rs.20,000





DECIDING SALES MIX

SALE MIX





Contd.,

Sales Mix

Formula

**Sales Mix Variance = (Actual Sales Mix - Budgeted Sales Mix) *
Budgeted Units Sold * Budgeted Contribution Margin**

Example

Sales Variance:

1. Product A: $(600-900) * 10 = -3000$ (Unfavourable Variance)
2. Product B: $(900-600) * 8 = 2400$ (Favourable Variance)
3. Total Sales Mix Variance = -600 (Unfavourable Variance)





FACTORS AFFECTING SALES MIX

PRODUCT
SELLING PRICE

SALES FORCE
COMPENSATION

ADVERTISING
EXPENDITURES





Time for the assessment...



Define Marginal Costing in decision making





Summary

MARGINAL COSTING IN DECISION MAKING





References...



- <https://edurev.in/studytube/marginal-cost-in-decision-making-cost-management/d46dd2fb-1c71-4298-a287-67a0b6aae34d-t>



Thank
you





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