

SNS College of Technology Coimbatore - 35



23BAT605 – FINANCIAL STATEMENT ANALYSIS **Unit IV** – MARGINAL COSTING

Topic: Guess?????



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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



$$= (40-24)/40 \times 100 = 16/40 \times 100$$

OR

40%

(B) Break even sales

(At break even sales, contribution is equal to fixed cost) Putting this values: s x 40/100 = 16,000

$$S = 16,000 \times 100 / 40 = 40,000$$

OR

1000 units

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

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

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

$$S = Rs. 45,000$$
 OR 1125 units







(D) Profit at sales of 60,000

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

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

24,000 - 16,000 = P

8,000

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

New sales price = 40-10% = 40-4 = 36

Marginal cost = Rs. 24 Contribution = Rs. 12

P/V Ratio = Contribution/Sales

= 12/36 x100

OR

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.
$$= Rs. 80,000$$





S

SOLUTION

(A) P/V Ratio.

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

B.E.S. \times 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

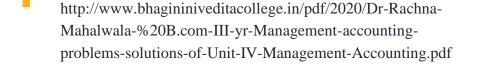








References...

















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