**Strategic Cost Management**

**December 2022 Examination**

**1. The following information is available for a pen-making business.**

**Calculate the following: (10 Marks)**

**a) Contribution**

**b) PV Ratio**

**c) BE Ratio (in no. of units and value)**

**d) MOS**

**e) Number of pens to be sold to get a profit of Rs. 20,000/-**

**Sales Price of the pen Rs. 100/- each**

**Cost of refill Rs. 10/- per refill.**

**Ink cost Rs. 5 per ml. 2 ml of Ink is required for each pen.**

**Ball bearings Rs. 3 per bearing**

**Sticker on the pen Rs. 2 per sticker.**

**Fixed Costs Rs. 6,00,000 p.a.**

# Ans 1.

# Introduction

Accounting can be referred to as a language of the business that assists the company's stakeholders in making assessments and examinations of the financial health and performance of the organization. There are a number of various branches of accounting, and one such branch is called cost accounting. This branch of accounting is essential, especially for companies that are delighted in doing business. Similar to the aid of this branch of accounting, the business can compute and report the info regarding the company's costs. Cost accounting likewise assists the organization's people and relevant stakeholders in making several choices relating to business

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**2. Select the Financial Statements (Balance sheet / Profit & Loss) of any listed Company. Explain the use of and calculate any 5 ratios. Analyze. (10 Marks) –**

**Ans 2.**

**Introduction**

Every organization or firm, by legislation, must publish its final accounts to inform the stakeholders of the company relating to the financial efficiency of the company. One of the critical uses of the financial information in the annual report and P/L account is to assist the exterior and interior stakeholders of the organization in calculating the financial ratios and metrics. To complete this question, the organization chosen is the Reliance group. This is a conglomerate business that is based in Mumbai, India. The company is separated into four various departments

**3. a. Explain what is meant by product mix analysis. What are the considerations to make product mix decisions? (5 Marks)**

**Ans 3a.**

**Introduction**

To remain effective in the marketplace, the organization needs to make significant decisions about the items they supply. To make some decisions relating to the products the company uses, some choices relating to the item and the mix also need to be considered. The product mix is s term that is utilized to specify the items the organization is supplying to its consumers. Item mix

**3. b. Sanjay is the owner of SSR Pvt. Ltd. He needs item 'A' for his business. He can buy the item at Rs. 50/- per piece. Alternatively, he can produce it in-house. His accountant produces an estimate of the costs of production for the item. The basis that he advises Sanjay not to produce the item in-house as it was costlier. Comment on whether the accountant is right or not. Support with analysis. (5 Marks)**

**Direct Material Cost Rs. 20 per unit**

**Direct Labour Rs. 10 per unit**

**Power cost Rs. 5 per unit**

**Rent of factory allocated to Item A Rs. 18 per unit**

**Depreciation of Plant used for manufacturing A Rs. 6 per unit.**

# Ans 3b.

# Introduction

Several companies operating in the production field have two options in front of them. Either they can outsource the production of the products to any other company or produce the products themselves on their own. Whenever the organization needs to decide between outsourcing or