

Q.1

Ans. Cost may be defined as the amount of expenditure incurred on, or attributable to, a given thing.

* Fixed cost :- Refers to those costs which remains constant irrespective of the volume of output or sales.

- ← Staff Salaries
- ← ADMIN EXPENSES
- ← RENT
- ← DEPRATION.

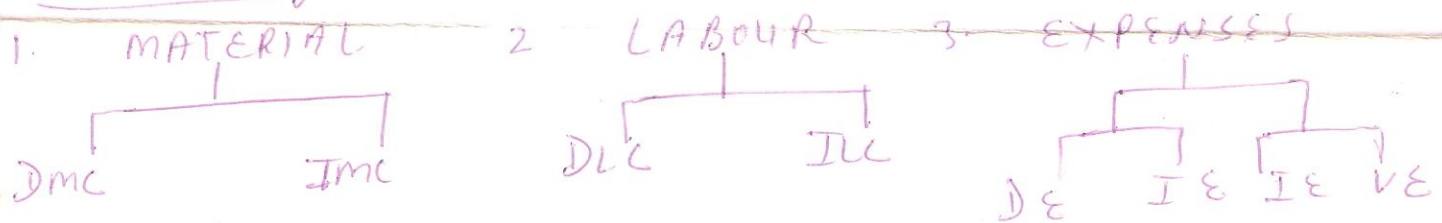
* Variable cost :- Tends to vary directly with volume of output

- ← Direct LABOUR
- ← DIRECT MATERIAL
- ← DIRECT EXPENSES.

* SEMI-VARIABLE COST :-

- ← Partially fixed & partially variable.
- ← Vary with changes in output but variations in irregular
- ← Indirect Hourly labour
- ← GREASE, oil.

* Elements of costs :-



* COSTING :-

PRIME cost → (DMC + DLC + DE)

FACTORY cost → (prime cost) + (Selling overhead) + (Distribution overhead) + (admin overhead)

S.P ⇒ Total cost ± Profit/Loss.

Q.1 (b)

Ms.

List price of MC = RS 6000

Selling price to distributors =) $6000 - \frac{20}{100} \times 6000$
= RS 4800

MC : LC : FC = 1 : 3 : 2.

Given DLC = RS 1200

∴ DMC = $\frac{1}{3} \times 1200 = RS 400$

Fc = $\frac{2}{3} \times 1200 = RS 800$

$$\therefore \text{factory cost} = \text{DLL} + \text{DMC} + \text{FO} \\ = \text{RS } 2400$$

$$\text{Total cost} = (\text{Factory cost}) + (\text{marketing + admin}) \text{ overheads} \\ = 2400 + (0.5 \times 2400) \\ = \text{RS } 3600$$

Now

$$\text{SP} = \text{TC} + \text{Profit} \\ 4800 = 3600 + \text{Profit}$$

$$\therefore \boxed{\text{Profit} = \text{RS } 1200} \text{ on each machine.}$$

Q. 2

M.

BREAK EVEN Analysis :- BEA implies that at some pt. in operations total revenue equals Total cost.

Basically it is concerned with finding the Point at which revenues & cost Agree exactly. the Break even point i.e. the volume of o/p at which whether a profit is made or a loss is incurred.

- Help to find price of an article to give desired profit.

$$\text{B.E Point} = \frac{F}{1 - \text{VSR}} \text{ RS} = \frac{F}{C} \text{ units}$$

(Contribution/unit (S-x))

$$\text{P/V Ratio} = \left(\frac{\text{inc. in Profit}}{\text{Sales}} \times 100 \right) = \frac{\text{Contribution}}{\text{Sales}}$$

$$\text{margin of safety} = \frac{\text{Profit}}{\text{P/V ratio}}$$

