### Assignment 10

Due on 2019-10-09, 23:59 IST.

#### Week 10

<table>
<thead>
<tr>
<th>Course Outline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assignments</strong>:</td>
</tr>
<tr>
<td><strong>Module 1</strong>:</td>
</tr>
<tr>
<td><strong>Module 2</strong>:</td>
</tr>
<tr>
<td><strong>Module 3</strong>:</td>
</tr>
<tr>
<td><strong>Module 4</strong>:</td>
</tr>
<tr>
<td><strong>Module 5</strong>:</td>
</tr>
<tr>
<td><strong>Module 6</strong>:</td>
</tr>
<tr>
<td><strong>Module 7</strong>:</td>
</tr>
<tr>
<td><strong>Module 8</strong>:</td>
</tr>
<tr>
<td><strong>Module 9</strong>:</td>
</tr>
<tr>
<td><strong>Module 10</strong>:</td>
</tr>
</tbody>
</table>

**Assignment Details**

1. The following information relates to a company, which produces a single product. D = $10,000
   Direct materials per unit: $12
   Direct labor per unit: $8
   Variable overhead per unit: $5
   Fixed costs: $4,500
   Selling price per unit: $20
   Selling price per unit: $20

   The break-even sales in this case is calculated to be:

   - $10,000
   - $10,000
   - $12,000
   - $14,000

   **Question**: What is the break-even sales level?
   **Answer**: $10,000

2. An increase in fixed costs will result in which of the following?
   - A decrease in the contribution margin per unit
   - An increase in the break-even point sales level
   - An increase in the contribution margin
   - No impact

   **Question**: What is the break-even sales level?
   **Answer**: $10,000

3. The following information is available from the books of XYZ Ltd:
   - Sales (Rs) = $1,200,000
   - Cost of goods sold = $600,000
   - Fixed costs = $300,000

   Assuming that cost structure and selling prices remain the same in Periods 1 and 2, the sales required to earn a profit of $150,000 is calculated as:
   - $1,800,000
   - $1,600,000
   - $1,400,000
   - $1,200,000

   **Question**: The break-even sales level.
   **Answer**: $1,200,000

4. Margin of safety can be calculated in monetary value by subtracting the break-even point from what?
   - Projected sales
   - Last year’s sales
   - The amount of profit last year
   - A company’s fixed costs

   **Question**: The margin of safety.
   **Answer**: $600,000

5. Which of the following statements are true?
   - PVF Notes can never be issued to increase break-even point
   - Higher the PVF value lower will be the profit and vice versa
   - Concept of PVF ratio is also used to determine profit at a given volume of sales
   - All of the above

   **Question**: The sales break even point?
   **Answer**: All of the above

6. A product has a selling price of $10 and a marginal cost of $6. Sales for March are 10,000 units and fixed costs for March are $2,000. What is the profit for March?
   - $10,000
   - $12,000
   - $10,000
   - $20,000

   **Question**: The margin of safety.
   **Answer**: $20,000

7. The marginal cost of a product is $7 and fixed expenses amount to $2,500. Selling price per unit is $17 and 40,000 units can be sold at this price. The amount in sales, which can be reduced if the company sells the product at $17 is calculated to be:
   - $10,000
   - $12,000
   - $15,000
   - $20,000

   **Question**: The margin of safety.
   **Answer**: $20,000

8. A company is being made with the help of a machine: 10,000 units are made at a cost of $10 per unit of which $5 are material. The same machine can be bought from a vendor at $8 per unit. However, the company needs to sell the machine for $20 per unit following which all the buy components, have returns. If it does not, what will be the impact?
   - Savings of $1,000
   - Loss of $1,000
   - No charge
   - None of the above

   **Question**: The sales break even point?
   **Answer**: $1,000

9. **Question**: What is the break-even sales level?
   **Answer**: $20,000

10. **Question**: Which of the following principles should be followed when making a decision to drop a product?
    - Product yielding level contribution should be given the top priority.
    - A product should be dropped, if it yields positive contribution.
    - If any factor is key factor, the product line should be dropped, which gives maximum contribution per unit of key factor.
    - None of the above

   **Question**: The sales break even point?
   **Answer**: $20,000

   **Question**: The sales break even point?
   **Answer**: None of the above