



SNS College of Technology

Coimbatore - 35



23BAT605 – FINANCIAL STATEMENT ANALYSIS
Unit IV – MARGINAL COSTING

Topic: Guess?????



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Topic....





PROBLEM:1

Pepsi Company produces a single article. Following cost data is given about its product:-

Selling price per unit Rs.40

Marginal cost per unit Rs.24

Fixed cost per annum Rs. 16000

Calculate:

- a) P/V ratio (b) break even sales (c) sales to earn a profit of Rs. 2,000
- (d) Profit at sales of Rs. 60,000 (e) New break even sales, if price is reduced by 10%.





SOLUTION

(A) **P/V Ratio** = Contribution/sales x 100

$$= (40-24)/40 \times 100 = 16/40 \times 100 \quad \text{OR} \quad 40\%$$

(B) **Break even sales**

S x P/V Ratio = Fixed Cost

(At break even sales, contribution is equal to fixed cost) Putting this values: s x

$$40/100 = 16,000$$

$$S = 16,000 \times 100 / 40 = 40,000 \quad \text{OR} \quad 1000 \text{ units}$$

(C) **The sales to earn a profit of Rs. 2,000**

S x P/V Ratio = F + P

Putting this values: s x 40/100 = 16000 + 2000 S = 18,000 x 100/40

$$S = \text{Rs. } 45,000 \quad \text{OR} \quad 1125 \text{ units}$$





SOLUTION

(D) Profit at sales of 60,000

$$S \times P/V \text{ Ratio} = F + P$$

$$\text{Putting this values: Rs. } 60,000 \times 40/100 = 16000 + P \quad 24,000 = 16000 + P$$

$$24,000 - 16,000 = P$$

$$8,000$$

(E) New break even sales, if sale price is reduced by 10%

$$\text{New sales price} = 40 - 10\% = 40 - 4 = 36$$

$$\text{Marginal cost} = \text{Rs. } 24 \quad \text{Contribution} = \text{Rs. } 12$$

$$P/V \text{ Ratio} = \text{Contribution/Sales}$$

$$= \frac{12}{36} \times 100 \quad \text{OR} \quad 33.33\%$$





PROBLEM:2

From the following information's find out:

P/V Ratio

Sales &

Margin of Safety Fixed Cost = Rs.40, 000 Profit= Rs. 20,000

B.E.P. = Rs. 80,000





SOLUTION

(A) P/V Ratio.

We know that $S - V = F + P$ **OR** $S(S - V)/S = F + P$

B.E.S. x P/V Ratio = F (Value of P is zero at BE Sales) **OR**

P/V Ratio = F/BES Putting the value,

P/V Ratio = $40,000/80,000 = 50/100$ **OR** 50%

(B) Sales.

We know that Sales x P/V Ratio = F+ P **OR**

Sales x P/V Ratio = Contribution OR Sales = Contribution/P/V Ratio

So, = $(40,000 + 20,000)/50/100$

= $(60,000 \times 100)/50$

=Rs.1, 20,000





SOLUTION:

(c) Margin of Safety.

Margin of Safety = Sales – B.E.P Sales So, MOS = 1, 20,000 – 80,000

MOS = Rs.40, 000





Time for the assessment...



Spell out the formula for PV Ratio





Summary

MARGINAL COSTING PROBLEMS





References...

- <http://www.bhaginiveditacollege.in/pdf/2020/Dr-Rachna-Mahalwala-%20B.com-III-yr-Management-accounting-problems-solutions-of-Unit-IV-Management-Accounting.pdf>





Thank
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