**Strategic Cost Management**

**December 2021 Examination**

**1. The equity shares of a firm in the current stock market have been traded at Rs60 per share. The price-earnings ratio is 10 times. The Dividend payout ratio is 75%.**

**The total number of shares issued and outstanding as of date is 100000 equity shares of Rs10 each. The book value of each Share is Rs40.**

**Describe and Compute - Earnings per Share, return on equity (10 Marks)**

**Ans 1.**

**Introduction:**

Calculating return on equity (ROE) is a simple process that involves dividing net income by shareholders' equity. Because shareholders' equity, also known as net assets, is equal to the assets of a company minus its debt, return on equity is similarly referred to as net assets. In order to fulfill the shareholders' fairness requirements, ROE is taken into account by analysts as a measure of profitability of an organization. Typically net income is divided by the outstanding stock of a company's standard inventory to arrive at an earnings per share (EPS) amount that is Its Half solved only

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**2. Subway is selling a good number of veggie patty Burgers daily. The production house offers a proposal to get the Veggie Patty manufactured by one of the suppler named Vishnu LLP. However, the administration wants to take the outsourcing decision, also called as make or buy decision, by evaluating the various essential factors contributing to the decision**

**Discuss the primary considerations for evaluating the make or buy decisions**

**(10 Marks)**

**Ans 2.**

**Introduction:**

The decision to manufacture in-house or purchase products from an outside issuer is to be made by the person creating or purchasing the product. This desire, also known as outsourcing, compares the costs and benefits of producing an important product or service internally with the charges and advantages of engaging an external service provider. It is crucial for companies to consider all of the aspects, from how much it will cost to collect and store an object to how much

**3. Following particulars have been shared with you. If fixed cost is Rs500000, selling price is Rs60, and Variable cost is Rs20**

**a. Calculate and describe -Breakeven point (5 Marks)**

**Introduction:**

Calculating a trade's or investment's breakeven point is as simple as comparing the market price of an asset with the original cost of that asset. It can be derived in accounting that the breakeven point can be calculated by dividing the constant costs associated with manufacturing by the unit cost of manufacturing minus variable production costs. While a product reaches its breakeven

**b. What could be the sales number to earn a profit of Rs 50000, at a Fixed Cost Rs 200000, Variable Cost Rs30 per unit, Selling Price Rs 60 per unit (5 Marks)**

**Introduction:**

Target Profit is a term used in fiscal analysis to indicate income that a controlling economic entity hopes can be completed by the end of an accounting period to be selected by the controller. By comparing projected earnings against real earnings, which is usually determined