Engineering Companies

~~ASSIGNMENT - 1~~

1(b)

COST SHEET

① Raw material Consumed		
Opening Stock of Raw Mater	87,200	
+ Raw Material purchased	369,000	
− Closing Stock of Raw Mater	(87920)	368,280
+ Direct Expenses		10010
+ Direct Wages (Productive wages)		176400
PRIME COST		554690
+ Factory Overheads		
Rent, Tax and insurance of factory		41900
~~Carriage~~ Gas and water		2680
Dep. on plant & tools		9100
Repairs of Plant and tools		6230
Factory / Work Cost		614,600
+ Office and Administrative Outlay		
~~Drawing~~ office Salary		40000
General office Salaries		15000
Dep. on office off. furniture		10000
Manager's Salary		75000
Rent Taxes, insurance (office)		2800
Gas Water (office)		560
General Expenses.		40,000

DATE: __/__/____
PAGE: _____

Cost of Production	797960
+ Selling and Distribution Overheads	
Bad Debts Written off	12000
Sales person's Salary	17000
Travelling Expenses	2680
Cash Discount Allowed	4060
Carriage Outwards	6030
Total Cost	839730

3(b)

	Demand original	change
A	100	80
B	120	150
C	200	160

A (Price)	B (Demand)
20	120
25	150

$$E_C = \frac{\Delta Q_B}{\Delta P_A} \times \frac{P_A}{Q_B}$$

$$= \frac{30}{5} \times \frac{20}{120}$$

$$= +1$$

Es +ve

A & B are substitute goods

DATE: __/__/____
PAGE: _____

A (Price)	C (Demand)
20	200
25	160

$$E_c = \frac{\Delta q_c}{\Delta P_A} \times \frac{P_A}{q_c}$$

$$= \frac{-40}{5} \times \frac{20}{200}$$

$$= -0.8$$

E_c = −ve

So, A & C are Complementary Goods.

2(b) Commodity X-1

Advertisement Expenditure	Demand (Sales) (₹ thousand)
50	300
75	312

E_A of X_1 = $\frac{\%\text{ change in demand}}{\%\text{ Change in Advertisement Expense}}$

Good Write

DATE: / /
PAGE:

$$\varepsilon_A \text{ of } X_1 = \frac{\Delta q_0}{\Delta A} \times \frac{A}{q}$$

$$= \frac{12}{25} \times \frac{50}{300}$$

$$= 0.08$$

$$\varepsilon_A \text{ of } X_2 = \frac{\Delta q}{\Delta P} \times \frac{P}{q}$$

(2)

Commodity X_2 (in thousand)

Advertisement Exp.	Demand
50	500
75	770

$$\varepsilon_A \text{ of } X_2 = \frac{270}{25} \times \frac{50}{500}$$

$$= 1.08$$

Advertisement elasticity is more for Commodity X_2 as Compared to X_1. So X_2 is a luxury good whereas X_1 is a necessary good.

Good Write