MBA Tech /Computers/ Sem III

Management Accounting for Engineers

M2 -Class test – Descriptive (10 Marks) (20 Minutes)

1. Mrs. Ear enterprise furnish you the following information: (5 Mks)

|  |  |  |
| --- | --- | --- |
| Financial year | Sales (Rs) | Profit (Rs.) |
| 2016 – 2017 | 6,00,000 | 60,000 |
| 2017 -2018 | 8,00,000 | 1,00,000 |

Calculate:

1. Profit Volume Ratio
2. Fixed Cost
3. Break even Sales Volume
4. Sales to earn a profit of Rs. 2,00,000
5. Margin of Safety of 2014
6. Expansion Ltd manufacture automobiles accessories and parts. The following are the total cost of processing 1,00,000 units:

|  |  |
| --- | --- |
| Particulars | Amount |
| Material | 5,00,000 |
| Labour | 8,00,000 |
| Variable Factory Overhead | 6,00,000 |
| Fixed Factory Overhead | 5,00,000 |

The purchase price of the component is Rs.22. The Fixed overhead would continue to be incurred even when the component is bought from outside, although there would been reduction to the extend of Rs. 2,00,000.

Required:

1. Should the part be made or bought considering that the present facilities when released following a buying a decision would remain the idle?
2. In case the released capacity can be rented out to another manufacturer for Rs. 1,50,000 having good demand, what should be the decision?